

2016

ANNUAL REPORT



重庆农村商业银行

CHONGQING RURAL COMMERCIAL BANK

CHONGQING RURAL COMMERCIAL BANK

Stock Code: 3618

* *The Bank holds a financial license number B0335H250000001 approved by China Banking Regulatory Commission and was authorised by the Administration for Industry and Commerce of Chongqing to obtain a corporate legal person business license with a unified social credit code 91500000676129728J. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.*

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Financial Summary

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2016	2015	Comparison between 2016 and 2015	2014	2013	2012
			Rate of Changes (%)			
Operating results						
Net interest income	19,404.7	20,166.5	(3.78)	18,348.7	15,703.2	13,092.2
Net fee and commission income	2,118.4	1,494.9	41.71	1,069.6	679.7	435.7
Operating income	21,661.7	21,889.0	(1.04)	19,802.4	16,315.8	13,653.3
Operating expenses	(8,451.0)	(9,076.1)	(6.89)	(8,400.8)	(7,207.8)	(6,074.8)
Impairment (loss) of assets	(2,676.5)	(3,236.0)	(17.29)	(2,297.2)	(1,181.3)	(511.4)
Profit before tax	10,644.8	9,587.4	11.03	9,109.8	7,916.7	7,067.8
Net profit	8,001.3	7,227.8	10.70	6,813.1	6,015.1	5,377.7
Net profit attributable to equity holders of the Bank	7,944.7	7,223.3	9.99	6,828.5	5,991.0	5,361.5
			Changes			
Based on per share (RMB)						
Net assets per share attributable to equity holders of the Bank	5.66	5.03	0.63	4.45	3.90	3.43
Basic earnings per share	0.85	0.78	0.07	0.73	0.64	0.58
			Changes			
Profitability indicators (%)						
Average return on assets ⁽¹⁾	1.05	1.08	(0.03)	1.22	1.28	1.38
Weighted average return on shareholders' equity ⁽²⁾	15.99	16.38	(0.39)	17.06	17.27	17.81
Net interest spread ⁽³⁾	2.57	2.99	(0.42)	3.14	3.19	3.26
Net interest margin ⁽⁴⁾	2.74	3.20	(0.46)	3.37	3.41	3.50
Net fee and commission income to operating income	9.78	6.83	2.95	5.40	4.17	3.19
Cost-to-income ratio ⁽⁵⁾	35.95	34.69	1.26	35.74	37.66	37.70

(Expressed in RMB million, unless otherwise stated)	As at 31 December					
	2016	2015	Comparison between 2016 and 2015	2014	2013	2012
Scale indicators			Rate of Changes (%)			
Total assets	803,157.7	716,805.2	12.05	618,889.0	502,446.0	433,827.1
Among which: loans and advances to customers, net	288,116.4	257,540.9	11.87	233,520.2	198,150.6	167,614.9
Total liabilities	748,967.9	668,517.4	12.03	576,040.6	465,556.7	401,611.4
Among which: deposits from customers	518,185.9	470,228.2	10.20	409,719.8	347,883.4	294,510.5
Share capital	9,300.0	9,300.0	–	9,300.0	9,300.0	9,300.0
Equity attributable to equity holders of the Bank	52,593.2	46,762.8	12.47	41,425.9	36,251.4	31,906.9
Non-controlling interests	1,596.6	1,525.0	4.70	1,422.5	637.9	308.8
Total equity	54,189.8	48,287.8	12.22	42,848.4	36,889.3	32,215.7
Assets quality indicators⁽⁶⁾(%)			Changes			
Non-performing loan ratio	0.96	0.98	(0.02)	0.78	0.80	0.98
Allowances to non-performing loans	428.37	420.03	8.34	459.79	430.60	350.60
Allowances to total loans	4.10	4.11	(0.01)	3.58	3.46	3.42
Capital adequacy indicators (%)			Changes			
Core Tier 1 capital adequacy ratio ⁽⁷⁾	9.85	9.88	(0.03)	10.12	11.85	11.30
Tier 1 capital adequacy ratio ⁽⁷⁾	9.86	9.89	(0.03)	10.12	11.85	11.30
Capital adequacy ratio ⁽⁷⁾	12.70	12.09	0.61	12.45	13.64	13.22
Total equity to total assets	6.75	6.74	0.01	6.92	7.34	7.43
Other indicators (%)			Changes			
Loan-to-deposit ratio ⁽⁸⁾	57.98	57.12	0.86	59.11	59.00	58.93

Financial Summary

- (1) Representing the net profit for the year (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets at the beginning and the end of the year.
- (2) Representing the net profit for the year (including profit attributable to non-controlling interests) as a percentage of the weighted average balance of shareholders' equity for the year, calculated according to the requirements of "Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share" (Revision 2010) issued by CSRC. 2016 and 2015 represent the net profit attributable to equity holders of the Bank as a percentage of the weighted average balance of shareholders' equity for the year. 2014, 2013 and 2012
- (3) Calculated as the difference between the average yield rate on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing total operating expenses (excluding taxes and surcharges) by operating income.
- (6) Non-performing loan ratio, allowances to non-performing loans and allowances to total loans were calculated on basis of the contractual amount of loans.
- (7) Calculated in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" promulgated by the CBRC.
- (8) The calculation criteria of loan-to-deposit ratio: the loan-to-deposit ratio was calculated on basis of the contractual amount of loans.

Basis of preparation of certain financial indicators

Under the IFRSs, the restructuring of the Bank was accounted for as an acquisition of the business from the 39 Rural Credit Unions and Chongqing Rural Credit Cooperative Union (the "CRCU") by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and the Bank before and after the restructuring.

Company Information

Basic Information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as「重慶農村商業銀行」)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as Chongqing Rural Commercial Bank)
Legal Representative	LIU Jianzhong
Authorised Representatives	LIU Jianzhong XIE Wenhui
Company Secretary	MOK Ming Wai (appointed on 18 March 2016) YUNG Mei Yee (resigned on 18 March 2016)
Registered address and postcode	No. 36 Jinshamen Road, Jiangbei District, Chongqing, the PRC 400023
Principal place of business in Hong Kong	36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company's website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Listing stock exchange, stock name and stock code	The Stock Exchange of Hong Kong Limited Stock name: CQRC Bank Stock code: 3618
Date of first incorporation and registration authority	27 June 2008 Administration for Industry and Commerce of Chongqing, the PRC
Unified social credit code of corporate legal person business license	91500000676129728J
Financial license institution number	The Bank holds a financial license number B0335H250000001 approved by CBRC

Company Information

Auditors	PricewaterhouseCoopers Certified Public Accountants 22/F, Prince's Building, Central, Hong Kong
	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC
Legal advisor as to PRC laws	Zhonghao Law Group (Chongqing) Firm 22/F, Metropolitan Tower 68 Zourong Road, Yuzhong District, Chongqing
Legal advisor as to Hong Kong laws	Clifford Chance 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Domestic Share Registrar	China Securities Depository and Clearing Co., Ltd. 17 Taipingqiao Avenue, Xicheng District, Beijing, the PRC

Awards and ranking in 2016

- The Bank ranked No. 170 among the “Top 1,000 World Banks” and ranked No. 22 among the shortlisted 119 Chinese-funded banks in The Banker of the UK.

- The Bank ranked No. 248 among the “Fortune China 500” in the Fortune (Chinese version).

- The Bank ranked No. 351 among “Top 500 Enterprises in China’s Industry” of China Enterprise Confederation and China Enterprise Directors Association.

- The Bank won the “First Prize of Winning Award of Risk Management, First Prize of Award of Contribution to Inter-bank ATM Transactions, First Prize of Award of System Transformation Advancement, Second Prize of Award of Contribution to Transaction of UnionPay High-end Credit Cards, First Prize of Award of Contribution to Transaction Proportion of UnionPay Credit Cards, Second Prize of Award of Contribution of Direct Transactions, First Prize of Award of Construction of Cloud QuickPass Products and First Prize of Winning Award of Market Norms” issued by Chongqing Operations Office of the People’s Bank of China.

- The Bank won the “2016 Award of Contribution of Business of UnionPay Credit Cards” issued by China UnionPay.

- The customer service center of the Bank was awarded the prizes of “Excellent Service” in the “Fourth Selection of Excellent Customer Service Center in the PRC Banking Industry” by the China Banking Association.

- The Bank was awarded as the “13th Five-Year Plan” Best Investment Value Award for Listed Companies” in the adjudication and selection of the “Hong Kong International Finance Forum and the Sixth China Securities Golden Bauhinia Awards” organised by Hong Kong Ta Kung Wen Wei Media Group Limited, Listed Companies Association of Beijing, Hong Kong Chinese Enterprises Association and other institutions.

Company Information

- The Bank was awarded as the “2016 Best Mobile Banking of Regional Commercial Banks Award” in the 2016 summit forum of “Technology+Finance, Future for Banks” (“科技+金融，啟創銀行未來”) and The 12th Annual Conference of China E-bank 2016 organised by China Financial Certification Authority (CFCA).
- The Bank won the “Financial Institution of Public Trust, Award of Outstanding Contribution to Accurate Poverty Alleviation, Annual Outstanding Wealth Management Banking, Annual Outstanding Mobile Banking and Annual Outstanding Personal Banking” issued by people.cn.
- The Bank won the “Public Welfare Support Award and the Bank of Most Brand Influence” and the mobile banking of the Bank won the “Golden Product Award” issued by Chongqing Broadcasting Group (Station).
- The Bank won the “2016 Outstanding Contribution to Human Resource Award” issued by www.51job.com.
- The Bank won “the Most Reliable Financial Institution, the Most Reliable Internet Banking and the Most Reliable Personal Banking Services ” issued by Chongqing Economic Times.

Chairman's Statement

Dear Shareholders,

2016 is the opening year of the “13th Five-Year Plan”, and is also the crucial year for deepening our reform and renovation and facilitating the implementation of our business transformation. “Sturdy grass withstands a strong wind”, faced with the difficulties and challenges followed by the macroeconomic adjustment, we consciously studied and judged the economic and financial situation, grasped the opportunities of the deepening reform, and took an active role in social services and real economic responsibility. We recognized ourselves, set our direction and accelerated our pace to be a commercial bank of good value and creativity in the highly competitive market.

As at the end of 2016, the total assets of the Group amounted to RMB803.158 billion, representing an increase of 12.05%. The balance of deposits was RMB518.186 billion, representing an increase of 10.20%. The balance of loans stood at RMB300.421 billion, representing an increase of 11.85%. Non-performing loan ratio reached 0.96%. The provision coverage ratio was 428.37%. Net profit amounted to RMB8.001 billion, representing an increase of 10.70%. The missions of the Board of Directors were completed successfully.

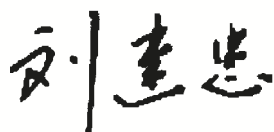
We stood firm with strategic direction, consolidated foundation for development, and had our comprehensive strength step up further. The more complicated the environment, the better the degree of forward-looking and perseverance of strategies of a commercial bank can be examined. In 2016, we formulated a “Five-Year Strategic Plan”, deepened the “three-transformation” strategy: of peculiarity of operation, delicacy of management, and good corporate culture cultivation. Practice has also proved that we could stand the test of the market. Confronting the severe circumstances and market competition, we maintained double-digit growth in our main business indicator and contributed 1.1% to Chongqing's GDP. Our comprehensive strength remained ranking top among the national financial institutions of the same kind. It ranked among the Top 152 Global Banks with Brand Value and China's top 500 enterprises, and also received the “Best Investment Value Award” for listed companies in Hong Kong.

We were persistent in reform and renovation, accelerated the pace of transformation, and broadened our development prospects. “Hundred-year-old wood needs new rain and dew.” As a commercial bank, we have to be brave to renovate and good at breaking through to sustain our vitality and energy to become century-old business. The Chongqing Rural Commercial Bank is the pioneer of rural financial reform, and also the follower of modern financial institutions. In 2016, we continuously accelerated the innovation of business and management models and promoted various business transformation. The bank-holding finance leasing company reported good momentum of development. Over RMB20 billion had been loaded in two years since opening. It earned business qualifications such as lead underwriter of debt financing instruments (Type B) of non-financial enterprises, derivative transactions of ordinary qualification and credit assets securitization, which vastly increased our comprehensive service capabilities and market influence, expanded our market and possibility of development, and enriched the connotation of development.

Chairman's Statement

We adhered to sound and prudent business principles, enhanced the level of internal control, and ensured steady and sustainable development. We always pursued the risk-oriented approach of prudent operation and insisted on the principles of adequate risk exposure. We constantly improved the risk preference indicator system, strictly implemented credit control to real estate and capacity exceeded industries, to guarantee the steady asset quality and excellent defect rate and provision coverage rate among listed banks. We always believed that good internal control is the foundation of steady operation. We continuously developed more advanced technology operation system, better system flow and more comprehensive risk control mechanism to meet the standard of Grade 2A of regulatory rating.

The results we had in the past year didn't come easily and we still have pressure of development in the new year. In 2017, the Board of Directors will endeavor to lead the bank to reach our goals of "four strengthening and four enhancement": First, strengthen our reform and innovation to optimize the structure and enhance internal control; gradually facilitate the key tasks such as group renovation and branch-level management to improve internal management to meet the needs of marketization; Second, strengthen the efficiency of transformation and development, enhance the ability of strategy execution; persist in the direction of "big investment bank", "big investment management", and "big linkage", accelerate business transformation to be an "asset-light bank"; Third, strengthen delicacy management to achieve cost control, enhance e-banking replacement rate; facilitate the establishment of e-channel and centralized operation system to release human resources and minimize operation cost; Four, strengthen strict management and enhance the image of the bank, enhance team dynamic; return to the basic of compliance operation, manage and prevent all kinds of risks, improve team quality, build up positive image of compliance operation and excellent services to the public. We wish that we could create better performance, higher value and better return to the customers, shareholders, employees and the society!



LIU Jianzhong
Chairman

17 March 2017

President's Statement

Dear Shareholders,

Having confronted the complicated and severe economic and financial circumstance in 2016, the Bank actively adapted to the new normal of economic and financial development, and conscientiously carried out national policies and the requirements of financial regulation. The Bank adhered to the philosophy of “Focusing on the Basis, Strengthening the Management, Adjusting the Structure, Controlling Risks, Making Innovations and Steady Development”, tackled the problems, worked aggressively, achieved all the missions, maintained steady development situation, and eventually made a good start to the “13th Five-Year Plan”.

Progress was achieved and stability was ensured. As at the end of 2016, the total assets of the Group amounted to RMB803.158 billion, representing an increase of RMB86.353 billion or 12.05%. The balance of deposits was RMB518.186 billion, representing an increase of RMB47.958 billion or 10.20%. Market shares of stock and increment remained ranking top among the financial institutions of the same kind in Chongqing. The balance of loans stood at RMB300.421 billion, representing an increase of RMB31.836 billion or 11.85%. Net profit amounted to RMB8.001 billion, representing an increase of 10.70%. Income structure continued to improve. Net fee and commission income was RMB2.118 billion, representing an increase of 41.71%, and its proportion to operating income increased by 2.95 percentage points.

Reform and innovation was deepened. We've got qualification such as derivative transactions of ordinary shares and credit assets securitization; we became the first approved lead underwriter of debt financing instruments (Type B) of non-financial enterprises among local legal person banks. The comprehensive operation ability is steadily enhanced. We steadily facilitated the listing of A shares, successfully issued RMB4 billion second level capital bonds. Our capital strength has been getting stronger. We deepened the reform of the division of the system, set up head office direct-sale department and real estate department; continuously enhanced the level of marketization, professionalization and centralization. We completed the upgrading of the branches of Liangjiang and Wanzhou, implemented transformation of bank outlets and personal loans. The comprehensive operation ability was increased significantly. We strengthened the linkage between our Group and the financial leasing holding companies to provide comprehensive financial services for our customers. We actively integrated into internet finance by establishing platforms such as internet bank and direct-sales bank; we also set up technology-based branches and smart banks to facilitate online and offline service integration.

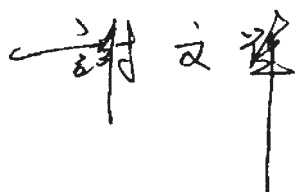
Business structure was continuously optimized. We intensively focused on the important strategic plans such as supply-side structural reform, “One Belt and One Road (一帶一路)”, and construction of five major functional regions, optimized business structure, enlarged credit input of “6+1” backbone industries and strategic budding industries, and facilitated effectively the development of real economy. We actively expanded retail customer base with high quality, improved high-value service system with growth of 165,000 medium and high-end customers. The Group on-goingly optimized mechanism of small and micro services, created “testing fields” for small and micro products, services and management innovation. 14 specialised branches for small and micro services were established while the balance of small and micro loans stood at RMB93.434 billion, representing an increase of RMB10.690 billion. Bearing in mind the aims of serving Sannong (三農), we expanded the agriculture-related loans and supported areas such as agricultural industry with characteristic benefits in county area, ecotourism and integration development of primary, secondary and tertiary industries in villages. We also innovated products such as mortgage of “three-rights (三權)”, photovoltaic poverty alleviation and loans for assistance for the poor. The balance of county loans stood at RMB141.143 billion, representing an increase of RMB12.578 billion.

President's Statement

Internal control reached a higher level. We adhered to the principle of risk-oriented prudent operation, and strictly controlled the risks of industries with excess capacity and key areas. Special attention was paid to external risk incidents to prevent external risk shifting. We actively adapted to the requirements of comprehensive risk management and strengthened the risk limitation, pressure test and liquidity management, with regulatory rating reaching Grade 2A, the highest regulatory rating for financial institutions of the same kind. The balance of non-performing loans stood at RMB2.873 billion and the non-performing loan ratio was 0.96%, representing a decrease of 0.02 percentage points as compared with the end of the previous year. The asset quality remained good. The capital adequacy ratio was 12.70%; the provision coverage ratio was 428.37%, and the provision-loan ratio was 4.10%, maintaining a relatively high risk resilient capacity. The Group steadily facilitated the design and development of the new core system, and improved the systems of online anti-money laundering and of “replace the business tax with value-added tax”. We strengthened the emergency protection system of “three centers in two areas”, with more powerful technical support provided. We also optimized the credit model of small and micro stock business, trying mortgage and automatic credit approval of small and micro loans, which enhanced operating efficiency significantly.

To be able to achieve the above success, the leadership of the Board of Directors and the instruction of the Board of Supervisors are indispensable, we need the support and kindness of shareholders and customers, and also the instruction of the efforts of all the employees of the Bank. I would like to express my sincere gratitude on behalf of the management!

“The one who understands the rules but knows to change will win; The one who follows the rules but knows to create can move forward.” 2017 is an important year to implement the “13th Five-Year Plan”; it is a year to deepen supply-side structural reform; it is also a crucial year for the bank to thoroughly implement the “three-transformation (三化)” strategy and the five-year development plan and to facilitate reform and transformation. In accordance with the decisions and deployment of the Board of Directors, we will implement the “three-transformation (三化)” strategy, persevere the philosophy of “big capital management, big investment bank” and the market positioning of “small and retail”, accelerate the transformation to asset-light bank, accelerate the development of reform and innovation, and endeavor to boost the bank to reach a higher level of development.



XIE Wenhui
President

17 March 2017

Management Discussion and Analysis

Financial Review

In 2016, the world economy continued the in-depth adjustment while risks of various changes were also rising. The global economic growth slowed down as compared with 2015, with the rise of polarization in developed economies' growth patterns and the gradually stabilized overall growth rate of emerging and developing economies. International trade growth continued to slump, global capital flows intensified, bulk commodity prices rebounded by the impact of capital flows while the fluctuation was still significant.

In 2016, in the face of the intricate domestic and international economic environment, China's economic was in the path of a stable slowdown with a promising prospect, showing characteristics of stable production and operation, significant improvement of efficiency, continuous optimization of structure, and faster transition of momentum, and achieved a good start for the "13th Five-Year" Plan. In 2016, gross domestic product (GDP) stood at RMB74,412.7 billion, representing an increase of 6.7% over the same period of last year. The industrial structure was continued to optimize and the proportion of tertiary industry was increased to 58%, 1.4 percentage points higher than that of previous year and 11.8 percentage points higher than the second industry. Industrial production grew steadily, enterprise performance was significantly improved, fixed asset investment was in the path of a stable slowdown, and the market sales achieved a stable and rapid growth. National money supply was basically stable. As at the end of December 2016, the balance of broad money (M2) increased by 11.3% compared with that of last year, representing a decrease of 2 percentage points as compared with the growth rate of last year. The balance of RMB-denominated loans amounted to RMB106.6 trillion, increased by 13.5% compared with that of last year. The balance of RMB-denominated deposits amounted to RMB150.59 trillion, representing an increase of 11% compared with that of last year. New RMB-denominated loans amounted to RMB12.65 trillion, representing an increase in growth of RMB925.7 billion over the previous year. New RMB-denominated deposits amounted to RMB14.88 trillion, representing a decrease in growth of RMB92.4 billion over the previous year.

In 2016, by further implementing the development strategies for the five major functional regions, promoting the supply-side structural reform, and with the cultivation of new economic and development momentum, the economic growth of Chongqing was stable and sustained, as well as, the quality and benefits of development were enhanced continuously. The gross regional product (GRP) of Chongqing reached RMB1,755.876 billion, representing an increase of 10.7% year-on-year and 4.0 percentage points higher than the national level. Per capita GDP reached 57,902 yuan, representing an increase of 9.6%. Enterprises operating at economies of scale and above increased by 10.3% over the beginning of the year, 4.3 percentage points higher than the national average level. Consumer prices were basically stable and CPI rose 1.8% year-on-year. Fixed assets investment accelerated, representing an increase of 12.1% year-on-year. The growth of the monetary credit was stable. As at the end of December, the balance of RMB- and foreign currency-denominated deposits in the financial institutions of Chongqing amounted to RMB3,216.009 billion, representing an increase of 11.8% over the end of last year; the balance of RMB- and foreign currency-denominated loans amounted to RMB2,552.417 billion, representing an increase of 11.2%.

Management Discussion and Analysis

1. Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2016	2015		
Net interest income	19,404.7	20,166.5	(761.8)	(3.78)
Net fee and commission income	2,118.4	1,494.9	623.5	41.71
Net trading profit or loss	(15.6)	19.8	(35.4)	(178.79)
Other operating income, net	154.2	207.8	(53.6)	(25.79)
Operating income	21,661.7	21,889.0	(227.3)	(1.04)
Operating expenses	(8,451.0)	(9,076.1)	625.1	(6.89)
Impairment loss on assets	(2,676.5)	(3,236.0)	559.5	(17.29)
Net profit or loss on disposal of available-for-sale financial assets	64.7	(1.5)	66.2	(4,413.33)
Net profit or loss on disposal of investments of debt securities classified as receivables	45.9	12.0	33.9	282.50
Profit before tax	10,644.8	9,587.4	1,057.4	11.03
Income tax expense	(2,643.5)	(2,359.6)	(283.9)	12.03
Net profit	8,001.3	7,227.8	773.5	10.70

In 2016, the profit before tax of the Group amounted to RMB10,645 million, representing an increase of 11.03% as compared to the previous year; net profit amounted to RMB8,001 million, representing an increase of 10.70% as compared to the previous year. The increase in profit before tax and net profit was primarily attributed to the Group's strengthened efforts in product innovation and marketing while maintain a stable growth of interest earning assets, which has led to an increase of RMB624 million or 41.71% in net fee and commission income as compared with last year; and a decrease of RMB625 million or 6.89% in operating expenses as compared with last year as a result of further intensified cost budget management by the Group benefited from the reform of replacing business tax with value-added tax.

(I) Net Interest Income

In 2016, the net interest income of the Group amounted to RMB19,405 million, representing a decrease of RMB762 million or 3.78% as compared to the previous year and accounting for 89.58% of the total operating income, including an increase of RMB2,707 million of net interest income arising from changes in the average balance of various assets and liabilities, and a decrease of RMB3,436 million in net interest income attributable to the changes in the average yield or the average cost rate.

Management Discussion and Analysis

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2016	2015		
Interest income	32,866.2	35,199.2	(2,333.0)	(6.63)
Interest expense	(13,461.5)	(15,032.7)	1,571.2	(10.45)
Net interest income	19,404.7	20,166.5	(761.8)	(3.78)

The table below sets forth, for the years indicated, the average balances of our interest-earning assets and interest-bearing liabilities, related interest income or interest expense and average yields (for assets) or average costs rate (for liabilities). The analysis below excludes the impact of capital-preserve type of customer-driven wealth management products and non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation on the interest income/expense and average balances.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	287,500.1	15,489.1	5.39	261,265.5	17,332.9	6.63
Debt securities investments	225,235.5	10,714.2	4.76	152,637.7	8,832.1	5.79
Balances with Central bank	75,530.0	1,183.7	1.57	75,067.6	1,189.0	1.58
Due from banks and other financial institutions	121,352.5	4,678.0	3.85	141,253.7	7,678.7	5.44
Total interest-earning assets⁽¹⁾	709,618.1	32,065.0	4.52	630,224.5	35,032.7	5.56
Liabilities						
Deposits from customers	507,855.8	8,083.1	1.59	449,621.9	9,540.1	2.12
Borrowings from Central bank	16,755.8	511.8	3.05	3,768.9	134.1	3.56
Due to banks and other financial institutions	81,426.2	2,542.1	3.12	105,093.1	4,344.4	4.13
Bonds payable	43,184.8	1,491.1	3.45	19,701.2	847.6	4.30
Total interest-bearing liabilities⁽¹⁾	649,222.6	12,628.1	1.95	578,185.1	14,866.2	2.57
Net interest income		19,436.9			20,166.5	
Net interest spread			2.57			2.99
Net interest margin			2.74			3.20

Note: (1) The impact of customer-driven wealth management products was excluded.

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In 2016, the average yield on overall interest-earning assets decreased by 104 basis points from the previous year to 4.52%. The average cost rate of the overall interest-bearing liabilities decreased by 62 basic points from the previous year to 1.95%. The net interest spread decreased 42 basic points from the previous year to 2.57%, whereas the net interest margin dropped by 46 basis points from the previous year to 2.74%.

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

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Changes in interest income/ expense
Assets			
Loans and advances to customers	1,414.0	(3,257.8)	(1,843.8)
Debt securities investments	3,455.7	(1,573.6)	1,882.1
Balances with Central bank	7.3	(12.6)	(5.3)
Due from banks and other financial institutions	(766.2)	(2,234.5)	(3,000.7)
Changes in interest income	<u>4,110.8</u>	<u>(7,078.5)</u>	<u>(2,967.7)</u>
Liabilities			
Deposits from customers	925.9	(2,382.9)	(1,457.0)
Due to Central bank, banks and other financial institutions	(332.1)	(1,092.5)	(1,424.6)
Bonds payable	810.2	(166.7)	643.5
Changes in interest expense	<u>1,404.0</u>	<u>(3,642.1)</u>	<u>(2,238.1)</u>

1. Interest Income

In 2016, affected by the separation treatment of price and tax under the national policy of replacing business tax with value-add tax, the interest income of the Group amounted to RMB32,866 million, representing a decrease of RMB2,333 million or 6.63% as compared to the previous year. The analysis below does not take into account of the interest income generated from the capital-preserve type of customer-driven wealth management products and non-capitalpreserve type of customer-driven wealth management products included in the scope of accounts consolidation.

(1) Interest Income from Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	180,287.0	9,482.1	5.26	152,575.6	10,108.8	6.63
Retail loans	96,686.8	5,721.4	5.92	95,786.3	6,671.8	6.97
Discounted bills	10,526.3	285.6	2.71	12,903.6	552.3	4.28
Total loans and advances to customers	287,500.1	15,489.1	5.39	261,265.5	17,332.9	6.63

Interest income from loans and advances to customers decreased by RMB1,844 million or 10.64% to RMB15,489 million as compared to the previous year, primarily attributable to the increase of RMB1,414 million in interest income driven by the increase in the average balance of loans and advances to customers on one hand, interest income reduced by RMB3,258 million due to the decrease in the PBOC benchmark rates on the other hand.

(2) Interest Income from Debt Securities Investments

In 2016, the Group's interest income from debt securities investments increased by RMB1,882 million or 21.31% to RMB10,714 million as compared to the previous year, primarily attributable to the increase in average balance of debt securities investment over the previous year as a result of timely grasping favorable market opportunities by actively expanding the scale of investment in debt securities.

(3) Interest Income from Balances with Central Bank

In 2016, the Group's interest income from balances with Central Bank decreased by RMB5 million or 0.45% to RMB1,184 million as compared to the previous year.

Management Discussion and Analysis

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

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Deposits and placements with banks and other financial institutions	108,632.8	4,115.8	3.79	99,660.1	5,166.7	5.18
Financial assets held under resale agreements	12,719.7	562.2	4.42	41,593.6	2,512.0	6.04
Total due from banks and other financial institutions	121,352.5	4,678.0	3.85	141,253.7	7,678.7	5.44

In 2016, the interest income from deposits and placements with banks and other financial institutions of the Group decreased by RMB1,051 million or 20.34% to RMB4,116 million as compared to the previous year, primarily attributable to the decreases in the average yield of deposits and placements with banks and other financial institutions as compared to the previous year under the background of the downward overall interest rate in the market.

In 2016, the interest income from financial assets held under resale agreements decreased by RMB1,950 million or 77.62% to RMB562 million as compared to the previous year, primarily attributable to adjustments of funds application subject to the satisfaction of management in assets, liability and liquidity, which resulted in the decreases in the average balances and the average yield of financial assets held under resale agreements as compared to last year respectively.

2. Interest Expense

In 2016, the Group's interest expense decreased by RMB1,571 million or 10.45% to RMB13,462 million as compared to the previous year. The analysis below does not take into account of the interest expense generated from the capital-preserve type of customer-driven wealth management products and non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation.

(1) Interest Expense on Deposits from Customers

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Average balance	Interest expense	Average yield (%)	Average balance	Interest expense	Average yield (%)
Corporate deposits						
Demand	108,155.9	733.1	0.68	82,149.8	560.7	0.68
Time	27,497.1	687.5	2.50	35,296.7	1,004.4	2.85
Subtotal	<u>135,653.0</u>	<u>1,420.6</u>	<u>1.05</u>	<u>117,446.5</u>	<u>1,565.1</u>	<u>1.33</u>
Retail deposits						
Demand	104,378.5	315.9	0.30	87,192.8	331.0	0.38
Time	267,824.3	6,346.6	2.37	244,982.6	7,644.0	3.12
Subtotal	<u>372,202.8</u>	<u>6,662.5</u>	<u>1.79</u>	<u>332,175.4</u>	<u>7,975.0</u>	<u>2.40</u>
Total deposits from customers	<u>507,855.8</u>	<u>8,083.1</u>	<u>1.59</u>	<u>449,621.9</u>	<u>9,540.1</u>	<u>2.12</u>

In 2016, interest expense on deposits from customers of the Group amounted to RMB8,083 million, representing a decrease of RMB1,457 million, or 15.27% as compared to last year, which was primarily due to the decrease of 53 basis points in the average cost rate of deposits from customers to 1.59% as compared to the previous year as a result of the effect from interest rate cut by the PBOC in 2015 and the strengthened cost and pricing management, which leads to a significant decrease in interest expense on deposits from customers.

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

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Average balance	Interest expense	Average yield (%)	Average balance	Interest expense	Average yield (%)
Deposits and placements from banks and other financial institutions	59,258.9	1,954.8	3.30	63,888.6	2,879.5	4.51
Financial assets sold under repurchase agreements	22,167.3	587.3	2.65	41,204.5	1,464.9	3.56
Total due to banks and other financial institutions	81,426.2	2,542.1	3.12	105,093.1	4,344.4	4.13

In 2016, the Group's interest expense on deposits and placements from banks and other financial institutions amounted to RMB1,955 million, representing a decrease of RMB925 million, or 32.11% over the previous year, which was primarily due to the decrease in the average balance and average cost rate of deposits and placements from banks and other financial institutions under the background of the downward overall interest rate in the market.

In 2016, the interest expense on financial assets sold under repurchase agreements of the Group decreased by RMB878 million or 59.91% to RMB587 million as compared to the previous year, primarily due to the decrease in the average balance and average cost rate of financial assets sold under repurchase agreements as compared to the previous year under the background of the downward overall interest rate in the market.

(3) Bonds payable

In 2016, the interest expense on bonds payable of the Group was RMB1,419 million, representing an increase of RMB644 million or 75.92% as compared to that of last year, mainly attributable to the optimization of debts structure and increase in the scale of deposit of certificate issued in other banks.

3. *Net Interest Spread and Net Interest Margin*

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

In 2016, the net interest spread of the Group decreased by 42 basis points to 2.57% as compared to the previous year, the decrease of which reflected a higher decrease rate in the average yield of interest-earning assets over the previous year than that in the average cost rate of interest-bearing liabilities over the previous year. In 2016, the net interest margin of the Group was 2.74%, representing a decrease of 46 basis points from the previous year.

(II) **Non-interest Income**

1. *Net Fee and Commission Income*

(Expressed in RMB million, unless otherwise stated)	For the year ended		Change in amount	Change (%)
	31 December			
	2016	2015		
Fee and commission income	2,223.9	1,575.5	648.4	41.16
Settlement and clearing fees	174.4	115.7	58.7	50.73
Bank card fees	385.2	378.2	7.0	1.85
Agency and fiduciary service fees	401.5	243.6	157.9	64.82
Wealth management fees	1,136.3	761.5	374.8	49.22
Others	126.5	76.5	50.0	65.36
Fee and commission expense	(105.5)	(80.6)	(24.9)	30.89
Net fee and commission income	2,118.4	1,494.9	623.5	41.71

In 2016, the net fee and commission income amounted to RMB2,118 million, representing an increase of RMB624 million or 41.71% over the previous year, and its proportion to operating income increased by 2.95 percentage points to 9.78%.

Settlement and clearing fees income amounted to RMB174 million, representing a year-on-year increase of RMB59 million or 50.73%, primarily attributable to an increase in the income from international business.

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Income from agency and fiduciary service fees amounted to RMB402 million, representing a year-on-year increase of RMB158 million or 64.82%, which was mainly due to the fact that the Group actively applied for trading qualification and strived to develop emerging business.

Wealth management fees income amounted to RMB1,136 million, representing a year-on-year increase of RMB375 million, or 49.22%, which was mainly due to the fact that in response to the diversified investment needs of the customers, the Group expanded the product portfolio of customer-driven wealth management, which promoted the rapid growth in customer-driven wealth management business.

2. Net Trading (Losses) Gain

Net trading (losses) gain primarily comprises changes in the fair value of trading debt securities held and (losses) gain arising from trading. In 2016, the Group's net trading loss was RMB16 million, representing a decrease of RMB35 million year-on-year, primarily due to the adjustment on the investment structure, and recorded a decrease in investments held for trading as compared to the same period of last year.

3. Other Operating Net Income

In 2016, other operating income of the Group, net, decreased by RMB54 million to RMB154 million.

(III) Operating Expenses

In 2016, the operating expenses of the Group decreased by RMB625 million, or 6.89% to RMB8,451 million as compared to the previous year.

(Expressed in RMB million, unless otherwise stated)	For the year ended		Change in amount	Change (%)
	31 December			
	2016	2015		
Staff costs	5,296.3	5,155.6	140.7	2.73
Taxes and surcharges	662.8	1,483.8	(821.0)	(55.33)
Depreciation and amortisation	696.6	659.0	37.6	5.71
Others	1,795.3	1,777.7	17.6	0.99
Total operating expenses	8,451.0	9,076.1	(625.1)	(6.89)

1. *Staff Costs*

Staff costs are the largest component of operating expenses of the Group, accounting for 62.67% and 56.80% of its total operating expenses for the years ended 31 December 2016 and 2015 respectively.

(Expressed in RMB million, unless otherwise stated)	For the year ended		Change in amount	Change (%)
	31 December			
	2016	2015		
Salaries, bonuses and allowances	3,527.6	3,524.3	3.3	0.09
Staff welfare, social insurance and housing funds	1,237.1	1,203.1	34.0	2.83
Others	531.6	428.2	103.4	24.15
Total staff costs	5,296.3	5,155.6	140.7	2.73

In 2016, staff costs of the Group increased by RMB141 million or 2.73% to RMB5,296 million as compared to the previous year.

2. *Taxes and Surcharges*

Taxes and surcharges mainly relate to revenue generated from our provision of financial products and services with respect to lending (interest income), transfer of securities and other financial businesses. In 2016, taxes and surcharges decreased by RMB821 million or 55.33% to RMB663 million as compared to the previous year, primarily affected by the reform of “replace business tax with value-added tax”.

3. *Depreciation and Amortisation*

Depreciation and amortisation for 2016 increased by RMB38 million or 5.71% to RMB697 million over the previous year as the growth of our property and equipment remained stable during the year.

4. *Others*

For the year 2016, other general and administrative expenses amounted to RMB1,795 million without significant increase as compared to the corresponding period of last year, which was mainly due to the fact that the Group strengthened the efforts in monitoring the management of daily expense and budget, which enhanced the management efficiency.

Management Discussion and Analysis

(IV) Impairment loss on Assets

Impairment loss on assets consists primarily of provisions charged on loans and advances to customers and other assets. Provisions charged for impairment loss on assets was RMB2,677 million for the year ended 31 December 2016, representing a decrease of RMB560 million or 17.29% over the previous year.

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2016	2015		
Loans and advances to customers	2,372.9	2,978.3	(605.4)	(20.33)
Other assets	303.6	257.7	45.9	17.81
Total impairment loss on assets	<u>2,676.5</u>	<u>3,236.0</u>	<u>(559.5)</u>	<u>(17.29)</u>

In 2016, provisions of impairment loss for loans and advances to customers were RMB2,373 million, representing a decrease of RMB605 million as compared with 2015, primarily due to promotion of the quality on loans of the Group as the Group fully took account of the uncertainties hanging over the macro economy.

In 2016, the provisions for impairment on other assets were RMB304 million, representing an increase of RMB46 million as compared with 2015, which is mainly the provision of impairment provided for non-credit financial assets.

(V) Income Tax Expense

The applicable income tax rate of the Group was 25%. The effective tax rate of the Group in 2016 and 2015 was 24.83% and 24.61% respectively. The effective tax rate increased by 0.22 percentage points over the previous year.

The following table sets forth the profit before tax and income tax expense for the years ended 31 December 2016 and 2015.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2016	2015		
Profit before tax	10,644.8	9,587.4	1,057.4	11.03
Tax calculated at applicable statutory tax rate	2,627.7	2,382.3	245.4	10.30
Add/(less) the tax effect of the following items:				
Non-deductible expenses	153.6	75.8	77.8	102.64
Non-taxable income	(137.8)	(98.5)	(39.3)	39.90
Total Assets	2,643.5	2,359.6	283.9	12.03

II. Analysis on Statement of Financial Position

(I) Assets

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016		As at 31 December 2015	
	Amount	% of Total (%)	Amount	% of Total (%)
Loans and advances to customers, gross	300,421.4	37.40	268,585.7	37.47
Allowances for impairment on loans and advances to customers	(12,305.0)	(1.53)	(11,044.8)	(1.54)
Loans and advances to customers, net	288,116.4	35.87	257,540.9	35.93
Investment securities ⁽¹⁾	259,135.3	32.26	209,227.3	29.19
Cash and balances with the Central Bank	85,836.0	10.69	78,500.3	10.95
Deposits with banks and other financial institutions	34,582.8	4.31	44,764.5	6.25
Placements with banks and other financial institutions	112,571.4	14.02	74,000.6	10.32
Financial assets held under resale agreements	3,699.9	0.46	34,549.3	4.82
Financial assets held for trading	3,511.9	0.44	1,246.6	0.17
Financial assets designated at fair value through profit or loss	1,009.4	0.13	2,909.7	0.41
Goodwill	440.1	0.05	440.1	0.06
Other assets ⁽²⁾	14,254.5	1.77	13,625.9	1.90
Total Assets	803,157.7	100.00	716,805.2	100.00

Notes:

- (1) Investment securities consist of available-for-sale financial assets, held-to-maturity investments, and debt securities classified as receivables.
- (2) Other assets consist of properties and equipment, deferred income tax assets, and other assets.

As at 31 December 2016, the Group's total assets amounted to RMB803,158 million, representing an increase of RMB86,353 million, or 12.05% as compared to the end of the previous year, among which:

The amount of gross loans and advances to customers increased by RMB31,836 million, or 11.85%, as compared to the end of the previous year. This was primarily due to the fact the Group, through further optimizing credit resources allocation under the environment of state macro economy and requirement of financial regulations, while continuously increase industry credit loans, small and micro enterprises and Sannong (三農), the Bank increased efforts in product innovation and continuously expanded channels for credit investment;

Investment securities increased by RMB49,908 million, or 23.85% as compared to the end of the previous year, primarily due to the increase in debt securities in an effort to optimize investment structure basing on the balance of risk and revenue;

Total cash and balances with the Central Bank amounted to RMB85,836 million, increased by RMB7,336 million, or 9.35% as compared to the end of the previous year, primarily due to the rise of the statutory reserve of deposit as a result of the increase of the customer savings;

The total amounts of deposits with banks and other financial institutions and placements with banks and other financial institutions increased by RMB28,389 million or 23.90% as compared to the end of the previous year, primarily due to the enhancement of utilization efficiency of surplus funds under the premise of ensuring sufficiency of liquidity management;

Financial assets held under resale agreements decreased by RMB30,849 million or 89.29% as compared to the end of the previous year, primarily due to revision of the fund utilization scale based on the overall allocation requirements of assets and liabilities.

Management Discussion and Analysis

1. Loans and Advances to Customers (Contractual Amount)

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016		As at 31 December 2015	
	Amount	% of Total (%)	Amount	% of Total (%)
Corporate loans	189,912.3	63.22	165,302.1	61.55
Short-term loans ⁽¹⁾	76,785.7	25.56	68,207.3	25.40
Medium-and long-term loans ⁽²⁾	113,126.6	37.66	97,094.8	36.15
Retail loans	98,181.6	32.68	96,301.2	35.85
Residential mortgage and personal commercial property loans ⁽³⁾	43,614.6	14.52	44,099.7	16.42
Personal business and re-employment loans ⁽⁴⁾	35,054.0	11.67	33,817.0	12.59
Others ⁽⁵⁾	19,513.0	6.49	18,384.5	6.84
Discounted bills	12,327.5	4.10	6,982.4	2.60
Loans and advances to customers, gross	300,421.4	100.00	268,585.7	100.00

Notes:

- (1) Short-term loans primarily consist of loans with contractual maturities of one year or less.
- (2) Medium- and long-term loans primarily consist of loans with contractual maturities over one year.
- (3) Residential mortgage and personal commercial property loans primarily consist of personal mortgage loan, second mortgage and decoration loans, and loans to retail customers to acquire property for small business purposes, such as store premises.
- (4) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans and small amount loans related to employment and reemployment.
- (5) Others primarily consist of personal commercial property mortgage loans, personal residential maximum mortgage loans, credit card loans, personal car loans, loans for personal durable goods and personal education loans, rural cross-guaranteed loans and credit loans.

As at 31 December 2016, the amount of gross loans and advances to customers of the Group increased by RMB31,836 million, or 11.85% to RMB300,421 million as compared to the end of the previous year, among which, balance of loans with fixed interest rates amounted to RMB35,269 million, the proportion to gross loans and advances to customers is 11.74%.

Under the background of 2016 featured by the slackened domestic economic growth, insufficient effective demand in the real economy and the constrained overall bank credit resources, the Group earnestly developed credit policies, further optimized the industry credit investment target and promoted the credit structure adjustment in response to the direction of national industrial policy regulation, so as to prevent industrial credit risks and improve the quality of credit assets. By adhering to the principle of “strengthening foundation, optimizing choices and matching earnings and risks”, it laid the priority to support the strategic emerging industries with promising development prospects which were vigorously advocated by the state, cautiously supported the traditional sectors suffering increased fluctuations and requiring optimizations, further restricted the industries with “overcapacity and heavy energy consumption, heavy pollution and resource-dependent”, and strictly controlled the industries exposing to higher risks in the short run and requiring close attention.

Corporate loans (excluding discounted bills) increased by RMB24,610 million, or 14.89% to RMB189,912 million as compared to the end of the previous year, and accounted for 63.22% of gross loans and advances to customers, 1.67 percentage points higher than that of the end of previous year. Among which, additional loans to the manufacturing industry, wholesale and retail industry and the water conservancy, environment and public facilities management industry amounted to RMB5,949 million and RMB4,749 million and RMB11,421 million respectively, in the aggregate accounting for 89.88% of the total amount of additional corporate loans.

Our retail loans increased by RMB1,880 million or 1.95% to RMB98,182 million as compared to the end of the previous year, which accounted for 32.68% of total loans and advances to customers, representing a decrease of 3.17 percentage points as compared to the end of previous year. Confronted with complicated market changes, the Group took active measures to avoid systemic risks in markets, focused on meeting credit consumption needs of premium individual customers. It promoted the transformation of retail loans to the consumption field and vigorously developed, credit loan business such as automobile mortgage and loans for personal consumption and achieved an increase of 20.24% over the same period of last year.

Discounted bills increased by RMB5,345 million or 76.55% to RMB12,328 million as compared to the end of the previous year, largely due to the support to short-term financing needs of key customers on the basis that the requirements on assets and liabilities management could be satisfied.

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Distribution of Loans by Type of Collateral (Contractual Amount)

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016		As at 31 December 2015	
	Amount	% of Total (%)	Amount	% of Total (%)
Unsecured loans	29,521.7	9.83	23,585.5	8.78
Guaranteed loans	77,858.0	25.92	54,855.8	20.42
Collateralised loans	156,242.7	52.00	161,171.4	60.01
Pledged loans	36,799.0	12.25	28,973.0	10.79
Loans to customers, gross	300,421.4	100.00	268,585.7	100.00

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

The following table sets forth the Group's impairment loss on loans and advances to customers as at the dates indicated.

(Expressed in RMB million, unless otherwise stated)	Allowance for impairment Losses on loans and advances which is collectively assessed ⁽¹⁾	Allowance for impairment losses on identified impaired loans and advances ⁽²⁾		Total
		For which allowance is collectively assessed	For which allowance is individually assessed	
As at 1 January 2016	9,282.5	1,095.0	667.3	11,044.8
Charge for the year	7,667.0	1,207.3	1,155.5	10,029.8
Reverse for the year	(6,602.4)	(521.0)	(533.5)	(7,656.9)
Written off	(1.1)	(725.3)	(597.9)	(1,324.3)
Recovery of loans and advances previously written off	–	172.1	111.1	283.2
Unwinding of discount on allowance	–	(37.2)	(34.4)	(71.6)
The balance as at 31 December 2016	<u>10,346.0</u>	<u>1,190.9</u>	<u>768.1</u>	<u>12,305.0</u>

Notes:

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

In 2016, the Group adhered to its prudent principle and was in strict compliance with the relevant requirements of accounting standards, so as to provide sufficient allowances for impaired loans and advances whilst fully taking into account of external economic dynamics and macro monitoring policies. As at 31 December 2016, balance of allowances for impairment losses on loans and advances to customers increased by RMB1,260 million to RMB12,305 million over the end of the previous year, and the allowances for impairment losses to non-performing loans increased by 8.34 percentage points to 428.37% as compared to the end of previous year.

2. *Investments*

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016		As at 31 December 2015	
	Amount	% of Total (%)	Amount	% of Total (%)
Financial assets held for trading	3,511.9	1.33	1,246.6	0.58
Financial assets designated at fair value through profit or loss	1,009.4	0.38	2,909.7	1.36
Available-for-sale financial assets	90,141.8	34.19	12,501.6	5.86
Held-to-maturity investments	67,842.2	25.74	63,649.6	29.83
Debt securities classified as receivables	101,151.3	38.36	133,076.1	62.37
Total	263,656.6	100.00	213,383.6	100.00

During the reporting period, the Group on the basis of comprehensive consideration of risk return, combined with asset and liability management goals, and constantly adjusted the configuration scale and optimize the investment structure. Specially: corporate bonds with controllable risks and higher yield and the debt instruments issued by financial institutions were increased.

Management Discussion and Analysis

Debt Securities Investments

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016		As at 31 December 2015	
	Amount	% of Total (%)	Amount	% of Total (%)
Government bonds Public sector, and quasi-government bonds	19,869.8	7.54	13,387.0	6.28
Financial institution bonds	24,015.4	9.11	23,918.1	11.22
Corporate bonds	10,847.0	4.12	6,721.4	3.15
Debt instruments issued by financial institutions	45,520.0	17.28	55,509.6	26.04
Interbank deposit	160,991.3	61.10	113,672.2	53.31
	2,236.9	0.85	–	–
Total	263,480.4	100.00	213,208.3	100.00

(II) Liabilities

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016		As at 31 December 2015	
	Amount	% of Total (%)	Amount	% of Total (%)
Deposits from customers	518,185.9	69.19	470,228.2	70.34
Deposits and placements from banks	149,992.5	20.03	105,576.7	15.79
Financial assets sold under repurchase agreements	8,965.5	1.20	44,899.2	6.72
Debt securities issued	58,487.0	7.81	34,846.8	5.21
Other liabilities ⁽¹⁾	13,337.0	1.77	12,966.5	1.94
Total liabilities	748,967.9	100.00	668,517.4	100.00

Note:

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

As at 31 December 2016, total liabilities increased by RMB80,451 million or 12.03% to RMB748,968 million as compared to the end of the previous year. Deposits from customers are our largest source of capital, which grew by RMB47,958 million or 10.20% as compared to the end of the previous year. Deposits and placements from banks and borrowings from the Central Bank increased by RMB44,416 million or 42.07% as compared to the end of the previous year. Financial assets sold under repurchase agreements decreased by RMB35,934 million or 80.03% from the end of the previous year.

Deposits from Customers

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016		As at 31 December 2015	
	Amount	% of Total (%)	Amount	% of Total (%)
Corporate deposits	128,854.1	24.87	113,958.8	24.24
Demand deposits	110,898.2	21.40	94,032.7	20.00
Time deposits	17,955.9	3.47	19,926.1	4.24
Retail deposits	380,985.5	73.52	345,672.0	73.51
Demand deposits	106,221.8	20.50	90,975.3	19.35
Time deposits	274,763.7	53.02	254,696.7	54.16
Pledged deposits	8,232.3	1.59	10,512.5	2.23
Other deposits	114.0	0.02	84.9	0.02
Total deposits from customers	518,185.9	100.00	470,228.2	100.00

As at 31 December 2016, deposits from customers increased by RMB47,958 million or 10.20% to RMB518,186 million as compared to the end of the previous year. The percentage of retail deposits, which is the main source of the deposits from customers, accounted for 73.52% with respect to the customer structures of the Group. By virtue of the network strength spreading through urban and towns and customer base, the balance of retail deposits increased by RMB35,314 million or 10.22% as compared to the end of the previous year; the percentage of corporate deposits (exclude the pledged deposits) accounted for 24.87%, the balance of deposits increased by RMB14,895 million or 13.07% as compared to the end of the previous year. With respect to the maturity structure, demand deposits accounted for 41.90% of total deposits from customers, representing an increase of 2.55 percentage points from the end of previous year, while the time deposits accounted for 56.49%, representing a decrease of 1.91 percentage points over the end of the previous year.

Management Discussion and Analysis

(III) Shareholders' Equity

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016		As at 31 December 2015	
	Amount	% of Total (%)	Amount	% of Total (%)
Share capital	9,300.0	17.16	9,300.0	19.26
Capital reserve	9,202.0	16.98	9,201.9	19.06
Investment revaluation reserve	53.2	0.10	105.8	0.22
Actuarial changes reserve	(313.4)	(0.58)	(111.7)	(0.23)
Surplus reserve	8,580.2	15.83	7,798.1	16.15
General reserve	9,473.9	17.48	8,017.2	16.60
Retained earnings	16,297.3	30.08	12,451.5	25.78
Equity attributable to equity holders of the Bank	52,593.2	97.05	46,762.8	96.84
Non-controlling interests	1,596.6	2.95	1,525.0	3.16
Total equity	54,189.8	100.00	48,287.8	100.00

As at 31 December 2016, total equity amounted to RMB54,190 million, representing an increase of RMB5,902 million as compared to the end of the previous year, mainly attributable to the increase in retained earnings. In particular, surplus reserve increased by RMB782 million as compared to the end of the previous year, primarily resulting from the provisions made for statutory surplus reserve. General reserve increased by RMB1,457 million as compared to the end of the previous year, as the general reserve was required to be not less than an amount equal to 1.5% of the balance of risk assets at the end of the previous year.

III. LOAN QUALITY ANALYSIS (THE GROUP)

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

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016		As at 31 December 2015	
	Amount	% of Total (%)	Amount	% of Total (%)
Normal	289,426.1	96.34	259,884.4	96.76
Special mention	8,122.8	2.70	6,071.8	2.26
Substandard	1,464.9	0.49	1,373.8	0.51
Doubtful	1,407.6	0.47	1,255.7	0.47
Loss	—	—	—	—
Total loans and advances to customers	300,421.4	100.00	268,585.7	100.00
Amount of non-performing loans	2,872.5		2,629.5	
Non-performing loan ratio (%)		0.96		0.98

In 2016, the economic development of China entered the new normal state. Under the new normal state, the economy of China demonstrated three basic features, that is, changes in growth rate, structural optimization and changes in driving forces. There are multiple risks and challenges brought by “the three period superimposed (三期疊加)”, while in the meanwhile, there are a lot of opportunities and room for development. The development of the banking industry is faced with challenges and opportunities. Subject to the complicated economic and financial circumstances in China and overseas, the Group upheld our baseline of thinking (底線思維) and further promoted reform on the credit structure. Investigations on credit asset risks were expanded. Early warning, tracking and post-loan management were strengthened. Proactive actions were taken to prevent and resolve the risks in advance. Greater efforts were devoted to collect, dispose of and write off non-performing assets. The quality of the Bank's credit assets was stable with risks under control. As at 31 December 2016, the balance of non-performing loans increased by RMB243 million from the end of the previous year to RMB2.873 billion; while the non-performing loan ratio was 0.96% which was 0.02 percentage points lower than that of the end of the previous year, indicating a slight decrease in non-performing loan ratio. The portion of special mention loans accounted for 2.70%, representing an increase of 0.44 percentage points as compared to the end of the previous year.

(II) Concentration of Loans

1. Concentration by Industry and Distribution of Non-performing Loans

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016				As at 31 December 2015			
	Loan amount	Percentage of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Percentage of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	189,912.3	63.22	1,482.7	0.78	165,302.1	61.55	1,229.8	0.74
Manufacturing	55,572.1	18.50	719.1	1.29	49,623.1	18.48	468.3	0.94
Production and supply of electricity, gas and water	11,679.6	3.89	0.9	0.01	9,638.0	3.59	1.3	0.01
Real estate	14,132.8	4.70	13.9	0.10	17,700.1	6.59	17.1	0.10
Leasing and commercial services	13,675.8	4.55	19.5	0.14	9,244.5	3.44	3.0	0.03
Water, environment and public utility management	41,109.9	13.68	-	-	29,689.2	11.05	-	-
Construction	6,400.5	2.13	36.3	0.57	7,659.5	2.85	-	-
Retail and whole sale	20,703.3	6.89	474.7	2.29	15,953.9	5.94	326.3	2.05
Other	26,638.3	8.88	218.3	0.82	25,793.8	9.61	413.8	1.60
Retail loans	98,181.6	32.68	1,389.8	1.42	96,301.2	35.85	1,399.7	1.45
Discounted bills	12,327.5	4.10	-	-	6,982.4	2.60	-	-
Total	300,421.4	100.00	2,872.5	0.96	268,585.7	100.00	2,629.5	0.98

In 2016, to cope with the tumultuous and ever-changing external economic conditions, the Group continued to optimize its industry-specific lending and exit criteria for customers, further refined the management of industry quotas and strictly implemented national control policies. The non-performing loans and non-performing loan ratios of the real estate industry continued to trend downwards.

2. Concentration of Borrowers

In the end of 2016, the Group's total loans to its largest single borrower accounted for 6.11% of its net capital while total loans to its top ten clients accounted for 36.11% of its net capital, both of which were in compliance with regulatory requirements. As at 31 December 2016, the Group's loans to top ten largest single borrowers were not non-performing loans.

(1) Indicator of concentration

Major Regulatory Indicators	Regulatory standard	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Loan ratio for the largest single borrower (%)	≤10%	6.11	6.21	5.49
Loan ratio for the single group borrower (%)	≤15%	6.97	6.79	5.87

(2) Loans to top ten single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	As at 31 December 2016	
		Amount	Percentage of the total amount of loans (%)
Borrower A	Water, environmental and public utility management	4,156.2	1.38
Borrower B	Water, environmental and public utility management	3,640.0	1.21
Borrower C	Manufacturing	3,509.0	1.17
Borrower D	Water, environmental and public utility management	2,366.0	0.79
Borrower E	Real estate	2,038.0	0.68
Borrower F	Water, environmental and public utility management	1,974.0	0.66
Borrower G	Real estate	1,955.0	0.65
Borrower H	Water, environmental and public utility management	1,825.0	0.61
Borrower I	Manufacturing	1,570.0	0.52
Borrower J	Leasing and commercial service	1,515.3	0.50

Management Discussion and Analysis

(III) Distribution of Loans and Non-performing Loans by Product Type

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016			As at 31 December 2015		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	189,912.3	1,482.7	0.78	165,302.1	1,229.8	0.74
Short-term loans	76,785.7	1,110.2	1.45	68,207.3	747.2	1.10
Medium-and long-term loans	113,126.6	372.5	0.33	97,094.8	482.6	0.50
Retail Loans	98,181.6	1,389.8	1.42	96,301.2	1,399.7	1.45
Residential mortgage and personal commercial property loans	43,614.6	301.2	0.69	44,099.7	277.2	0.63
Personal business and re-employment loans	35,054.0	622.2	1.77	33,817.0	670.6	1.98
Others	19,513.0	466.4	2.39	18,384.5	451.9	2.46
Discounted bills	12,327.5	-	-	6,982.4	-	-
Total	300,421.4	2,872.5	0.96	268,585.7	2,629.5	0.98

As at 31 December 2016, non-performing loan ratio of corporate loans increased by 0.04 percentage points to 0.78% as compared with the end of the previous year, whereas non-performing loan ratios of retail loans decreased by 0.03 percentage points to 1.42% as compared with the end of the previous year.

(IV) Rescheduled Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016		As at 31 December 2015	
	Amount	% of the total loans and advances (%)	Amount	% of the total loans and advances (%)
Rescheduled loans and advances to customers	298.2	0.10	91.4	0.03

(V) Overdue Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016		As at 31 December 2015	
	Amount	% of the total loans and advances (%)	Amount	% of the total loans and advances (%)
Past due within 3 months	1,862.0	0.62	2,299.9	0.85
Past due for 3 months to 1 year	1,338.4	0.45	1,878.5	0.70
Past due for over 1 year and within 3 years	1,273.7	0.42	587.5	0.22
Past due for more than 3 years	118.1	0.04	135.0	0.05
Total overdue loans and advances to customers	<u>4,592.2</u>	<u>1.53</u>	<u>4,900.9</u>	<u>1.82</u>

As at 31 December 2016, the total overdue loans amounted to RMB4,592 million, representing an decrease of RMB309 million from the end of the previous year. Overdue loans accounted for 1.53% of the total loans and advances, representing an decrease of 0.29 percentage points from the end of the previous year.

IV. Analysis of Capital Adequacy Ratio

The following table sets forth, for the date indicated, the relevant information of the Group's capital adequacy ratio, among which, the credit risk was measured at weight method, the market risk was measured at standard method and the operational risk was measured at basic indicator approach:

(Expressed in RMB million, unless otherwise stated)	As 31 December 2016	As 31 December 2015
Core tier 1 capital adequacy ratio (%)	<u>9.85</u>	9.88
Tier 1 capital adequacy ratio (%)	<u>9.86</u>	9.89
Capital adequacy ratio (%)	<u>12.70</u>	12.09
Components of capital base		
Core tier 1 capital:		
Portion of paid-in capital that may be included	9,300.0	9,300.0
Portion of capital reserve that may be included	8,941.7	9,196.0
Surplus reserve and general risk reserve	18,054.1	15,815.3
Unappropriate profit	16,297.4	12,451.5
Non-controlling interests	<u>667.6</u>	<u>817.7</u>
Total core tier 1 capital	<u>53,260.8</u>	47,580.5
Deductible items:		
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	<u>(70.6)</u>	<u>(71.2)</u>
Core tier 1 capital, net	<u>52,750.1</u>	47,069.2
Other tier 1 capital:		
Non-controlling interests	<u>46.9</u>	27.2
Net tier 1 capital	<u>52,797.0</u>	47,096.4
Tier 2 capital:		
Tier 2 capital instruments and related premium that may be included	9,000.0	5,000.0
Excessive loan allowances	6,098.6	5,413.9
Non-controlling interests	<u>95.9</u>	<u>77.1</u>
Net capital	<u>67,991.5</u>	57,587.4
Total risk-weighted assets	535,338.7	476,412.7
Credit risk weighted assets	493,986.7	438,522.0
Market risk weighted assets	1,926.7	1,821.6
Operational risk weighted assets	<u>39,425.3</u>	<u>36,069.1</u>

Pillar I capital requirements for risks of the Group were measured in accordance with “Regulation Governing Capital of Commercial Banks (Provisional)” (《商業銀行資本管理辦法（試行）》), among which, the credit risk was measured at weight method, the market risk was measured at standard method and the operational risk was measured at basic indicator approach. As at 31 December 2016, the capital adequacy ratio of the Group increased by 0.61 percentage points as compared with the end of the previous year to 12.70%, 2.20 percentage points higher than the 10.50% of the regulatory requirements. Core tier 1 capital adequacy ratio and tier 1 capital adequacy ratio were 9.85% and 9.86% respectively, both decreased by 0.03 percentage points as compared with the end of the previous year. The increase in the capital adequacy ratio of the Group in 2016 as compared with the beginning of the year was mainly because the net profit increase of the Group raised as compared with the previous year, and the tier 2 capital debts were issued successfully as of December 2016, leading to a faster growth in net capital correspondingly, while the asset scale expanded moderately, the increase of risk weighted assets was lower than the increase of net capital.

According to the Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》) promulgated by the CBRC, the information concerning the capital composition statements, detailed explanation on relevant items and the main characteristics of the capital instrument of the reporting period will be further disclosed in the investor relations column on the website of the Bank (<http://www.cqrcb.com>).

V. Analysis of Leverage Ratio

As at 31 December 2016, the Group measured and disclosed its leverage ratio in accordance with Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》).

The following table sets out the Group’s related accounting items corresponding with the regulatory items of leverage ratio and the differences between regulatory items and accounting items:

(Expressed in RMB million, unless otherwise stated)		
No.	Item	Balance
1	Consolidated total assets	803,157.7
2	Consolidated adjustments	—
3	Customer assets adjustments	—
4	Derivatives adjustment	—
5	Securities financing transactions adjustments	—
6	Off balance sheet item adjustments	20,665.0
7	Other adjustments	(510.7)
8	The balance of assets on and off balance sheet after adjustments	<u>823,312.0</u>

Management Discussion and Analysis

The following table sets out information of the Group's leverage ratio, tier 1 capital, net, assets on and off balance sheet after adjustments and relevant details:

(Expressed in RMB million, unless otherwise stated)		Balance
No.	Item	
1	Assets on the balance sheet (excluding derivatives and securities financing transactions)	799,405.5
2	Deduction: tier 1 capital deduction	(510.7)
3	The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	<u>798,894.8</u>
4	Replacement cost of various types of derivatives (net of qualified margins)	–
5	Potential risk exposure in various derivatives	52.3
6	The sum of collaterals deducted from the balance sheet	–
7	Deduction: assets receivables formed due to qualified margins	–
8	Deduction: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	–
9	Notional principal for sold credit derivatives	–
10	Deduction: the balance of sold credit derivatives assets which can be deducted	–
11	The balance of derivatives assets	<u>52.3</u>
12	The balance of accounting assets for securities financing transactions	3,699.9
13	Deduction: the balance of securities financing transactions assets which can be deducted	–
14	Counterparty credit risk exposure to securities financing transactions	–
15	The balance of securities financing transactions assets formed due to securities financing transactions by proxy	–
16	The balance of securities financing transactions assets	<u>3,699.9</u>
17	The balance of items off balance sheet	29,707.8
18	Deduction: the balance of items off balance sheet reduced due to credit conversion	(9,042.8)
19	The balance of items off balance sheet after adjustments	<u>20,665.0</u>
20	Tier 1 capital, net	52,797.0
21	The balance of assets on and off balance sheet after adjustments	823,312.0
22	Leverage ratio (%)	<u><u>6.41</u></u>

As at 31 December 2016, the Group's leverage ratio of the Group was 6.41%, representing a slight increase of 0.01 percentage point as compared with the end of the previous year. The increase in the leverage ratio was due to the fact that the increase in net tier-one capital was slightly higher than the growth of assets on and off balance sheet, which resulted in the increase in the leverage rate.

VI. Segment Information

(I) Summary of Geographical Segment

(Expressed in percentage)	As at 31 December									
	2016		2015		2014		2013		2012	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Deposits	67.54	32.46	66.52	33.48	66.30	33.70	68.01	31.99	67.48	32.52
Loans	46.98	53.02	47.87	52.13	50.18	49.82	52.60	47.40	48.28	51.72
Assets	48.59	51.41	46.73	53.27	44.86	55.14	47.77	52.23	46.33	53.67
Loan-deposit ratio	40.33	94.70	41.10	88.95	44.74	87.40	45.63	87.43	42.16	93.74

(Expressed in percentage)	For the year ended 31 December									
	2016		2015		2014		2013		2012	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Return rate on average total assets	1.04	1.07	1.06	1.10	1.20	1.23	1.29	1.28	1.43	1.34
Net fee and commission income to operating income	9.84	9.72	5.60	8.08	4.18	6.62	2.90	5.57	2.86	3.55
Cost-to-income ratio	37.51	34.46	35.35	34.01	41.27	35.17	41.46	33.47	40.46	34.73

County Area refers to regions other than the Urban Area of Chongqing City. The data of County Area also includes the data of 12 subsidiaries, namely Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司), Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司), Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司), Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行有限責任公司), Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行有限責任公司), Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限責任公司), Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限責任公司), Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司), Yunnan Shangri-La CQRC Village, Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司) and Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭渝農商村鎮銀行有限責任公司), Fujian Shishi CQRC Village and Township Bank Co., Ltd. (福建石獅渝農商村鎮銀行有限責任公司), and Yunnan Xishan CQRC Village and Township Bank Co., Ltd. (雲南西山渝農商村鎮銀行有限責任公司), as well as the data of Qujing branch of the Bank.

Management Discussion and Analysis

(II) Summary of Business Segment

Operating Income

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December									
	2016		2015		2014		2013		2012	
	Amount	% of Total (%)	Amount	% of Total (%)	Amount	% of Total (%)	Amount	% of Total (%)	Amount	% of Total (%)
Corporate banking business	7,252.6	33.48	7,714.8	35.25	6,557.3	33.11	5,992.4	36.73	5,491.1	40.22
Personal banking business	6,476.3	29.90	6,196.8	28.31	6,120.8	30.91	5,218.9	31.99	4,269.2	31.27
Treasury operations business	7,916.2	36.54	7,959.8	36.36	7,106.4	35.89	4,992.9	30.60	3,780.4	27.69
Unallocated	16.6	0.08	17.6	0.08	17.9	0.09	111.6	0.68	112.6	0.82
Total operating income	<u>21,661.7</u>	<u>100.00</u>	<u>21,889</u>	<u>100.00</u>	<u>19,802.4</u>	<u>100.00</u>	<u>16,315.8</u>	<u>100.00</u>	<u>13,653.3</u>	<u>100.00</u>

VII. Analysis of off-Balance-Sheet Items

Off-balance-sheet items of the Group include acceptance, letters of credit issued, letters of guaranteed funds issued, receivables under export letters of credit, foreign exchange funds receivables collected, foreign exchange funds collected, and foreign letters of credit by faith and wealth management. Among these items, acceptance, letters of guarantee issued and letters of credit issued were deemed as key business segments. As at 31 December 2016, the balances of acceptance, letters of guarantee issued and letters of credit issued were RMB12,323 million, RMB5,922 million and RMB851 million, respectively.

VIII. Significant Accounting Estimates and Judgments

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

Business Operation

I. Corporate Financial Business

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2016	For the year ended 31 December 2015	Changes (%)
Net interest income	6,647.2	7,304.8	(9.00)
Net fee and commission income	578.4	319.6	80.98
Other operating income, net	<u>27.0</u>	<u>90.4</u>	(70.13)
Operating income	7,252.6	7,714.8	(5.99)
Operating expenses	(2,866.5)	(3,093.3)	(7.33)
Loss on impairment of assets	<u>(1,382.4)</u>	<u>(2,223.3)</u>	(37.82)
Profit before tax	<u><u>3,003.7</u></u>	<u><u>2,398.2</u></u>	25.25

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016	As at 31 December 2015	Changes (%)
Segment assets	<u><u>181,361.6</u></u>	<u><u>156,559.8</u></u>	15.84

In 2016, the total profit before tax from the corporate financial business increased by 25.25% over the previous year to RMB3,004 million, accounting for 28.22% of the Group's profit before tax. The overall growth in corporate loans business of the Group had driven the corporate business assets to increase by 15.84% as compared with the previous year.

1. Corporate Deposits and Loans

In 2016, the Group vigorously promoted the reform of the division of the system by establishing the direct sales department and the real estate department to actively participate in marketing. Meanwhile, the Group also strengthened the interactive linkage, actively promoted development of emerging businesses including cross-border direct loans, outbound bonds, debt financing instruments and wealth management direct financing instruments so as to ensure a fast growth of the corporate deposits and loans.

Management Discussion and Analysis

The Group strived to expand the corporate deposit market and continued to maintain steady growth in corporate deposits. As at 31 December 2016, the balance of corporate deposits of the Group reached RMB128,854 million, ranking the third in Chongqing, which accounted for 24.87% of the outstanding balance of total deposits of the Group whilst posting a growth of RMB14,895 million or 13.07% as compared with the end of the previous year.

For the loan policy on extending loans, the Group persisted in operating in compliance with laws and abided by the principle. The Group effectively observed the macroeconomic control policy of the country and the local economic operation situation and expanded its corporate loan business in a prudent, steady and appropriate manner. As at 31 December 2016, the outstanding balance of corporate loans (including discounted bills) amounted to RMB202,240 million, representing an increase of RMB29,955 million or 17.39% as compared with the end of the previous year, ranking the second in Chongqing in balance market and remaining the first in Chongqing in respect of increment.

In respect of the structure of loan, with the main line of promoting the policy of Supply-Side Structural Reform and in adherence to the policy of “One Belt and One Road”, the strategies of Yangtze River Economic Belt, China-Singapore (Chongqing) Strategic Interconnection Demonstration Project and the positioning of Chongqing’s five functional areas, with focus on the construction of infrastructure, the transformation and upgrading of traditional industries and the development of ten strategic emerging industries, the Group focused on extending loans to the industries such as manufacturing, water conservation and environment and public utility management, wholesale and retail, real estate, and leasing and commercial services, which accounted for 18.50%, 13.68%, 6.89%, 4.70% and 4.55% of the total amount of loans of the Group as of 31 December 2016, respectively.

With respect to customer’s profile, leveraging on the improving organization structure, product system and the customer management team with comprehensive quality cultivated, the Group remained committed to forging closer collaboration with quality enterprises among the top 500 enterprises in the world, top 500 enterprises of China, top 100 enterprises of Chongqing, industry leaders as well as government institutions whilst continuously maintaining and strengthening its partnership with prime SME customers.

2. *Institutional Business*

The Bank continued to strengthen its cooperation channel construction with functional departments of the Chongqing Municipal Government, the financial industry and institutions at different levels. In 2016, the Bank entered into the “Agreement on Strategic Collaboration between Banking and Government Sectors (銀政戰略合作協議)” with the Commission of Economy and Information Technology of Chongqing. Being one of the joint founders of the technology and financial services in Chongqing, the Bank was appointed as the vice-president unit. Meanwhile, the Bank reached cooperation and entered into the agreement with Chongqing Environmental Protection Industry Private Equity Fund (重慶市環保產業股權投資基金) and Modern Logistics Industrial Development Fund (現代物流產業發展基金), and entered into a contract with the sub-fund of the Equity Investment Fund of ChinaSingapore (Chongqing) Interconnection (中新(重慶)互聯互通股權投資基金子基金). The increasing abundance of collaboration channel will effectively facilitate continuous healthy development of the Bank’s corporate banking business. In addition, the Bank was the only financial services bank to handle urban and rural pension insurance for residents in Chongqing City. 12 million people in the city have already paid and been distributed pension insurance through the Bank.

3. *Small and Micro Enterprise Business*

The Bank's business of providing loans to small and micro enterprises reached the regulatory target of "Three Minimum Thresholds" stipulated by the CBRC and was growing steadily. By the end of December, according to specifications prescribed by CBRC, the number of small and micro enterprise loans customers of the Bank (including small and micro enterprises, individual business owners, and the main operations of small and micro enterprises according to specifications prescribed by four ministries and commissions of the nation) amounted to 103,166, representing an increase of 286 as compared with the same period of the previous year; the outstanding balance of small and micro enterprise loans according to specifications prescribed by CBRC amounted to RMB93.434 billion, representing an increase of RMB10.690 billion as compared to the beginning of the year or an increase of 12.92% and the growth rate is 2.06 percentage points higher than the average loan growth rate of the Bank; the success rate of applying for small and micro enterprise loans according to specifications prescribed by CBRC amounted to 99.34%, which is 0.1 percentage points higher than that of the corresponding period of the previous year. The number of small and micro enterprise loans customers according to specifications prescribed by CBRC accounted for 46.20% of the small and micro enterprise loans customers of Chongqing banking institutions; the outstanding balance of small and micro enterprise loans according to specifications prescribed by CBRC accounted for 16.49% of the outstanding balance of small and micro enterprise loans of Chongqing banking institutions.

- (1) The construction of specialized institutions for small and micro enterprises was further deepened.

Firstly, the Bank continued to establish specialised branches for small and micro enterprises, and to expand the coverage of financial services. In 2016, the Bank established two new specialised branches for small and micro enterprises in Longshui of Dazu County and Central Park of Nanchuan, which have obtained official approvals from Chongqing Banking Regulatory Bureau and commenced operations. As such, the number of the Bank's specialised institutions increased to 14. Secondly, the characteristic operation of specialised branches for small and micro enterprises was further emerged. By observing the characteristics of regional customers of various specialised branches and customers' financing demands, the headquarter developed regional credit products and promoted the characteristic operation of specialised branches, so that specialised branches for small and micro enterprises became testing fields for products, services and management innovation for small and micro enterprise business of the Bank with further highlight of characteristics. The specialised branches for small and micro enterprises also became the benchmark for small and micro enterprises business and led the transformation and upgrading of the small and micro enterprise business of the Bank.

Management Discussion and Analysis

(2) The credit product mix for small and micro enterprises was further optimized

In 2016, based on market demand and transformation and upgrading requirements, the Bank continued to learn from past experience, enhanced innovation of credit products, especially weak guarantee credit products and fully adapted to changes in financing demand of small and micro enterprise customers. Firstly, two products, i.e. Tax rebate Credit for Small Businesses (小企業退稅貸) and Medical Insurance Credit for Small and Micro Businesses (小微企業醫保貸) were launched to further enrich the weak guarantee credit product system of the Bank; Secondly, Guarantee Loans for Venture Capital was launched in a timely manner in response to the latest change in policies on guarantee loans for venture capital in Chongqing, to practically help entrepreneurs to solve the financing problem, and actively boost the implementation of the Business Startups and Creativity for the Public (大眾創業、萬眾創新) initiative. Thirdly, specialised credit products such as “Mortgage Loans for Commercial Trucks” (商用貨車按揭貸) were launched innovatively to meet the special financing needs of local small and micro customers of some branches

(3) Marketing of small and micro business was further strengthened

Firstly, built the platform for “Cooperation with Government Authorities and Enterprises”. At the beginning of the year, through paying visits to government departments, product promotion, banking and enterprise forums, business consulting and other forms, branches and sub-branches of the Bank maintained sound cooperations with government authorities and enterprises and conducted relevant marketing activities, which laid a solid foundation for the sustainable and steady development of small and micro business over the year. In the first half of the year, a total of 102 promotions were held with 3,873 customers participated. Secondly, implemented refined management of marketing. The headquarter carried out segmentation for the 43 branches of the Bank (including the the headquarter business department), designated special personnel to be responsible for the sub-branch communication and guidance, conducting market analysis with sub-branch and business marketing, provide timely feedbacks and solutions to problems encountered in business development. In particular, the designated personnel is responsible for paying visits to local government, tax authorities, social security agencies and core customers and discussing cooperation matters with them, promoting the implementation of new businesses floor, helping sub-branches to build a mass marketing platform for implementing and promoting new businesses.

- (4) Skills of customer managers for small and micro enterprises was further enhanced

Firstly, the Bank formulated the 2016 training scheme for new products and new systems of small and micro enterprises. With respect to three new products, i.e. “Tax rebate Credit for Small Businesses”, “Medical Insurance Credit for Small and Micro Businesses” and “Guarantee Loans for Venture Capital” and two implementation rules, i.e. investigation on personal loans for business purposes and post-loan management, In the first half of the year, the Bank organised six trainings on vice president in charge of sub-branches, responsible person on small and micro enterprises department, customer manager and risk management personnel, in which 650 persons participated, achieving the full coverage of the staff training of small and micro enterprises. Secondly, the Bank carried out “one-to-one, point-to-point ” training. With respect to Guarantee Loans for Venture Capital, personal business loans and implementation rules of investigation on personal loans for business purposes and post-loan management, the Bank carried out “one-to-one, point-to-point ” training, achieving the full coverage of customer manager responsible for personal loans for business purposes in sub-branch, risk management personnel and branch director. In 2016, the Bank organised point-to-point trainings for 27 branches and sub-branches over the year.

4. *International Business*

The international business maintained robust growth. In 2016, the international settlement amounted to US\$4,460 million, which is the same as last year; foreign exchange settlement amounted to US\$2,200 million, a year-on-year increase of 6.74%. The bank issued USD1.565 billion US on-balance-sheet and off-balance-sheet trade financing and foreign exchange loans, an decrease of 10.79% over the previous year, achieve RMB136 million revenue of intermediary business, an increase of 89.45% over the previous year. The cooperation of correspondent banking further intensified. The Bank has established correspondent banking relationship with 523 banks at home and abroad and bilateral credit of a number of financial institutions at home and abroad climbed substantially, laying the foundation for further cooperation. At the same time, the progress in product innovation has improved continuously, with the successful introduction of China Foreign Exchange Payment System (境内外币支付系统), achieving real-time credit for foreign exchange remittance; the approval of ordinary qualification on derivatives business, becoming the third qualified rural commercial bank after Shanghai Rural Commercial Bank and Jiangnan Rural Commercial Bank and the first qualified corporate bank in Chongqing. The Bank actively captured the strategic opportunities in new projects. It was granted an accumulated amount of USD420 million foreign debt quota of Sino-Singapore project by Chongqing Development and Reform Commission, accounting for 14% of the total amount of USD3 billion (accounting for 28% of the actual available amount of USD1.5 billion). The first government financing platform handled direct lending business of US\$350 million, occupying leading position in the market. We proactively sought to explore domestic letter of credit business, which only utilised low risk capital. The first domestic letter of credit was successfully issued, and became the basis for developing the forfaiting business. Transactions on foreign exchange grew rapidly. Intra-bank foreign exchange transactions reached US\$9.8 billion, whilst intra-bank lending of foreign exchange funding reached US\$12.3 billion. We were ranked top 80 among the banks that conducted most transactions at the foreign exchange trading centre. Funding costs maintained at a low level and profitability was significantly enhanced. In addition, we were also rated A Class in the Foreign Exchange Operations Appraisal 2016, the highest grade in the appraisal. Our total score ranked sixth among 45 financial institutions handling international businesses in Chongqing, which was the only corporate bank that received A Class grading in Chongqing.

II. Retail Banking Business

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2016	For the year ended 31 December 2015	Changes (%)
Net interest income	5,531.0	5,594.3	(1.13)
Net fee and commission income	927.5	556.3	66.73
Other operating income, net	17.8	46.2	(61.47)
Operating income	6,476.3	6,196.8	4.51
Operating expense	(2,576.4)	(2,487.2)	3.59
Impairment loss on assets	(990.7)	(755.1)	31.20
Profit before tax	<u>2,909.2</u>	<u>2,954.5</u>	(1.53)

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2016	As at 31 December 2015	Changes (%)
Segment assets	<u>98,585.8</u>	<u>96,587.1</u>	2.07

Personal banking business recorded a profit before tax of RMB2,909 million, of which, the net fee and commission income was RMB928 million, representing an increase of 66.73% over the previous year. The structure of personal banking business has been optimized continuously.

Management Discussion and Analysis

1. Retail Deposits and Loans

Retail deposits recorded a continuing increase. Backed by the vibrant economic growth in Chongqing, the Bank took full advantage of its exceptional regional brand recognition and strived to align its brand value services with key marketing campaigns and social responsibility, with an emphasis on the business promotion and sales during key business hours of peak seasons, on high-end major customers and key projects in target markets. The Bank organized a large public campaign named “serving fellow townsman and delivering geniality along the way back home” (服務眾鄉親、情暖回鄉路) during the Spring Festival travel rush, “Financial Knowledge Enters Ten Thousand Households” (金融知識進萬家), “Including Financial Services, and Rooting Wealth Management Awareness”, (「普惠金融, 紮根行動」), in communities as part of the marketing campaigns, launched the HSR banking with the combination of residents travel model and made an effort in unifying services for better reputation. It also constantly deepened the transformation of its branches with 163 newly added transformed model branches in an effort to improve the individual productivity for each branch. The retail deposits amounted to RMB380,986 million, representing an increase of RMB35,314 million or 10.22% over the end of the previous year. The Bank remained unrivalled among its regional counterparts in terms of the amount, annual growth and market share of retail deposits.

Customer structure is being improved. Through enriching the value-added services for VIP customers, holding customer activities on a regular basis, facilitating the systematic establishment in customer relations management, the number of mid- to high-end customers of the Bank kept increasing. The number of customers increased by 165,000 or 18.5% as compared with the beginning of the year, and the deposit increased RMB34.66 billion.

The Group achieved a solid growth in retail loan. With a view to becoming the largest and the best local retail bank, the Group insisted on business for small and micro enterprises, optimized the credit structure, stressed product innovation, and implemented differentiated credit services. It constantly consolidated the advantageous position of retail loan business and created an internet financial platform based on the existing advantageous channels including retail loan centres and operation outlets, actively promote products such as Tiny Loan (微粒貸) and Cloud Loans for Micro Enterprises (雲微貸), cooperated with Sinosafe Insurance Company and www.jrzhuxue.com to initiate “Personal Education Loans”, cooperated with Alibaba to promote the “Including Financial Services, and Rooting Wealth Management Awareness”. As at 31 December 2016, retail loan of the Group increased by RMB1,881 million to RMB98.182 billion, the stock amount of retail loan also ranks in the top list of the market.

2. Bank Cards

Debit Card Business

The number of new debit cards continued to surge. As at 31 December 2016, the total number of debit cards issued by the Bank reached 18,272,300; the spending related thereto amounted to RMB80,117 million. Specially, nostalgia series of debit cards with the function of subsidizing foreign remittance fees gained remote deposits of RMB126,582 million in 2016.

Credit Card Business

The Bank continued to promote the bank card brand – Jiangyu credit card which is one of our symbolic products and optimized the two main product lines of standard cards and characteristic cards. Rapid progress has been made in system restructuring, business development, risk control and service innovation. In response to the system, the Bank explored division reform of the credit card center to strengthen its profitability, and established a scale and profit-oriented performance appraisal system and value contribution-oriented incentives to enhance the operations viability. **Stablising development:** the Bank paid attention to business restructuring, issued card for quality industry customers and high-value customers and reduced the proportion of non-quality industry customers, increased the asset proportion of quality customer base such as civil servants, employees from administrative institutions, financial and monopoly industries. Greater efforts were made to develop the characteristic installment business with high yield. For mid- and high-end customers who study, travel or purchase abroad, the Bank launched the first VISA Jiangyu Worldwide Platinum Card. **Controlling Risk:** the Bank adopted a more prudent risk strategy, strengthened system building, optimised process design, adhered to the principles of quality industry, small and diverse and localisation, stricted customer eligibility criteria, used stable sources of primary repayment funds as the core basis of credit and strengthened the warning, management and control of risk transactions and the stop processing of fraudulent transactions, so that the new business risk of credit was controlled effectively. **Optimising service:** the Bank continued to take Jiangyu credit card product life cycle as the main line to promote the expansion of new customers and inspire existing customers and other marketing efforts. It comprehensively carried out customer base maintenance and stimulated a wide range of social effects through special privilege themed activities including “Saturday for Benefit (惠享星期六)” and “Wonderful Season (樂享季)”. Based on the existing business, the Bank focused on sustainable development, complied with market demand, continued to expand Internet-based electronic service channels, and continued cooperation with domestic and international well-known enterprises to strengthen credit card financial services and create opportunities for sustainable development. As of 31 December 2016, the number of credit cards in issue accumulated to 460,200, an increase of 121,900 or 36.03% over the end of the previous year; spending related to credit cards amounted to RMB34,384 million, representing an increase of 9.07% over the same period of the previous year; the balance of credit card loans amounted to RMB15,495 million, representing an increase of RMB1,254 million over the end of the previous year.

Management Discussion and Analysis

3. Agency Business

The Bank has been expanding its intermediary business product portfolio of retail banking and recorded stable increase in income. In 2016, the Bank's agency fund business developed rapidly and it served as the agent of 114 foundations with sales of RMB12,382 million and an income of RMB7,392,900 from intermediary business. The operating income from the distribution business of physical rare metals was RMB30,050,800 and an income of RMB1,840,000 from intermediary business was recorded. The physical gold trading business effectively advanced at the Shanghai Gold Exchange. The turnover reached RMB84 million including 0.03 tonne of gold products and 2.07 tonnes of silver products.

III. Financial Market Business

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

Expressed in RMB million, except for percentages			
Item	As of 31 December 2016	As of 31 December 2015	Changes (%)
Net interest income	7,226.5	7,267.4	(0.56)
Net fee and commission income	612.5	619.0	(1.05)
Net trading gain	(15.6)	19.8	(178.79)
Other operating (losses) gain, net	92.8	53.6	73.13
Operating income	7,916.2	7,959.8	(0.55)
Operating expense	(3,008.1)	(3,495.6)	(13.95)
Impairment loss on assets	(303.4)	(257.6)	17.78
net losses from disposal of available-for-sale financial assets	64.7	(1.5)	(4,413.33)
Net gain on disposal of debt Securities classified as receivables	45.9	12.0	282.50
Profit before tax	4,715.3	4,217.1	11.81
	31 December 2016	31 December 2015	
Segment assets	514,776.3	455,434.3	13.03

In 2016, as the growth of macroeconomy slowed down, structural adjustment has been pushed forward, the domestic financial market and the internal and external operation environment for commercial banks have become more intricate and unpredictable. In addition, due to a series of regulatory policies introduced to the financial market business last year, the capital business has been facing tough challenges in terms of limited investment scale and investment scope. In this regard, the Bank withstood the pressure to respond flexibly, and took the initiative to adjust its business structure according to the objective environment, so as to secure the steady growth in capital business.

In 2016, the treasury businesses recorded profit before tax of RMB4,715 million, representing an increase of RMB498 million or 11.81% as compared with the same period of the previous year.

1. Segment Assets

(Expressed in RMB million, unless otherwise stated)	31 December 2016		31 December 2015	
	Amount	Percentage %	Amount	Percentage %
Debt securities investments	263,480.4	51.18	213,208.3	46.81
Financial assets held under resale agreements	3,699.9	0.72	34,549.3	7.59
Cash and balances with Central bank	85,836.0	16.67	78,500.3	17.24
Deposits and placements with banks and other financial institutions	147,154.2	28.59	118,765.1	26.08
Transfer of discounted bills and credit assets	9,218.6	1.79	5,155.9	1.13
Other assets	5,387.2	1.05	5,255.4	1.15
Total assets	514,776.3	100.00	455,434.3	100.00

As at 31 December 2016, the total size of operating assets was RMB514,776 million, representing an increase of RMB59,342 million, or 13.03 percentage points as compared with the end of the previous year. In particular, debt securities investments increased by RMB50,272 million, or 4.37 percentage points, in proportion to total assets; cash and balances with Central bank increased by RMB7,336 million, or decreased by 0.57 percentage points, in proportion to total assets; financial assets held under resale agreements decreased by RMB30,849 million, or 6.87 percentage points, in proportion to total assets; deposits and placements with banks and other financial institutions increased by RMB28,389 million, or increased by 2.51 percentage points, in proportion to total assets; transfer of discounted bills and credit assets increased by RMB4,063 million, or 0.66 percentage points, in proportion to total assets.

Management Discussion and Analysis

2. Debt Securities Investments

(1) Distribution of Debt Securities Investments by Holding Purpose

(Expressed in RMB million, unless otherwise stated)	31 December 2016		31 December 2015	
	Amount	Percentage %	Amount	Percentage %
Held-to-maturity debt securities	67,842.2	25.75	63,649.6	29.85
Debt securities classified as receivables	101,151.3	38.39	133,076.1	62.42
Debt securities at fair value	4,521.3	1.72	4,156.3	1.95
Available-for-sale debt securities	89,965.6	34.14	12,326.3	5.78
Total	<u>263,480.4</u>	<u>100.00</u>	<u>213,208.3</u>	<u>100</u>

In 2016, the Group continued to implement the classification management of its debt securities investment accounts. Apart from taking debt securities classified as receivables and available-for-sale debt securities as the major investment targets, the Bank took the market condition into consideration and moderately invested in certain held-to-maturity debt securities. As at 31 December 2016, the Group saw an increase of RMB4,193 million, or a decrease of 4.10 percentage points, in proportion to total debt securities investments in held-to-maturity debt securities as compared with the end of the previous year, a decrease of RMB31,925 million, or a decrease of 24.03 percentage points, in proportion to total debt securities investments in debt securities classified as receivables over the end of the previous year, an increase of RMB365 million, or a decrease of 0.23 percentage points, in proportion to total debt securities investments in debt securities at fair value over the end of the previous year as well as an increase of RMB77,639 million, or an increase of 28.36 percentage points, in proportion to total debt securities investments in available-for-sale debt securities over the end of the previous year.

(2) Distribution of Debt Securities Investments by Credit Rating

(Expressed in RMB million, unless otherwise stated)	31 December 2016		31 December 2015	
	Amount	Percentage %	Amount	Percentage %
AAA	21,261.8	8.07	19,943.8	9.35
AA	12,168.4	4.62	38,951.0	18.27
A	441.2	0.17	0.0	0
Unrated	229,609.0	87.14	154,313.5	72.38
Total	<u>263,480.4</u>	<u>100.00</u>	<u>213,208.3</u>	<u>100.00</u>

In 2016, the Group proactively leveraged on the trend of policies, further analysed on the market and determined the bond investment strategy of “proactively taking position and profit at the right time”, on the basis of the macro situation, in which the regulation on bond market is tightening, the interest rate risk is increasing and the credit risk continues to ferment throughout the year. With respect to operation, the main objective of the strategy was to carefully select medium-term notes with better quality and higher coupon rate, take position of asset securitization products (abs bonds) with lower proportion of risk assets in the investment market at the right time as well as appropriately allocate bonds issued by local government with AAA rating.

As at 31 December 2016, debt securities investment with a rating of AA and above decreased by RMB25,465 million, or a decrease of 14.93 percentage points, in proportion to total debt securities investment as compared with the end of the previous year, while unrated debt securities investment increased by RMB75,296 million, or an increase of 14.76 percentage points, in proportion to total debt securities investment over the end of the previous year. Unrated debt securities investment are mainly government bonds, public sector bonds, quasi-government bonds, certificate treasury bonds and debt instruments issued by financial institutions.

(3) Distribution of Debt Securities Investments by Remaining Maturity

Expressed in RMB million, unless otherwise stated)	31 December 2016		31 December 2015	
	Amount	Percentage %	Amount	Percentage %
Within 3 months	91,672.6	34.80	61,552.3	28.87
3 to 12 months	65,563.7	24.88	48,159.5	22.59
1 to 5 years	85,475.9	32.44	79,541.5	37.31
Over 5 years	20,768.2	7.88	23,955.0	11.23
Total	263,480.4	100.00	213,208.3	100.00

As at 31 December 2016, the Group’s investments in debt securities with a remaining maturity of less than 12 months increased by RMB47,524 million, or 8.22 percentage points, in proportion to total debt securities investments from the end of the previous year. The Group’s investments in debt securities with a remaining maturity of over 5 years decreased by RMB3,187 million, or 3.35 percentage points, in proportion to total debt securities investments as compared with the end of the previous year. The Group’s investments in debt securities with a remaining maturity of 1-5 years increased by RMB5,934 million, or 4.87 percentage points down, in proportion to total debt securities investments as compared with the end of the previous year, mainly due to the Group’s improvement in the maturity structure of the investment portfolio given a proper build-up of investments in short-term creditors’ investment with higher coupon rates and relatively higher investment value in accordance with the changes in the market and the reasonable allocation of the maturity and yield of its investment portfolio.

Management Discussion and Analysis

(4) Investment in Financial Bonds

Financial bonds refer to the marketable securities issued by policy banks, banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. As of 31 December 2016, the outstanding balance of financial bonds of the Group was RMB30,465 million, which was mainly financial bonds issued by policy banks. The table below sets out the top ten financial bonds held by the Group as at the dates indicated.

Expressed in RMB million, except for percentages				
Name of debt securities	Nominal value	Interest rate per annum	Maturity date	Impairment
Asset-backed security issued in 2015	1,091.00	3.95	2017/12/26	–
Debt securities issued by policy banks in 2013	1,000.00	4.02	2018/7/18	–
Debt securities issued by policy banks in 2013	950.00	4.07	2020/4/11	–
Debt securities issued by policy banks in 2016	800.00	3.24	2023/2/25	–
Asset-backed security issued in 2015	700.00	5.20	2018/7/12	–
Debt securities issued by policy banks in 2010	700.00	2.09	2020/2/25	–
Debt securities issued by policy banks in 2005	650.00	3.60	2020/11/29	–
Debt securities issued by policy banks in 2014	600.00	5.10	2021/8/7	–
Debt securities issued by policy banks in 2012	590.00	3.97	2019/7/9	–
Debt securities issued by policy banks in 2006	570.00	3.79	2021/6/28	–

In 2016, the Bank carefully selected and prudently invested in high-yield bonds on the basis of the analysis and judgment of the bond market. The Bank, at the same time, shortened the duration of bond allocations and vigorously configured the asset-backed securities products with lower risk weight, further optimizing the structure of positions. In 2016, credit risk still persisted and interest rates fluctuated sharply. Under this situation, the Bank achieved bond investment with low-risk but higher yielding. Rate of return in bond market has begun to rebound gradually since the end of 2016, the Central Bank steadily implements deleveraging policy to address the financial risks, and the return from bond investment is expected to increase in 2017.

In 2016, the Bank strictly selected financial issuers based on their qualifications and ensured that the risk of assets can be controlled. Under these policies, the Bank flexibly configured banking wealth management products (which are mainly classified into money market instruments) with lower capital consumption and higher return. The amount of financial investment steadily increased. Counterparty and financial investment channels further broadened. In 2017, the Bank will employ capital rationally under the premise of controlling the total amount of investment in financial products. In this way, the allocation of resources for all kinds of financial products can be optimized in order to obtain a better return on investment.

3. *Assets Management Business*

Steady and continuous development of the financial business. The Bank always adheres to the principle of customer-oriented, and carried out various measures to promote the health, stable and compliance development of the financial business. Series of special financial products including self-developed products such as “Building up Your Fortune” and “Happy life in the Ba-Yu Region” with characteristics of the Bank were launched to enrich the period, flexibility and term of products, thus satisfied diversified demand of investors. The Bank increased efforts in the innovation of financial business, which satisfied enterprises’ diversified financing needs and provided effective support to the real economy. Efforts are also made to improve the management level of financial business through actively preventing exposures and promoting the compliance development of it.

In 2016, the Bank issued 1,559 tranches of wealth management products in total with the issue amount of RMB488,768 million, representing a year-on-year growth of RMB207,121 million or 73.54%. As at the end of December 2016, the outstanding balance of wealth management products amounted to RMB150,384 million, representing an increase of RMB56,900 million or 60.87% over the end of the previous year.

4. *Investment Banking Business*

In 2016, in order to facilitate the transformation of business model for the bank as whole, the investment banking department had been seeking innovation. As such, a number of business achieved substantial breakthrough, and achieved rapid growth. During the year, the investment banking department received qualifications on two new types of businesses, namely Category B Lead Underwriter and Credit Asset Securitization from the Dealers’ Association. The first non-financial institution debt financing instrument was launched by the bank. There was also the first single bond financing scheme in southwestern China. We continued to develop wealth management direct financing tools. At the end of the year we successfully issued RMB4 billion of tier 2 capital debentures. At the same time, we proactively recruited high quality talents with abundant business experiences in investment banking industry. The team will continue to recruit talents and strengthen internal control, which will enhance the professional standard of the investment banking department.

5. *Asset Custodial Business*

In 2016, under the increasing industry competition, the scale of asset custodial business maintained a steady growth. As at the end of the reporting period, the asset custodial scale was RMB179,372 million, representing an increase of approximately 36.27% over the end of the previous year. During the reporting period, no material custody risk events occurred in the Bank.

IV. Distribution Channels

1. *Physical outlets*

Operating outlets are the primary distribution channels of the Bank. As at 31 December 2016, the Bank had 1,777 branches of various kinds, including one headquarter, three branches, one business department, 42 sub-branches, 23 tier-2 sub-branches, 2 community branch outlets and 1,705 branch outlets, among which Qujing Branch in Yunnan became the first non-local branch of a rural commercial bank in the PRC. The network of sub-branches covers all the 38 administrative districts and counties of Chongqing with 1,462 distribution outlets in the County Area of Chongqing, covering all the blank areas in Chongqing and with 312 outlets in the city's urban area. The Bank ranked first in the number of branches in both County Area and the urban area among its peers.

The Bank will develop its distribution channels strategically through stepping up optimising the layout of outlets and restructuring to improve its service coverage, service capabilities and operational efficiency. In 2016, the Bank has established three branches, reallocated 57 existing branches and refurbished 110 existing branches. Since the establishment in June 2008, the Bank has basically completed the first stage refurbishment of branches and achieved an obvious improvement on the branches' overall appearance.

2. *Self-service banking*

In order to expand the scope of customer services and provide customers with more convenient services, as at 31 December 2016, the Bank established 160 24-hour self-service centers and the number of ATMs and self-service inquiry terminals increased to 4,796. The proportion of machine to outlet exceeded 2.7:1, among which the number of ATMs put into use increased by 317 units to 3,837 units over the end of the previous year and self-service inquiry terminals put into use increased by 11 units to 959 units over the end of the previous year.

The pace of putting convenient rural financial self-service terminals in use was under reasonable control and the management mechanism was strengthened. As at 31 December 2016, 631 convenient rural financial self-service centers had been established and commenced on-line operation. As such, the Bank extended its financial service coverage whilst bringing convenience and benefits to the people in the rural area. The service won widespread recognition from the local government and the general public, with both social and economic benefits well-received.

3. *Electronic Internet Finance*

The Group, being fully aware of the significance of the function of electronic internet finance business, leveraged its comprehensive electronic internet finance business to establish an internet finance platform and build an all-rounded electronic internet finance service system, in the hope of continuously exploring convenient finance service. In the meantime, the Bank continued to improve the brand awareness and influence of its electronic internet finance brand through carrying out various marketing activities, which further improved customer satisfaction.

(1) Mobile banking

The Bank continued to innovate its mobile banking and launched the encrypted SMS authentication for mobile bank card, ensuring the consistency of mobile phone device, SIM card and mobile bank card, preventing from security risks including mobile Trojans and SMS leakage, and continuously improving the controllability of transaction safety of mobile banking. The Bank launched the function of login pattern password to improve the login process of mobile banking and customers' login experiences; launched services and functions for the convenience of the customers including card-free cash withdrawal, Cloud Loans for Micro Enterprises, school bill payment, payment of cable bill, traffic fines, public rental, ETC top-up, agency purchase of car insurance, outlet reservation and queuing, online appointment register, etc. to continuously improve customers' experience.

As at 31 December 2016, the number of mobile banking customers of the Bank reached 5,328,200, representing an increase of 1,573,200 new customers, or 41.90%, as compared to the previous year. The aggregate number of financial transactions for the year amounted to 81,373,100, representing an increase of 6.64% as compared to the same period of the previous year. The amount of transactions occurred in the year was RMB937.950 billion, representing an increase of 6.80% as compared to the same period of the previous year. Both the number of transactions and the amount of transactions ranked first in Chongqing.

In 2016, with the recommendation of CBRC, the Mobile Banking of the Bank has been incorporated into the book of the Best Practice Report on the Sustainable Development Models of Rural Finance Poverty Alleviation prepared by The International Fund for Agricultural Development and The Asia-Pacific Agriculture Loan Association as the best practice model, which further enhanced the promotion and the brand influence of the Bank's mobile banking. Meanwhile, the Bank was granted the "Best Mobile Bank of Regional Commercial Bank in 2016" of Gold List of E-banking in China (中國電子銀行金榜獎「2016年區域性商業銀行最佳手機銀行獎」) by the China Financial Certification Authority (中國金融認證中心).

Management Discussion and Analysis

(2) WeChat banking

WeChat banking led the trend. As at 31 December 2016, WeChat banking has attracted the attention of 321.3 thousand customers, with 13,170.2 thousand messages received. In order to create a three-dimensional loan application channel, the Bank carried out green credit services including loan applications via WeChat and telephone, and received 48,600 loan applications via WeChat and released loans amounting to RMB2,843 million. At the 2016 Financial Social Marketing Competition held by CFCA in March 2016, our WeChat banking won the 2016 Best Financial Social Marketing Platform of “China Financial Marketing Gold Chestnut Award (中國金融行銷金栗子獎)”.

(3) Internet banking

Corporate internet banking

The Group successfully launched the business of large-amount deposit slips for enterprises, which enhanced customers’ efficiency of capital using and reduced the pressure of counters; promoted the direct connection and access between the Bank and the enterprises among the Public Resources Trading Centre in districts/counties and major customers, which further enhanced the comprehensive service level for the corporate customers. As at 31 December 2016, the number of corporate internet banking customers of the Bank increased by 25.19% over the end of the previous year to 32.3 thousand; 4,462.5 thousand financial transactions have occurred during the year, representing an increase of 32.10% over the same period of the previous year; the amount of transactions was RMB1,778,157 million, representing a growth of 42.72% over the same period of the previous year.

Personal internet banking

The Group has been actively engaged in improving customers’ experience. It has strengthened security for E-banking to improve the security in using E-banking. In the meantime, the Bank has been enriching the functions of the products, in order to meet the multi-layered and diversified customers’ needs for financial services. As at 31 December 2016, the number of personal internet banking customers was 2,481.9 thousand, representing an increase of 26.71% over the end of the previous year. 85,643.5 thousand financial transactions have occurred in the year, representing an increase of 121.17% over the same period of the previous year; the amount of transactions occurred in the year was RMB147,910 million, representing an increase of 23.23% over the same period of the previous year.

Online payment

In order to cater for the rapid development of internet payment, the Bank launched a multi-channel and all-rounded payment gateway, which supports PC, smartphone, tablets and other devices, as well as, online banking payment, mobile banking payment, account password payment and various kinds of payment methods, thereby satisfying customers' diversified needs and achieving rapid access for customers at the same time. The Bank also successfully established the internet interbank acceptance system, enabling customers of the Bank to manage their deposits in other banks conveniently, for example, transferring the deposits to the account of the Bank or making payment to customers of the Bank.

The business development outcome of online payment function is encouraging. At present, our online payment function supports Alipay, Tenpay, Jingdong and other major third party payments. As at 31 December 2016, there had been 82,755.0 thousand financial transactions in the year which were settled through online payment, representing an increase of 130.35% over the same period of the previous year. The transaction amount was RMB29,133 million, representing an increase of 138.46% over the same period of the previous year.

(4) Internet finance platform

Jiangyuhui (江渝惠) Online-to-Offline (“O2O”) consumption service platform

“Jiangyuhui” (江渝惠) O2O consumption service platform of the Group is a consumption service platform integrating a collection of necessities as established by the Bank utilising a combination of online and offline approach. The platform relies on network provided by communication operators to offer service of “benefiting customers, benefiting groupbuy, shopping mall, payment by code” (惠商戶、惠團購、精品商城、碼上付) for mobile financial customers, so as to meet their financial needs in a “personalised, diversified, networking” (個性化、多元化、網絡化) manner, thus creating a closed system for community marketing, consumption and payment. In 2016, Jiangyuhui consumption service platform had 56,600 users. Valid merchants (outlets) reached 57,800 units, with accumulated number of transactions reaching 470,400. New debit cards issued by merchants on “Jiangyuhui” (江渝惠) O2O consumption service platform amounted to 46,900, whilst the balance of deposits by the merchants reached RMB1.17 billion. In April 2016, during the 13th Annual Summit for Strategic Development of Informatization by Regional Commercial Banks in China held by New Finance World magazine, “Jiangyuhui” (江渝惠) Online-to-Offline (“O2O”) consumption service platform of the bank was selected as the “Outstanding Case in Informatization and Innovation of Financial Information in China 2016” (2016年度中國金融資訊化與創新優秀案例).

Management Discussion and Analysis

“Jiangyuer” (江魚兒) internet banking platform

“Jiangyuer” (江魚兒) internet banking platform of the Group is a platform utilising internet to carry out integration of direct sales business of banks’ financial products. It is a breakthrough of banks’ reliance on outlet expansion to expand business scale and adopts the mode of internet finance for trans-outlet and trans-regional sales of bank products. “Jiangyuer” (江魚兒) internet banking provides customers with “Jiangyu FOF” (江渝基金寶) product, intelligent deposits product, payment of living expenses, loan application and other financial services through its official website, mobile banking client, and other channels. As at 31 December 2016, “Jiangyuer” internet banking had 675.2 thousand users with the aggregate transaction amount of RMB862 million.

(5) Mobile integrated terminal

To optimize business process and increase business efficiency, the Group officially launched the mobile integrated terminal platform 3A services in March 2016, which are able to provide our clients with services like account opening, card issuing, online banking signing, credit card marketing, consumer spending card issuing, account activation, general query and other banking businesses, and help employees of the Bank to achieve more interactions with customers, excavate customer needs deeply and enhance customer experience. As at 31 December 2016, the accumulative contracted clients were 304,200, among which 93,200 were contracted debit card users, 104,400 were mobile banking users, 42,400 were personal online banking users, and 64,200 were contracted SMS service users.

(6) Video teller machine (VTM) banking

As a micro-smart service platform featured with “All-function, All-day, Face-to-face and Resembling Counter Service”(全功能、全天候、面對面、類櫃面), VTM Banking managed to provide the face-to-face assistance service through VTM, which can provide clients with safe and convenient one-stop services. Currently, we have put VTM in the private banking center, Liangjiang Branch Dazhulin Community Bank, Nan’an branch, Wanzhou branch, Qianjiang branch and the Longtousi train station.

(7) “Cloud QuickPass” Business

“Cloud QuickPass” is a new and convenient payment method launched by Union Pay together with various commercial banks. The payment method is based on smartphones, which applies HCE and Token technologies of NFC. On the one hand, this method has the “pay wave” ability for physical POS machine. On the other hand it is an innovative payment product with remote payment capabilities through mobile Internet. The cardholder can enjoy convenient, safe and quick banking card services. The bank has now acquired the qualification as online bank for ApplePay, and had officially launched its commercial applications in October 2016.

(8) Telephone and SMS banking

The service capacity of telephone banking continuously strengthened. The service quality of telephone banking was enhanced through establishing the function of 360°-view system of customer services, strengthening telephone data monitoring and analysis, intensifying site management, etc. and thus strengthened the business. As at 31 December 2016, the Bank had offered services to 8,696.8 thousand customers. The growth of SMS banking is promising. As at 31 December 2016, the accounts of SMS amounted to 10,117.2 thousand, while contracts signed by high-end customer accounted for 74.83%. In November 2016, the customer service center of the Bank was awarded the prizes of “Excellent Service” in the Fourth Selection of Excellent Customer Service Center in the PRC Banking Industry by the China Banking Association.

(9) Marketing Campaign

All-rounded large scale marketing campaigns were successively carried out for electronic internet finance business, including the mobile finance marketing campaign of “Mobile Finance, Prosperous Year of the Monkey with Gifts” (移動金融 禮旺猴年), and Jiangyuhui (江渝惠) series of marketing campaigns including “Dining and Entertainment, Enjoy Your Life” (吃喝玩樂 惠享生活) and “Group Purchase of Milk Card, Buy More Get More” (團購奶卡！購越多，惠越大) and “One Yuan for Chongqing Noodles” (一元吃小面), which enhanced the popularity of electronic internet finance business brand and received good social response.

In August 2016, the bank launched the “HSR Banking” services through cooperation with other industries, which was the first in China. Through promoting the bank’s businesses on high speed trains, we devoted to specifically creating private caring namely “CRCB’s Car” on the high speed trains between Chengdu and Chongqing. At the same time, we also selected distinguished staff to work on the high speed trains for education of passengers about financial security knowledge, explaining anti-money laundering and anti-fraud tactics. By leveraging on the mobile business platform, we handled financial services for passengers such as debit cards, SMS messaging, mobile banking and personal Internet banking. “High Speed Train Banking” expanded the width and depth of the bank’s services, which improved the brand image of the bank, and satisfied the diversified financial services demands from customers in the high speed train era. It was an important feature of the bank in expanding its financial services channels, optimizing financial services means, promoting financial reform and innovation.

The electronic internet finance of the Group achieved sustainable and effective development through relentless efforts and bold innovations. As at 31 December 2016, the substitution rate of E-banking account transactions of the Bank reached 87.67%, representing an increase of 3.45 percentage points as compared to the end of the previous year.

V. Principal Subsidiaries

CQRC village and township bank is a general name for the village and township banks established by the Bank as a major promoter. The establishment of village and township banks is of great significance to the performance of social responsibility, broadening and deepening the service to new rural construction, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. During the Reporting Period, the Bank steadily propelled the institutional establishment of village and township banks: Yunnan Xishan CQRC village and Township Bank Co., Ltd. commenced operation. As at the end of the Reporting Period, the Bank has established 12 CQRC village and township banks with aggregate capital amounting to RMB3,877 million and the outstanding balance of deposits and loans in aggregate amounting to RMB1,654 million and RMB2,168 million, respectively.

In December 2014, CQRC Financial Leasing Co., Ltd. was incorporated with the registered capital of RMB2.5 billion to be mainly engaged in financial leasing related business. The Bank was the major promoter and held 68.00% of its shares.

VI. Information Technology

In 2016, the information technology work of the Bank was guided by the principle of “Independent and Controllable, Sustainable Development, and Technological Innovation”, and continuously intensified the supporting role of information technology in the development of banking business. Throughout the year of 2016, each important information system of the Bank was operating stably; no unplanned system interrupt accidents occurred; and the network operation was stable.

Technological governance. In 2016, a total of three working meetings were organized and convened by the IT Strategic Development Committee, to approve and adopt a series of important proposals including Information Technology Budget for the Year 2016, Construction Plan on Information Technology Project for the Year 2016, and Branch backbone network upgrade program. The Bank continuously optimized the organizational structure of information technology, and constantly strengthened the functions of the nine secondary departments under the IT Department, newly increased two and revised seven information technology systems and operation specifications to continuously perfect information technology control system; continuously introduced the high-level talents through multiple channels such as school recruitment and social recruitment, actively drove the information technology professional rank system, and continuously broadened the career development space for the information technology personnel, and continuously intensified the personnel training mechanism to form the benign technology team construction mechanism; improved the project construction assessment mechanism, introduced and implemented the outsourcing supplier assessment system continued to standardize the project quality review mechanism, intensified the demand guide and test review and intensified the information technology project life-cycle management.

Information security guarantee. The Bank adopted three-layer risk prevention system structure, implemented the information safety guarantee work; allocated the 24 hours site duty for the Bank's important systems and network configurations, to ensure the efficiency of response to the system failure treatment; implemented the rolling inspections and special inspections on the risks in the technology line cases and carried out the key inspections on holidays and festivals and during the peak season of marketing to ensure the comprehensive, safe and stable operation of the information system.

Business continuity management. The Bank paid high attention to the business continuity management, and continuously optimized and perfected the contingency plan for the business continuity. The Bank fully played the supporting role of the Bank's "three centers in two areas" on business development, which comprehensively met the needs of supporting the high availability of information system and business continuity of the Bank. In 2016, the Bank actively carried emergency drill, continued to improve the ability of emergency organizations and response efficiency, implemented over ten emergency drills including the drill of power supply system emergency switch in data center, drill of payment system disaster recovery switch, the drill of core networks in three centers, achieving a continuous improvement of the contingency plans, and fully proving the effectiveness of contingency plans.

Information system construction. In 2016, the Bank completed the construction and commenced the operation of the backup center machine rooms for 31 data centers of branches and sub-branches which are not directly connected to the headquarter, which is among the first regional financial institutions in China in terms of completing the dual-centre machine room structure for branches, further improved the system of "three centers in two areas" disaster recovery structuring system, effectively reduced the risks of operation disruptions in regional networks due to the failure of the central machine room in branches and sub-branches; orderly propelled the establishment of a new generation of core system, achieved the testing and running of the incorporation of the new generation of core system with the original core system in 2016, 27 online information technology projects were completed, with focus on completing the "replace business tax with value-added tax" system, system reconstruction according to the Central bank's No.261 Document, Financial IC Cards project and e OSCCA (Office of State Commercial Cryptography Administration) algorithm reconstruction, upgrade of Office OA system, financial double recording system reconstruction, commercial education loan and other projects.

Technological innovation research. The Bank actively participated in and commenced research of the financial technology innovation projects hosted by the Central banks, CBRC and NDRC, of which, "Research and Design for the Retail Automatic Credit Approval Platform based on Big Data" (《基於大資料的零售自動授信平台研究與設計》) won the Achievement Award of 2016 Risk Management Research Category-4 by CBRC, in the mean time, actively promoted the application and protection the independent intellectual property rights of our new generation of core system, of which the patent of "Based on the open architecture of a transaction and accounting separation of the core banking system" (《基於開放架構的交易核算分離的銀行核心系統》) has been announced at the State Intellectual Property Office and expected to obtained patent certificate in 2017.

VII. Employees and Human Resources Management

1. Basic Information on Employees

As at 31 December 2016, the Bank had 16,245 regular employees, 11,084 of whom held Bachelor's degrees or above, representing 68.22% of all the Bank's regular employees. In addition, the Bank had 542 dispatch workers, 963 internally retired employees and 5,412 retired employees.

2. Overview of Human Resources Management

In 2016, the Bank insisted on taking the implementation of “three transformation” development strategy as the core, centering on boosting transformation. It spared no effort to implement the strategy of building a strong bank relying on talents, set internal organizations in a scientific and standard way, and continuously optimized staff structure. The team construction has obtained significant achievements, and the human capital management efficiency was significantly improved.

Focusing on adjusting the structure by continuing optimizing the team structure. The Bank carried out staff recruitment for different levels and positions, accelerated the the construction of youth management talent pool, completed the second batch of position recruitment and grading evaluation, explored to establish a reasonable mechanism for shifting talent resources to marketing position, promoting the optimization of the staff structure.

Highlighting the performance strengthening and forming a pressure transmission mechanism. The Bank amended the management measure of management, implemented the mid-term and long-term integrated assessment mechanism and improved the assessment system, promoted the working concept of “to focus on and perform its duties with utmost efforts”, formulated the management mechanism of “employees being able to work in the main city and non-main city, levels being able to get promotion and demotion, treatment of being able to get higher or lower”.

Insisting on focusing on the cultivation to steadily promote the talent quality. The Bank optimized the organization structure, promoted the dynamic management on “One Thousand Talents Plan” (千人計劃), optimized the “management trainee” cultivation model, and promoted M-learning construction, created the three-dimensional training system of “online + offline”, “headquarter + streams + branch”, and carried out over 1,600 face-to-face trainings with 114,000 attendances.

FINANCIAL BUSINESS IN COUNTY AREA

County Area is the main place where the Group carries out Sannong Financial Services. The banking business in County Area has been a long-term strategic focus, and also one of the Group's major sources of revenue. The Group provides diversified financial services for customers in County Area through two branches, 32 sub-branches, 9 secondary sub-branches and their 1,420 distribution outlets as well as 12 village and township banks located in County Area. During the reporting period, the Group took advantage of interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, proactively innovated products, and kept on increasing the standard of financial services in County Area, all of which have led to the comparatively rapid growth of financial services in County Area.

As at 31 December 2016, the loan balance of the financial business⁽¹⁾ of the Group in County Area amounted to RMB141,143 million, representing an increase of RMB12,578 million, or 9.78%, over the end of the previous year. In particular, the corporate loan balance of the financial business in County Area amounted to RMB67,891 million which accounted for 33.57% of the corporate loan balance of the Group, representing an increase of RMB8,972 million, or 15.23%, over the end of the previous year. The personal loan balance of the financial business in the County Area amounted to RMB73,252 million, representing an increase of RMB3,606 million, or 5.18%, over the end of the previous year, accounting for 74.61% of the personal loan balance of the Group. The deposits balance in County Area amounted to RMB349,985 million, representing an increase of RMB37,180 million, or 11.89%, over the end of the previous year.

Supported by County Areas, in adherence to the top priority in enhancing the quality and efficiency of Sannong financial services of the Bank, industrialization of agriculture, urbanization in rural areas, and development in working farmers were boosted to be the principal direction to ensure carrying out of Sannong financial services based on the important components of inclusive financial system and sustainable development, so as to promote the boost in farmers' income, agricultural efficiency enhancement and rural prosperity. As at 31 December 2016, the outstanding balance of agricultural loans⁽²⁾ of the Group amounted to RMB135,302 million.

Notes:

- (1) The loan of the financial business in County Area refers to loans released by branches of the Bank in Chongqing City, other than loans released in major districts. It also includes loans released by 12 village and township banks and Qujing Branch.
- (2) The agricultural loans refer to loans to farmers, loans to rural enterprises and various organizations, loans to urban enterprises and various organizations directing to activities related to agriculture, forestry, husbandry and fishery industry as well as supporting agriculture and rural development in accordance with the "Special Statistics System of Agricultural Loans" (《涉農貸款專項統計制度》) (Yin Fa [2007] No. 246).

I. Reform and Innovation

1. *Management Reinforcement*

During the Reporting Period, the Bank has actively and steadily pushed forward the construction of Sannong service system, with an aim to improve capability and level of such service. A meeting was held by Sannong Financial Service Committee of the Board of Directors to consider Sannong financial service plan of the year, and focus on reinforcing the strategic move on Sannong financial services. Sannong Financial Service Committee under the senior management was renamed as Financial Service Committee for Sannong and Poverty Alleviation, to strengthen the guidance and support to policies and knowledge on Sannong and poverty alleviation of the Bank. By introducing Sannong Business Management Department to functional departments and leading Sannong financial services among the Bank, the Bank set up secondary departments or professional posts under the Corporate and Personal Banking business lines to be responsible for the “Sannong” business marketing guidance, product innovation, etc. It has set up specialised institutions in respective county branches, to be responsible for the specific promotion of “Sannong” business. In addition, the Bank further regulated and enhanced the agriculture-related credit approval procedures to improve service quality and performance.

2. *Strengthening Incentives*

The Bank further enhanced the capacity of the financial services in County Area, solely prepared the credit plan for the financial services in County Area and implemented differentiated incentives policy. Resources including staff, funds, self-service machines and others were shifted towards the sub-branches providing the financial services in County Area to ensure that the financial services in County Area could become fast and convenient, timely, effective and satisfying.

3. *Innovation-driven*

The Bank centered on innovative financial service products and services by optimising and enhancing the concept on inclusive financial services. During the Reporting Period, the Bank launched loans for poverty aids, acquisition loans for poverty aids, tax rebate credit for small businesses and other credit products. In accordance with the new situation, changes and features of the rural areas, the Bank revised the management practices and operational procedures of “Sannong” credit to promote the integration of products and markets. The Bank continued to promote self-services, services for the convenience of the customers and promoted mobile financial services. Meanwhile, it also carried out the pilot by purchasing three mobile bank vehicles for remote rural areas to boost the full coverage of basic finance.

II. Corporate Banking Business in County Area

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

III. Personal Banking Business in County Area

During the Reporting Period, the Bank devised and implemented special marketing plans in a bid to drive the growth of personal banking business in County Area. Targeting at the county's individual and private business owners, farmer entrepreneurs the wealthy people and other excellent customers, the Bank vigorously developed personal products for specific areas and promoted loans secured by forest property rights, rural residential housing and contractual management rights of rural lands as well as loans for individual consumption and employment assistance at a steady pace in order to satisfy diversified credit needs in County Area effectively. In the meantime, the Bank earnestly implemented the state precise poor supporting requirement, and precisely launched credit support to assist industries, education, employment and electricity suppliers via product, assessment and demonstration innovation, so as to help farmers to get rid of poverty.

As the only bank in Chongqing offering the type of pension insurance services in rural and urban areas, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11.14 million people. Departments of finance and social insurance of the city and district/county have opened social insurance accounts with the Bank, with a capital balance of RMB11,062 million as at 31 December 2016. In 2016, the number of individual pensions withheld by the Bank amounted to 5,023,600, totaling RMB1,127 million; the number of individual pensions paid by the Bank as an agent amounted to 45,117,100, totaling RMB5,070 million. These services provided the Bank with an extensive customer base and helped stabilize the customer resources and facilitate the development of the Bank's businesses.

Management Discussion and Analysis

The Bank made greater efforts in the construction of electronic channels in County Area and vigorously marketed the Jiangyu Card (江渝卡), the Jiangyu Xiangqing Card (江渝乡情卡), the Farmer's Fortune Card (福农卡), credit card, personal internet banking and mobile banking. As at 31 December 2016, the Bank operated 2,684 ATMs, 773 multi-media enquiry machines in County Area and established and operated 631 convenient rural financial self-service centres. The number of debit cards and credit cards issued by the Bank in County Area also increased by 1,185.5 thousand and 95.4 thousand over the end of the previous year, respectively, to 14,319.5 thousand and 353.6 thousand, respectively, which accounted for 78.37% of the debit cards issued by the Bank and 76.84% of the credit cards issued by the Bank, respectively. 1,716.4 thousand customers in County Area opened for personal internet banking service, accounting for 69.31% of the number of customers opening for personal internet banking service of the Bank and representing an increase in 391.4 thousand customers over the end of the previous year. 4,267.4 thousand customers in County Area opened for mobile phone banking service, accounting for 80.29% of the number of customers opening for mobile phone banking service of the Bank and representing an increase of 1,264.9 thousand customers over the end of the previous year. With the gradual enhancement in electronic equipment, the increase in the number of cards and the promotion and marketing on E-banking products, the Bank is well poised to keep expanding its customer base in County Area, increase the penetration of banking business in County Area, and build good business relationship with customers.

IV. Summary of Information on Geographical Segments

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2016			2015		
	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	3,793.3	15,611.4	19,404.7	4,119.7	16,046.8	20,166.5
Net fee and commission income	1,046.3	1,072.1	2,118.4	617.4	877.5	1,494.9
Net trading (losses) gain	–	(15.6)	(15.6)	–	19.8	19.8
Other operating income, net	73.4	80.8	154.2	132.8	75.0	207.8
Total operating income	4,913.0	16,748.7	21,661.7	4,869.9	17,019.1	21,889.0
Internal transfer of income and expense	5,715.9	(5,715.9)	–	6,156.7	(6,156.7)	–
Gain after adjustment	10,628.9	11,032.8	21,661.7	11,026.6	10,862.4	21,889.0

For the year ended 31 December 2016, the gain of County Area segment after adjustment was RMB10,629 million, representing an increase of 69.47% in comparison on a year-on-year basis, which was mainly attributable to the fast growth in the net fee and commission income of County Area.

RISK MANAGEMENT

In 2016, guided by New Basel Capital Accord and the comprehensive risk management, the Group continued to improve risk management policies, systems and procedures, intensified capital control mechanism and assessment, proactively controlled credit risks of major areas and industries, continuously promoted the construction, operation and application of internal rating system, improved pressure testing technologies, perfected information technology risk management mechanism and business continuity management system, carried out business impact analysis and emergency drills, and investigated the risks in cases, and improved the liquidity risk emergency management mechanism. During the Reporting Period, the Group has sufficient capital, with stable asset quality, sound liquidity, effective internal control, increasingly abundant tools and methods of risk management, and constantly improved technology.

I. Credit Risk Management

Credit risks refer to the risk of economic loss arising from the failure of the borrower of a bank or the counter party to a transaction to fulfill its relevant obligations due to various reasons.

Confronted with the objective economic and financial environment in 2016, the Group focused on the overall objective of the “Three-Transformation” (三化) strategy, facilitated the reform and innovation in a down-to-earth manner, continued to speed up the structural adjustment, strengthened the management and prevention of risks. Highlighted the implementation of “focusing on the basis, strengthening the management, adjusting the structure, controlling risks, making innovations and steady development”, earnestly implemented the macro-economic control policy of the country and continued to optimise the regime and system development of credit risk management. It adjusted the guidelines for credit direction timely, gradually optimized credit structure and strengthened the risk management and control in key areas, especially in key industries and areas like local debts (the governmental financing platforms), the real estate sector, industries with high pollution, high energy consumption and excess capacity and maintain a sustainable and effective control on above key industries and areas, with reference to both the macro changes and the trend of industry restructuring. It also reinforced its efforts in risk inspection and solution, strengthened post-loan management, implemented team system for the post-loan management and the interactive management mechanism on large-scale problematic loans. The Group enhanced the risk warning and examination by strict implementation of the withdraw mechanism to industries and customers with potential risks. Greater efforts were made to clear, dispose and write off non-performing loans; The Group also continuously enriched and improved the credit risk management tools and accelerated application of internal appraisal, resulting in enhanced credit risk management capability on all fronts.

II. Liquidity Risk Management

Liquidity risk refers to the risk of inability in getting sufficient funds at reasonable costs in a timely manner to meet the due liabilities or other obligations for payments or other capital needs required for the conduction of normal business. The objective of liquidity risk management of the Bank is to meet the liquidity needs of asset, liability and off-balance sheet activities and meet its payment obligation to external parties on a timely basis and to effectively balance fund profitability and all rounds security no matter during the normal operation or at a highly stressed condition through the development of a scientific and comprehensive liquidity risk management mechanism and the implementation of effective identification, measurement, monitoring and reporting measures on liquidity risk.

Management Discussion and Analysis

The Board of Directors of the Group is responsible for reviewing and approving important policies and procedures including the risk appetite of liquidity risk, management strategies of liquidity risk and liquidity risk limit. The Asset and Liability Management Committee under the senior management is responsible for ensuring a sufficient resources to effectively carry out the liquidity risk management. The Risk Management Department, Financial Planning Department, Fund Operating Department, Assets Management Department and other business departments and offices cooperate with each other to formulate division of responsibilities and coordination, clear duties, and efficient organizational structure for the liquidity risk management.

In 2016, the Group insisted on the business ideology of prudence and compliance, continued to improve its asset and liability structure, carried out liquidity indices management with foresight, deployed in advance and adjusted dynamically the liquidity management strategies, facilitating various indices of liquidity risk management to be met. It continued to carry out effective liquidity risk limit management, facilitating the planning and coordination of businesses of the relevant lines and actively conducted the liquidity risk management. It promoted the launch of trial operation of liquidity risk management system, facilitating the sophisticated and intelligent level of the liquidity risk management as well as the timeliness and accuracy of the calculation of liquidity risk data in the meantime.

Payment has been guaranteed through continuous monitoring and management of the position of the Bank. The Group strengthened liquidity monitoring and forecast to improve the management level of internal fund allocation under the system with the combination of the application of the FTP, a system for internal fund transfer pricing. The Group carried out liquidity pressure tests continuously to expose the weaknesses of the Group's liquidity risk management in advance, and strengthened the use of test results in the operation management and assets and liabilities allocation, which provide reference for emergency management of liquidity risk

Liquidity Risk Analysis

In 2016, the international and domestic economic and financial situations were complicated and changeable, and the global economy recovery was uneven as the overall economy continued to be weak. The domestic economy was stable and improved but the downward pressure still existed, coupled with the appreciation of RMB. Currency supply of the Central bank in terms of the capital liquidity was in the transition, using reverse repurchase, MLF and other financial instruments to hedge the outflows of funds outstanding for foreign exchange. This year, the difficulty of liquidity risk management is increasing. Against the situation, the Bank conducted a positive liquidity risk management and achieved practical results. As at the end of 2016, all the leading indicators reflecting the liquidity status of the Bank met the supervision requirements.

Management Discussion and Analysis

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. At the end of December 2016, the liquidity gap analysis of the Group is as follows:

Undiscounted contractual cash flows categorised by contractual maturities:

(Expressed in RMB million, unless otherwise stated)	31 December 2016							Total
	Past due/Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Net position of assets and liabilities	<u>74,227.5</u>	<u>(221,658.5)</u>	<u>35,996.6</u>	<u>(8,204.0)</u>	<u>(7,877.6)</u>	<u>146,305.0</u>	<u>119,411.3</u>	<u>138,200.3</u>

(Expressed in RMB million, unless otherwise stated)	31 December 2015							Total
	Past due/Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Net position of assets and liabilities	<u>71,358.7</u>	<u>(186,602.4)</u>	<u>13,446.5</u>	<u>(34,841.2)</u>	<u>18,884.6</u>	<u>132,784.6</u>	<u>123,873.1</u>	<u>138,903.8</u>

Note: Please refer to “Notes to the Consolidated Financial Statements: 52. Financial Risk Management. (4) Liquidity Risk”

The Group’s liquidity coverage ratio:

(Expressed in RMB million, unless otherwise stated)	31 December 2016
Qualified and high-quality current assets	47,566.95
Net cash outflows in future 30 days	35,396.94
Liquidity coverage(%)	<u>134.38</u>

The Group calculated the liquidity coverage ratio according to Methods for Liquidity Risk Management in Commercial Banks (Trial) (《商業銀行流動性風險管理辦法(試行)》) (coming into effect on 1 October 2015) issued by the CBRC. The Methods stipulated that the liquidity coverage ratio of commercial banks should reach 100% prior to the end of 2018. During the transition period, it should reach 60%, 70%, 80% and 90% prior to the end of 2014, 2015, 2016 and 2017 respectively.

The qualified and high-quality current assets mean various assets which can be cashed quickly in the financial market through sale or mortgage (pledge) without loss or with minimal loss in the pressure scenarios set by the liquidity coverage ratio.

Management Discussion and Analysis

The net cash outflow in the future 30 days means the balance between the expected total cash outflow and total the expected total cash inflow in the future 30 days in the pressure scenarios set by the liquidity coverage ratio. The expected total cash outflow is the sum of the products of the balance of the relevant liabilities and off balance sheet items and its expected churn rate or extraction rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow is the sum of the products of the balance of the relevant on and off balance sheet contractual receivables and its expected churn rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow which can be included shall not exceed 75% of the expected total cash outflow.

III. Market Risk Management

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

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

(1) Interest Rate Risk

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

In 2016, the issuance scale and trade volume in domestic bond market continued to increase. The overall bond yield curve moved up, and the structure of market investors was further diversified; Interest rate of money market saw some upward trends with a year-on-year increase in trade volume; Swap interest rate fluctuated with an upward trend; Stock market index increased after a decrease with an overall decline, and trade volume decreased year on year. In response to the complex market situation, the Group kept a close eye on the changes in macro monetary policy and domestic and foreign financial markets. By applying the FTP internal fund transfer pricing system properly, the Group further improved the management of interest rate pricing, duly adjusted the pricing of funds and effectively controlled the fall of interest rates for loans and interest costs for deposits with a view to improving the proactiveness of risk management and ensuring the sustained growth in the revenue and market value of the Group.

Management Discussion and Analysis

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

(Expressed in RMB million)	As at 31 December 2016						Non-interest bearing	Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years			
Interest rate gap	<u>62,303.6</u>	<u>(12,774.5)</u>	<u>(53,609.2)</u>	<u>38,914.1</u>	<u>12,079.0</u>	<u>4,754.6</u>	<u>51,667.6</u>	

(Expressed in RMB million)	As at 31 December 2015						Non-interest bearing	Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years			
Interest rate gap	<u>59,297.1</u>	<u>(45,968.8)</u>	<u>(28,595.2)</u>	<u>37,657.6</u>	<u>19,772.1</u>	<u>3,108.4</u>	<u>45,271.2</u>	

As at the end of December 2016, the Group's accumulated gaps of interest rate for all maturities amounted to RMB51,668 million, representing an increase of RMB6,396 million over the end of the previous year.

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

Interest rate sensitivity analysis

Change in basis points	RMB million			
	The Group As at 31 December 2016		The Group As at 31 December 2015	
	Changes in net profit	Changes in other comprehensive income	Changes in net profit	Changes in other comprehensive income
Increase in 100 basis points	<u>1,765.3</u>	<u>63.6</u>	1,388.3	59.3
Decrease in 100 basis points	<u>(1,765.3)</u>	<u>(63.6)</u>	<u>(1,388.3)</u>	<u>(59.3)</u>

Note: The impact to yield curves movement on interest expenses related to demand deposits has been excluded. Please refer to "Notes to the Consolidated Financial Statements: 52. Financial Risk Management. Market Risk. Interest Rate Risk".

Management Discussion and Analysis

(II) *Exchange Rate Risk*

Exchange rate risk primarily results from mismatches in the currency denomination of the Group's assets and liabilities and currency position mismatches caused by currency mismatch between capitals and foreign currency transactions. The Group mainly adopts foreign exchange exposure analysis and sensitivity analysis to measure exchange rate risk. The Group is mainly engaged in the RMB business with certain transactions related to US dollars and HK dollars but seldom conducts transactions in other currencies, whereas transactions in foreign currencies are mainly the Group's business of agency sale and purchase of foreign exchange.

In 2016, the global economic situation was turbulent, Federal Reserve raised interest rate again, the UK exited the Europe Union, the Euro Zone and Japan stepped into the negative interest rate channel, and RMB interest rate fluctuated the whole year. But the steady progress in the reform measure of foreign exchange system facilitated the gradual maturity of RMB pricing mechanism. The Group strengthened its management capability of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilisation of foreign exchange capital reasonably. It also actively explored the usage of financial instruments for exchange rate to hedge against exchange rate risk.

Management Discussion and Analysis

As at the end of December 2016, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

(Expressed in RMB million)	As at 31 December 2016				Total
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	
Net position	<u>51,240.4</u>	<u>361.8</u>	<u>56.1</u>	<u>9.3</u>	<u>51,667.6</u>

(Expressed in RMB million)	As at 31 December 2015				Total
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	
Net position	<u>45,695.5</u>	<u>(428.6)</u>	<u>20.6</u>	<u>(16.3)</u>	<u>45,271.2</u>

The following table illustrates the exchange rate sensitivity analysis of the Group on the assumption that the RMB exchange rate against USD in the market moves and not considering any risk management actions the management may take to mitigate exchange rate risk:

Exchange rate sensitivity analysis

Exchange rate change	RMB million	
	As at 31 December 2016 Changes in net profit	As at 31 December 2015 Changes in net profit
5% appreciation	<u>13.6</u>	<u>(16.1)</u>
5% depreciation	<u>(13.6)</u>	<u>16.1</u>

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

IV. Operational Risk Management

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

In 2016, the Group strengthened the internal management in the comprehensive risk management system according to the New Basle Capital Accord, implemented effective control measures in the important risk areas and continuously enhanced the its prevention and control over operational risks. Firstly, the Group set up and consolidated the Bottom-line Thinking (底線思維), strengthened the staff awareness of preventing and mitigating risks through establishing the long-term examination mechanism of criminal risk prevention and control, and continuing the employee's behavior management and other activities, at the same time, closely focused on the macroscopic economy environment change and internal business innovation dynamic, organized the risk investigation of all business operational risks and employee's behaviors, summarized the risks in the process of the development of the business and prevented and defused the risks in a timely manner. Secondly, the system of business continuity management was increasingly improved. Through implementing the comprehensive business impact analysis, formulating the drill plan, preparing and reviewing proposals, implementing the drill and conducting self-assessment on business continuity, the Bank effectively guaranteed a stable operation on important businesses and continued to improve its business continuity management system. Thirdly, it has promoted the risk management of information technology, established the risk management strategy, regulated risk control process, organized and implemented the overall assessment of the information technology risk, identified the main risks and sort out the corresponding control measures. Fourthly, it has constantly improved the active control ability of operational risk of internal departments, constantly carried out identification, monitoring and early warning of operational risk and organized self-assessment and appraisal of related performance. Fifthly, it has adhered to the mechanism of expert review and post-evaluation system, ensured compliance, applicability and operability of the internal control systems and secured the highly efficient and stable implementation of risk management activities.

V. Implementation of New Basle Capital Accord

The Group further promoted the establishment of new capital accord in accordance with the requirements of regulatory authorities. In the year, the Group promoted the formal implementation for internal appraisal system of non-retailing credit risk throughout all branches, and gradually promoted and applied the system on credit business management, which provided decision-making reference for risk management staff and complied with regulatory requirements. The Group completed the project regarding internal appraisal of retailing credit risk and automated credit consulting projects, developed the retailing rating card and constructed pool division models, established the retailing internal appraisal structure and system, and achieved the retail business portfolio management. The transfer of project knowledge was significant and effective, and an independent risk measurement team has been initially established. The Group launched construction of the risk data collection, to achieve the integration of risk data and data standardization, and launched the construction of a risk-weighted assets (RWA) system, to achieve an automated measurement of RWA and improve the capital management capacity.

VI. Anti-money Laundering

The Bank strictly followed the progress of Central bank's requirement of imprisonment of three years and made a comprehensive summary of the work. The Bank gradually established a sound and comprehensive risk control system of anti-money laundering which integrates risk identification, assessment, early warning and control at the three levels of corporate governance, risk management and internal control mechanism. Money laundering risk control ability has been significantly enhanced and effectiveness of anti-money laundering has been significantly improved. During the reporting period, six internal control systems of anti-money laundering were amended and refined and three joint conferences were convened. With the Bank's geography, business and transaction characteristics, the Bank developed and launched 15 self-monitoring models to incorporate the anti-money laundering blacklist into the embedded core system of the "black/gray-listing database". The Bank strengthened customer identification, to re-identify existing customers with doubtful identity information and make rectification within a limited time. A 40-day anti-money laundering special inspection was carried out in forms of on-site and off-site. Promotions achieved practical results. The anti-money laundering campaign for the tenth anniversary of issuing the Anti-money Laundering Law has been carried out with the issuance of 2,057 posters, 36,734 leaflets and 22,842 brochures. The Poem of Anti-money Laundering created by Yuan Chuyang, an employee of the Bank, was selected in the campaign of calling for promotion works for the tenth anniversary of issuing and implementing the Anti-money Laundering Law organized by the Chongqing Operations Office of the Central bank. Training effect was improved significantly with 943 full-time and part-time staff for anti-money laundering obtaining the qualification certification, which increased the number of the qualified employee of the Bank to 8,861. Quality of suspicious transaction report was improved significantly with nine key reports of suspicious transaction being submitted to the regulatory authorities in 2016. The public safety agency cracked a drug case according to the clues provided by the Bank. Awareness of risk prevention was significantly enhanced. 15 branches successfully prevented various account frauds and suspected telecom and Internet scams, protecting the interests of customers and ensuring the capital security.

INTERNAL AUDIT

The Group has established an independent internal audit system according to the Articles of Association. The Group has an Audit Committee under the Board of Directors. The Audit Committee is accountable to the Board of Directors, and organizes and guides the internal audit work of the Bank based on the authorisation of the Board of Directors. The internal audit department is accountable to the Board of Directors and the Audit Committee, and reports the audit work to the Board of Directors and senior management, as well as, reports any significant circumstances on a timely basis. The headquarter, branches and sub-branches of the bank have set up an internal audit department respectively. The internal audit departments of branches and sub-branches are operated under a dual leadership system; while the internal audit department of the headquarter can deploy and utilize the internal audit personnel of branches and sub-branches, and arranges the audit work of the internal audit departments of branches and sub-branches. The Bank's controlled village and township banks employed full-time audit personnel. Through inspection and evaluation, the internal audit department continued to improve risk management, internal control and corporate governance, so as to facilitate the achievement of corporate goals.

During the reporting period, in accordance with the Group's strategic goal, the internal audit department accelerated the transformation of internal audit and technological innovation. The department organized looking -back self-inspection on the "Two Strengthen, Two Restrain" (兩加強兩遏制) project according to the requirements of regulatory agencies. The department adhered to the risk-oriented and issue-focused approaches to carry out evaluation of internal control, operation objective audit, investigation into criminal risks, comprehensive audit, economic responsibility audit and other projects with the use of systematic and standardized audit methods. The department conducted specific audit investigation on note business, internet finance, financial guarantees business, construction of new core system and e-banking business, and conducted special audit on credit risk, liquidity risk, market risk, capital management, information technology outsourcing, off-balance sheet activities, agency business, inter-bank business, wealth management business, credit card business, anti-money laundering, derivatives business, services for the convenience of the customers and behavior of staff. Greater efforts were devoted to the consolidated supervision and regulation. The department carried out internal control assessments, operation objective audit, investigation into criminal risks, comprehensive audit and economic responsibility audit towards the controlled village and township banks. The department enhanced the review on audit quality, strengthened the control of the audit process and improve the quality and effect of audit projects. The department upgraded and transformed the audit information system, and included the whole-process management of audit projects into the audit information system, so as to improve informatization level of audit. It also pushed forward the professionalism and competence of auditors. The regulation bottom line of "No Systematic and Regional Risk" was kept, the "Zero Crime" objective was achieved and steady and sustainable development of respective business was facilitated.

OUTLOOK

The global economy is still in the process of slow recovery in 2016 with ideological trend of “Anti-globalization” of some countries become prevalent. The UK exited the European Union and Italy referendum failed, which increased the instability and uncertainty. Looking to 2017, the global economy will continue to recover, the US economic growth is expected to accelerate, the European economy will be gradually improved amid the multiple challenges, the Asia-Pacific emerging economies are expected to maintain a high growth rate. The Federal Reserve may accelerate interest rate increase with US dollar maintaining a strong pattern, the global stock market will downward with fluctuation, bond yields of developed countries will raise, the commodity market will continue its re-balancing path.

In 2017, the development environment at home and abroad will be more complex and changeable with uncertainty increased significantly, the pressure of economic slowdown still exists. China will further promote the structural reform of the supply side, the switch of old and new momentums, and the conversion of old and new modes. Macroeconomic policies need to pay special attention to three key aspects of stabilising growth, anti-foam and anti-risk. Fiscal policy will remain positive, and the intensity is expected to further increase; monetary policy will remain neutral and moderate, and it has less possibility of substantial relaxation or tightening. In 2016, Chongqing’s economy maintained a steady growth trend, with a number of indicators leading around the country. Multiple policies including the “One Belt and One Road”, the Yangtze River Economic Belt, the Sino-Singapore demonstration project, and the free trade zone have successively landed, strategies for the Five Major Functional Regions have been promoted deeply. In the meantime, as the targets of Chongqing to become the economic center of the Yangtze River upstream region, the important national modern manufacturing base, the domestically important functional financial center, the innovation center of western region, the inland open highland becoming more clear, the opportunities in Chongqing’s open economic development will further increase.

In 2017, the Bank will maintain the keynote of progressing while maintaining stability, adhere to the reform and innovation of concept, and actively promote the transformation and upgrading based on the “Three Transformation” strategy; insist on the path of structural adjustment, promote the steady development of business; highlight cost control orientation, facilitate the refined management, strictly implement the strict management of banking, coordinate the prevention of various risks, and create greater benefits for shareholders and society.

Corporate Social Responsibility

The year of 2016 marked the beginning of the “13th Five-Year Plan”. In the face of the new economic normal, under the guidance of the five development concept of “innovation, coordination, green, open and sharing”, we firmly adhered to its mission of “Excellent Services to Customers, Maximum Returns to Shareholders, Real Success for Our People, Great Contribution to Community”, continued to promote the implementation of the “Three Transformation” strategy, conducted financial inclusion, promoted green-credit policy, devoted ourselves to community activities, and be a responsible corporate citizenship.

Proactively performing the economic responsibility and serving for the regional economy. The Bank actively responded to national and Chongqing regional strategies and policies, strived to enhance the financial supply, and made breakthroughs in sector of “One Belt, One Road” strategy, construction of Five Major Functional Regions and the Sino-Singapore project, actively explored new ideas and methods regarding the issue of Sainong, small and micro enterprises, real economy and people’s livelihood, supported the agricultural efficiency enhancement, rural prosperity and boost in farmers’ income, supported the sound development of small and micro enterprises and the transformation and upgrading of service industry, continued to deep plow fields of education, culture, and healthcare, and served the people’s livelihood. In 2016, the Bank ranked No. 248 among Top 500 Chinese enterprises and ranked No. 170 among 1,000 banks around the world.

Proactively fulfilling environmental responsibilities and promoting green development. Guided by the green credit policy of the Bank, the Bank supported the development of environmental protection industry, supported new energy development, and supported ecological agriculture development. It strictly controlled industries with high-energy consumption, high pollution and overcapacity, supported low-carbon emission reduction. It vigorously pushed forward the operation principle of low carbon and environmental protection, cultivated the staff’s environmental awareness, actively carried out green public welfare activities and devoted to developing into a resource-conserving bank.

Proactively fulfilling social responsibilities and promoting all-win harmony. The Bank regarded the employees as the wealth of the enterprises, focused on staff development, created a sound working atmosphere and grew together with staff. The Bank adhered to serve the community and reward the society, promoted accurate poverty alleviation practically and effectively, enhanced financial literacy, met the public requirements of the public service, dedicated ourselves to public welfare activities, continued to carry out charitable activities, actively performed the enterprise’s social responsibility and promoted the mutual development of the enterprise’s and social harmony and stability.

Performing the enterprise’s social responsibility is rooted in the development of our business, born within our corporate culture, and is also our promise to the future. In 2017, The Bank will continue to take “construction of the most competitive regional commercial bank” as the goal, continue to promote the strategy concept of “characteristic operation, streamlining the management and fostering good corporate culture”, actively construct the harmonious relationships among the interested parties, pushed forward the inclusive financial services, support the transformation of real economy and provide in-depth service for the rapid development of southwest region regional economy, public service and ecological civilization

Changes in Share Capital and Particulars of Shareholders

MOVEMENT IN SHARES

Unit: share, %

	1 January 2016		Increase/(Decrease) +/(-) during the reporting period					31 December 2016		
	Number of shares	Percentage	Private placement	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
(I) Shares not subject to trading restrictions										
1. Non-overseas listed shares held by legal persons	5,228,258,559	56.22					(3,210,000)	(3,210,000)	5,225,048,559	56.18
Including: ① Shares held by state-owned legal person shareholders ¹	2,109,362,459	22.68					-	-	2,109,362,459	22.68
② Shares held by private legal person shareholders	3,118,896,100	33.54					(3,210,000)	(3,210,000)	3,115,686,100	33.50
2. Non-overseas listed shares held by natural persons	1,558,405,400	16.76					3,210,000	3,210,000	1,561,615,400	16.79
Including: ① Shares held by employee natural persons	147,412,790	1.59					4,541,120	4,541,120	151,953,910	1.63
② Shares held by natural persons other than employees ²	1,409,807,295	15.16					(1,259,990)	(1,259,990)	1,408,547,305	15.15
③ Shares held by shareholders without affirmed ownership ³	1,185,315	0.01					(71,130)	(71,130)	1,114,185	0.01
3. Overseas listed foreign shares	2,513,336,041	27.03					-	-	2,513,336,041	27.03
II. Total number of shares	9,300,000,000	100.00							9,300,000,000	100.00

Notes:

- Shareholding of state-owned legal person refers to non-overseas listed shares of the Bank held by 13 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司).
- During the reporting period, 3,210,000 Domestic shares held by private legal person shareholders were judicially deducted to natural persons other than employees.
- Shareholders without affirmed ownership refer to untraceable shareholders of the Bank. Share interests held by them are shares of the former rural credit cooperatives, and they have not affirmed their ownership in the shares of the Bank. (Note: During the reporting period, 71,130 shares held at the time of the former rural credit cooperatives have their ownership affirmed in the shares of the Bank, whereby leaving 1,114,185 shares held by shareholders without affirmed ownership).

Changes in Share Capital and Particulars of Shareholders

ISSUE, PURCHASE, SALE AND REDEMPTION OF SECURITIES

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

PARTICULARS OF SHAREHOLDINGS

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

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

Unit: Share, %

No.	Name of Shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage	Numbers of shares pledged	Type of share
01	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	State-owned	629,304,418	6.77	–	Non-overseas listed shares
02	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	State-owned	621,435,221	6.68	–	Non-overseas listed shares
03	Loncin Holding Co., Ltd (隆鑫控股有限公司)	Private enterprise	570,000,000	6.13	470,000,000	Non-overseas listed shares
04	CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司)	Private enterprise	443,100,000	4.76	346,672,000	Non-overseas listed shares
05	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	State-owned	423,431,972	4.55	–	Non-overseas listed shares
06	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Private enterprise	300,000,000	3.23	149,900,000	Non-overseas listed shares
07	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Private enterprise	200,000,000	2.15	–	Non-overseas listed shares
08	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Private enterprise	150,000,000	1.61	120,000,000	Non-overseas listed shares
09	Jiangsu Huaxi Group Corporation (江蘇華西集團公司)	Private enterprise	150,000,000	1.61	120,000,000	Non-overseas listed shares
10	Chongqing Water Group Co., Ltd (重慶水務集團股份有限公司)	State-owned	125,000,000	1.34	–	Non-overseas listed shares
Total			3,612,271,611	38.83	1,206,572,000	

Changes in Share Capital and Particulars of Shareholders

Notes:

1. As at 31 December 2016, the aforesaid shareholding percentage of non-overseas listed shares is based on the total share capital of the Bank of RMB9.3 billion.
2. During the reporting period, CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司) increased holding of 9,760,000 domestic shares.
3. During the reporting period, 13,933,000 shares and 11,110,000 shares of the non-overseas listed shares of the Bank are involved in judicial freezing and judicial sales respectively, representing 0.15% and 0.12% of the total share capital of the Bank, respectively.

Substantial Interests and Short Positions

As at 31 December 2016, to the knowledge of the Bank, the interests and short positions of substantial shareholders other than directors and supervisors (within the meaning of the Securities and Futures Ordinance) in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance of Hong Kong were as follows:

Domestic Shares

		<i>Unit: share, %</i>		
Name of shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	629,304,418	9.27	6.77
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	621,435,221	9.16	6.68
Loncin Holding Co., Ltd (隆鑫控股有限公司)	Beneficial Owner	570,000,000	8.40	6.13
CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司)	Beneficial Owner	443,100,000	6.53	4.76
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Beneficial Owner	423,431,972	6.24	4.55

Changes in Share Capital and Particulars of Shareholders

H Shares

Name of shareholder	Capacity	Number of H shares held ⁽²⁾	Unit: share, %	
			% of the total issued H share capital of the Bank	% of the total share capital of the Bank
BlackRock, Inc. ⁽¹⁾	Interest of Controlled corporations	310,028,640(L)	12.34	3.33
		424,000(S)	0.02	0.005
BlackRock Global Funds	Beneficial Owner	154,015,000(L)	6.13	1.66

Notes:

(1) BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2, Inc. and BlackRock Holdco 2, Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. In accordance with the Securities and Futures Ordinance of Hong Kong, BlackRock, Inc. and BlackRock Holdco 2, Inc. are deemed to have interests in the Bank held by BlackRock Financial Management, Inc. and its controlled subsidiaries. BlackRock, Inc. had a long position in 310,028,640 H shares and short position in 424,000 H shares of the Company through BlackRock Financial Management, Inc. and other corporations controlled by it. The long position in 36,000 of 310,028,640 H shares involved derivatives.

(2) (L) – Long position, (S) – Short position

MAJOR SHAREHOLDERS OF THE BANK

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

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

Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (formerly known as “Chongqing Yufu Assets Management Company Limited” (重慶渝富資產經營管理有限公司)), which was established on 27 February 2004, is a solely state-owned comprehensive assets operation and management company organised under the approval of Chongqing Municipal Government. It was under supervision of Chongqing State-owned Assets Supervision and Administration Commission as a municipal state-owned key enterprise. Under the approval of the Administration for Industry and Commerce of Chongqing, it was renamed as its current name on 28 June 2011. On 25 August 2016, the type of this company was changed to sole proprietorship, and its investor was Chongqing Yufu Holding Group Co., Ltd (重慶渝富控股集團有限公司). It currently has a registered capital of RMB10 billion.

Changes in Share Capital and Particulars of Shareholders

Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) (formerly known as Chongqing City Construction Investment Company (重慶市城市建設投資公司)) is a solely state-owned enterprise established under the approval of Chongqing Municipal Government on 26 February 1993 and authorized to raise and manage capital for city construction. Under the approval of the Administration for Industry and Commerce of Chongqing, it was renamed as its current name on 7 January 2011, with a current registered capital of RMB20 billion.

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

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

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

As at 31 December 2016, the interests or short positions of the directors, supervisors and the chief executive of the Bank or their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance of Hong Kong or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Supervisors				
Zuo Ruilan	Beneficial Owner	11,900	0.00017	0.00013
Zhu Yuzhou	Beneficial Owner	37,600	0.00055	0.00040

Other than as disclosed above, none of the directors, supervisors and the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at 31 December 2016.

Changes in Share Capital and Particulars of Shareholders

DIVIDENDS

Upon the approval of the 2015 annual general meeting of the Bank, the Bank distributed final cash dividends for 2015 on 11 August 2016 of RMB0.20 per share (tax inclusive) and RMB1,860 million (tax inclusive) in aggregate to the holders of H shares and the holders of domestic shares whose names appeared on the register of members of the Bank as at 29 June 2016.

Corporate Governance Report

The Bank continued to improve its transparency, ensuring high standard of corporate governance level practices to safeguard the interests of shareholders and to enhance corporate value.

The Bank has strictly complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Hong Kong Listing Rules and also most of the recommended best practices therein. The Bank also strictly complied with the relevant applicable laws and regulations, and the Hong Kong Listing Rules in respect of management of inside information. There is no significant difference between the corporate governance of the Bank and Company Law and the relevant requirement of China Security Regulating Commission and Hong Kong Stock Exchange.

To the best of the directors’ of the Bank knowledge, there is no reasonable statistic indicating that the Bank is or was in violation of the CG Code during the year ended 31 December 2016.

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

GENERAL MEETINGS

Details of the General Meetings

During the year of 2016, the Bank held two general meetings, being the first extraordinary general meeting for the year of 2016 and 2015 annual general meeting of the Bank. Details are as follows:

On 11 March 2016, the Bank held the first extraordinary general meeting for the year 2016, at which 7 resolutions mainly regarding the Qualification of the Bank in relation to the Non-public Issuance of Preference Shares, Non-public Issuance of Domestic Preference Shares of the Bank, issuance of qualified tier-2 capital instruments and amendments to the Articles of Association, Rules of Procedures for Shareholders’ General Meeting and Rules of Procedures for the Meeting of the Board of Directors were considered and passed. The above general meeting was held in compliance with relevant legal procedures. During the reporting period, 3 directors of the Bank, namely executive director Mr. Xie Wenhui, non-executive directors Mr. Duan Xiaohua and Ms. Chen Xiaoyan, all attended the first extraordinary general meeting for the year 2016 of the Bank in person.

On 17 June 2016, the Bank held the 2015 annual general meeting, at which 20 resolutions mainly regarding the 2015 work report of the Board of Directors, the 2015 work report of the board of supervisors, the 2015 annual financial statements, the 2015 annual profit distribution plan, the 2015 annual report, the 2016 financial budget, the appointment of external auditor and initial public offering and listing of RMB ordinary shares of the Bank were considered and passed. The above general meeting was held in compliance with relevant legal procedures. During the reporting period, 6 directors of the Bank, namely executive directors Mr. Liu Jianzhong and Mr. Xie Wenhui, non-executive directors Mr. He Zhiming and Mr. Duan Xiaohua, independent non-executive directors Mr. Sun Leland Li Hsun, and Mr. Cao Guohua, all attended the 2015 annual general meeting of the Bank and the attendance rate was 55%.

Corporate Governance Report

In 2016, the Bank convened 2 general meetings. The attendance of the directors at the meetings are set out below:

Directors	Attendance required	Actual attendance	Attendance by proxy	Attendance rate
Liu Jianzhong	2	1	1	100%
Xie Wenhui	2	2	0	100%
He Zhiming	2	1	0	50%
Sun Lida	2	0	0	0
Duan Xiaohua	2	2	0	100%
Chen Xiaoyan	2	1	0	50%
Wen Honghai	2	0	0	0
Sun Leland Li Hsun	2	1	0	50%
Yin Mengbo	2	0	0	0
Yuan Zengting	2	0	0	0
Cao Guohua	2	1	0	50%
Retired Director				
Zheng Haishan	2	0	0	0

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

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

In 2016, the Board of Directors of the Bank strictly implemented the resolutions passed at the general meeting of 2015, earnestly implemented the resolutions regarding 2015 annual profit distributor, financial budget for 2016, appointment of accounting firm for 2016 and the election of the third session of the directors of the Board, shareholder representative supervisors of the Board of Supervisors and external supervisors.

Composition of the Board of Directors

As at the end of the reporting period, the Board of Directors comprised 11 directors, including 2 executive directors, namely, Mr. Liu Jianzhong (chairman of the Board) and Mr. Xie Wenhui (president); 5 non-executive directors, namely, Mr. He Zhiming, Mr. Sun Lida, Mr. Duan Xiaohua, Ms. Chen Xiaoyan, and Mr. Wen Honghai, 4 independent non-executive directors, namely, Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting and Mr. Cao Guohua.

During the reporting period, Mr. Zheng Haishan, the non-executive director of the Bank, resigned on 24 August 2016 due to personal engagements.

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

The Board of Directors is responsible for establishing the company management system, monitoring the Group's decision-making regarding business activities, financial strategies and business performance, as well as reporting them to shareholders at the general meeting. The Board of Directors has delegated the management with the power and responsibilities to manage the Group. In addition, the Board of Directors has designated the audit committee, nomination committee and remuneration committee to perform their respective responsibilities. Details of the aforesaid committees are further described in this report.

The Board of Directors is also responsible for the performance of the functions of corporate governance. For the year ended 31 December 2016, the Board of Directors performed the functions of corporate governance as set out in code provision D.3.1 in the CG Code.

Operation of the Board of Directors

The Board of Directors convenes meetings on a regular basis, generally not less than 4 times a year, and holds extraordinary meetings when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for regular board meetings are scheduled upon consultation with directors. Board papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of the board meetings.

All directors maintain communication with the secretary to the Board of Directors so as to ensure the compliance with board procedures and all applicable rules and regulations.

Detailed minutes of the board meetings are kept, and minutes are circulated to all attending directors for review after the meeting. Directors that have attended the meetings will provide comments for modification after receiving the minutes. The minutes will be circulated to all directors as soon as it is finalised. Minutes of the board meetings are kept according to the requirements of documents management stipulated by the Bank, and are available for inspection by directors at any time.

Communication and reporting mechanism has been established between the Board of Directors, directors and senior management. The president of the Bank reports his work to the Board of Directors on a regular basis, and under its supervision. Relevant senior management are invited to attend board meetings from time to time to give explanations or reply to enquiries.

At board meetings, directors can put forward their opinions freely, and major decisions are made after detailed discussions. If any director has material interests in a proposal to be reviewed by the Board of Directors, the director concerned must abstain from discussion and voting on the relevant proposal, and is not counted in the quorum of the relevant proposal.

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

Corporate Governance Report

Board Meetings

According to the Corporate Governance Code (“CG Code”), the Board of Directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. A regular meeting does not include obtaining board consent by way of written resolutions.

During the reporting period, the Bank convened a total of 23 board meetings including written resolutions. 87 resolutions were considered and passed at such meetings included those regarding 2015 annual report, 2016 interim report and 2016-2020 development strategy programming.

The Board of Directors examined and approved 2016 Report on Social Responsibilities of Chongqing Rural Commercial Bank Co., Ltd., and had no objection on the report content. During the reporting period, the Bank bore the economic development responsibility, served the real economy, and made the positive contributions in terms of agricultural loans, green credit and community activities, etc..

During the year 2016, the Bank convened 23 board meetings, including seven on-site conferences and sixteen meetings by resolution. The attendance of the directors at the board meetings (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:

Directors	Attendance required	Actual attendance	Attendance by proxy	Attendance rate
Liu Jianzhong	23	23	0	100%
Xie Wenhui	23	23	0	100%
He Zhiming	23	22	1	100%
Sun Lida	23	23	0	100%
Duan Xiaohua	23	23	0	100%
Chen Xiaoyan	23	23	0	100%
Wen Honghai	23	21	2	100%
Sun Leland Li Hsun	23	23	0	100%
Yin Mengbo	23	23	0	100%
Yuan Zengting	23	22	1	100%
Cao Guohua	23	22	1	100%
Retired Director				
Zheng Haishan	13	11	1	92.31%

Attendance records of each of the directors at meetings of the Board of Directors and the special committee under the Board of Directors (directors who involved in connected transactions and required to be abstained from the meeting are also deemed as attending directors) in 2016 are set out as follows:

Actual attendance/meetings required to attend during the term of office

The Names of Directors	Board of Directors	Strategic Development Committee	Risk Management Committee	Board Committees Related Party			Audit Committee	Rural Financial Services Committee
				Connected Supervision Committee	Nomination Committee	Remuneration Committee		
Liu Jianzhong	23/23	5/5	-	-	3/3	-	-	2/2
Xie Wenhui	23/23	5/5	2/2	-	3/3	2/2	-	2/2
He Zhiming	23/23	5/5	-	-	-	-	4/4	-
Sun Lida	23/23	-	-	10/10	-	-	-	-
Duan Xiaohua	23/23	-	-	-	-	2/2	-	2/2
Chen Xiaoyan	23/23	-	2/2	10/10	-	-	-	-
Wen Honghai	23/23	-	-	10/10	-	-	-	-
Sun Leland Li Hsun	23/23	-	2/2	-	3/3	2/2	4/4	-
Yin Mengbo	23/23	5/5	-	10/10	3/3	2/2	4/4	-
Yuan Zengting	23/23	5/5	2/2	10/10	-	-	-	2/2
Cao Guohua	23/23	-	-	-	3/3	2/2	4/4	2/2
Retired Director								
Zheng Haishan	12/13	-	-	-	-	-	3/3	-

Independent Non-executive Directors

For the year ended 31 December 2016, the Board of Directors at all times met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the Board of Directors, with at least one independent non-executive director possessing appropriate professional qualifications of accounting or related financial management expertise.

The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, nor do they hold any management positions in the Bank. All of the existing independent non-executive directors of the Bank are elected for a term of three years. They are eligible for re-election as the Bank's independent non-executive directors upon expiry of the three-year term of office, provided that their terms of office shall not exceed six consecutive years.

Directors' Responsibility for the Preparation of Financial Reports

The directors acknowledge their responsibility for preparing the financial statements of the Bank for the year ended 31 December 2016. Directors are responsible for monitoring financial reports of each accounting or fiscal period to make sure such financial reports give a true and fair view of the Bank's financial conditions, operation results and cash flows. The directors adopted and implemented the applicable accounting policies and exercised prudent and reasonable judgment when preparing financial reports for the year ended 31 December 2016.

Continuous Professional Development Programme for Directors

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

The training for directors shall be carried out on an on-going basis. The Bank encourages directors to participate continuous professional development for developing and updating their knowledge and skills. During the reporting period, 12 directors, namely executive directors Mr. Liu Jianzhong and Mr. Xie Wenhui, non-executive directors Mr. He Zhiming, Mr. Sun Lida, Mr. Duan Xiaohua, Ms. Chen Xiaoyan, Mr. Wen Honghai and Mr. Zheng Haishan (Mr. Zheng Haishan has resigned on 24 August 2016), independent non-executive directors Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting and Mr. Cao Guohua, all received relevant trainings on the Guidelines for the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), directors' duties, accountability for violations and requirements regarding inside information organized by the Bank. The Bank also from time to time provided information to the directors on the latest development of the Hong Kong Listing Rules and the other applicable regulatory requirements, so as to ensure the directors are equipped with comprehensive information and are in line with the actual needs for their contribution to the Board of Directors and satisfactorily comply with the CG Code, as well as to enhance their sense of the corporate governance practices.

Board Committees

There are eight committees established under the Board of Directors: namely the strategic development committee, risk management committee, related party transaction supervision committee, nomination committee, remuneration committee, audit committee, Sannong Financial Services Committee and Consumer Rights Protection Committee. Compositions of these committees are set out as follows:

(1) *Strategic Development Committee*

At present, the strategic development committee comprised 5 directors with Mr. Liu Jianzhong as the chairman, and Mr. Xie Wenhui, Mr. He Zhiming, Mr. Yin Mengbo and Mr. Yuan Zengting being its committee members.

The primary responsibilities of the strategic development committee include:

1. to review the strategies and development plans of the Bank and give advice to the Board of Directors;

2. to review the annual operation plans and financial budgets of the Bank and submit the same to the Board of Directors for consideration;
3. to review significant reorganizations and agency arrangement of the Bank as well as the structure plan for its controlled subsidiaries, and give advice to the Board of Directors;
4. to review significant investment and financing projects and give advice to the Board of Directors;
5. to review the acquisition and merger plans of the Bank and give advice to the Board of Directors;
6. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
7. to perform such other duties and powers as authorized by the Board of Directors.

During the reporting period, the strategic development committee of the board convened five meetings in total at which eight proposals regarding the resolution of initial public offering and listing of RMB ordinary shares (A Shares), 2016 financial budget, 2016 outlets organization plan, the Issuance of Qualified Tier-2 Capital Instruments and 2016-2020 development strategy programming. All the then members of the strategic development committee were present at the five meetings mentioned above.

(II) *Risk Management Committee*

At present the risk management committee of the Bank comprised 4 directors, with Mr. Xie Wenhui as the chairman, and Ms. Chen Xiaoyan, Mr. Sun Leland Li Hsun and Mr. Yuan Zengting being its committee members.

The primary responsibilities of the risk management committee include:

1. to review the risk management policy, risk preference and overall structure of risk management of the Bank based on the overall strategy of the Bank, and give advice to the Board of Directors;
2. to guide the construction of risk management and compliance management system;
3. to monitor and evaluate the risk management, risk resistance, consumer protection and anti-money laundering of the Bank, and provide advice on improvement;
4. to review the risk management and compliance management reports of the Bank, carry out regular assessment on the risks and compliance of the Bank, and provide advice on improvement of the risk and compliance management of the Bank;

Corporate Governance Report

5. to review the general precaution policy on risky cases of the Bank, carry forward the construction of risky case management system, and ensure that necessary measures are adopted by senior management to effectively supervise, warn and deal with risky cases;
6. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
7. to perform such other duties and powers as authorized by the Board of Directors.

During the reporting period, the risk management committee convened two meetings in total at which five proposals including 2015 risks management assessment report and 2015 compliance management assessment report and risks management assessment report for the first half of 2016 risks management assessment report were considered. All the then members of the risk management committee were present at the two meetings mentioned above.

(III) *Related Party Transaction Supervision Committee*

At present the related party transaction supervision committee of the Bank comprised 5 directors, with Mr. Yuan Zengting (independent non-executive director) as the chairman, Mr. Sun Lida, Ms. Chen Xiaoyan, Mr. Wen Honghai and Mr. Yin Mengbo being its committee members.

The primary responsibilities of the related party transaction supervision committee include:

1. to review the fundamental system of related transaction management and give advice to the Board of Directors;
2. to identify the related parties of the Bank and report to the Board of Directors and the board of supervisors;
3. to conduct preliminary examination on major related party transactions of the Bank and submit the same to the Board of Directors for approval, and to the board of supervisors in a timely manner after obtaining the approval from the Board of Directors;
4. to receive filings of general related party transactions;
5. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
6. to perform such other duties and powers as authorized by the Board of Directors.

During the reporting period, the related party transaction supervision committee convened ten meetings in total at which eleven resolutions regarding the major connected transactions on the new credit and loans granted in favor of Chongqing Yufu Assets Management Co. Ltd.* (重慶渝富資產經營管理集團有限公司), CQRC Financial Leasing Co., LTD. (渝農商金融租賃有限責任公司), Chongqing Yin Hai Financial Leasing Co., Ltd. (重慶銀海融資租賃有限公司) and Loncin Holding Co., Ltd (隆鑫控股有限公司) were considered. All the then members of the related party transaction supervision committee were present at the ten meetings mentioned above.

(IV) *Nomination Committee*

At present the nomination committee comprised 5 directors, with Mr. Yin Mengbo (independent non-executive director) as the chairman, and Mr. Liu Jianzhong, Mr. Xie Wenhui, Mr. Sun Leland Li Hsun and Mr. Cao Guohua being its committee members. Majority of the members are independent non-executive directors.

The primary responsibilities of the nomination committee include:

1. to assess the structure, size and composition of the Board of Directors and make recommendations on any proposed changes to the Board of Directors to complement the Bank's corporate strategies;
2. to formulate the criteria and procedures for the selection of directors and senior management of the Bank, as well as submit the same to the Board of Directors for consideration;
3. to identify suitable candidates with relevant qualifications for directors, and make recommendation to the Board of Directors in respect of the candidates for directors, president and secretary to the Board of Directors;
4. to assess the independence of independent non-executive directors;
5. to review the candidates of other members of senior management nominated by the president and provide opinions thereof to the Board of Directors;
6. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
7. to perform such other duties and powers as authorized by the Board of Directors.

During the reporting period, the nomination committee held three meetings in total at which seven proposals regarding the nomination of the candidates for non-executive directors, and senior management were considered. All the then members of the nomination committee were present in person at the three meetings mentioned above.

Corporate Governance Report

Diversity Policy on the Composition of The Board of Directors

On 27 August 2013, the Bank adopted the Diversity Policy on the Composition of the Board of Directors, the details of which are set out as follows:

1. Purpose

In accordance with the amendments to the CG Code as set out in Appendix 14 of the Hong Kong Listing Rules, to achieve objectives of diversity of the composition of the Board of Directors, the policy was thereby formulated.

2. Prospect

The Bank adhered to the Diversity Policy on the Composition of the Board of Directors, which was beneficial to the improvement of the good corporate governance of the Bank.

3. Policy statement

- (1) With a view to achieve the development strategy of characteristic operation, streamlining the management and fostering good corporate culture, the Bank regarded the Diversity Policy on the Composition of the Board of Directors as a key factor to support strategic objectives and maintain sustainable development. In determining the composition of members, the Board of Directors considers the diversity of members from various aspects, including but not limited to gender, age, cultural and educational background, nation, professional experience, skills and knowledge.
- (2) The Board of Directors consists of executive directors, non-executive directors and independent non-executive directors, proportion of which shall satisfy domestic laws and regulations, administrative rules and the requirements of the Hong Kong Listing Rules.
- (3) The qualifications, standards and terms of the Board of Directors shall be in accordance with the requirements of regulatory authorities and regulations of the Articles of Association and take effect upon the qualification approval by the supervisory organization(s) of the banking industry.

4. Measurable Objectives

- (1) Based on a range of diversified categories, selection of board candidates shall be carried out from various perspectives such as gender, age, cultural and educational background, professional experience, skills, knowledge and so forth, pursuant to nomination ways and procedures of directors specified in the Articles of Association. The final decision of selection will be made according to advantages of candidates and contributions one can bring to the Board of Directors as well as the regulations of the Articles of Association.
- (2) The composition of the Board of Directors (including gender, age and service tenure) will be disclosed in the corporate governance report each year.

5. Monitoring and Reporting of the Policy

The nomination committee will report the composition of the Board of Directors on diversity level in the corporate governance report and supervise the implementation of the policy.

6. Review and Revision of the Policy

The nomination committee will examine and review the policy to ensure the effectiveness of the policy. The nomination committee will discuss any necessary revisions and propose such revisions to the Board of Directors for consideration and approval.

7. Policy to take effect

- (1) The policy will take effect from the date of approval by the Board of Directors and the Board of Directors reserves the right of interpretation under the policy.
- (2) The summary of the policy and the measurable objectives for implementation of such policy will be disclosed in the corporate governance report each year.

The Board of Directors will review such measurable objectives from time to time if necessary to ensure their suitability and confirm the progress towards achieving such objectives.

Working Procedures of the Nomination Committee:

The Nomination committee shall, in accordance with relevant laws, regulations, administrative rules, and provisions of the Articles, and in consideration of the Bank's actual conditions, review the procedures and criteria for electing the Bank's directors and senior managerial members, and their terms of office; and shall submit to the Board of Directors the resolution thereof; and perform such resolution if it is passed by the Board of Directors.

Procedures for electing directors and senior managerial members:

- (1) the Nomination committee shall, in consideration of the Bank's actual conditions, present the Bank's requirements for new directors and senior managerial members;
- (2) the Nomination committee shall collect the information about the candidates' occupations, education backgrounds, professional titles, work experience and their part-time jobs, etc.;
- (3) the Nomination committee shall seek the nominated persons' agreement of the nomination, or they may not be selected as candidates for directors or senior managerial members;
- (4) the Nomination committee shall call a meeting of the Nomination committee to review the qualifications of the preliminary elected candidates for the positions of directors and senior managerial members according to their credentials, and make recommendation to the Board of Directors;
- (5) the Nomination committee shall carry out other subsequent work according to the Board of Directors' decision and feedback.

Major work of the Nomination committee in 2016:

The Nomination committee convened three meetings. The third meeting of the Third Session of the Nomination committee considered and approved the Resolution regarding the Change of Joint Secretary and Authorized Representative (關於更換聯席公司秘書及授權代表的議案). The Forth meeting of the Third Session of the Nomination committee considered and approved the Resolution regarding the appointment of Liu Jiangqiao as the Secretary to the Board of Chongqing Rural Commercial Bank (關於聘任劉江橋為重慶農村商業銀行董事會秘書的議案), the Resolution regarding the appointment of Zhang Peizong as a Senior Managerial Member of Chongqing Rural Commercial Bank (關於聘任張培宗為重慶農村商業銀行高級管理人員的議案), the Resolution regarding the Appointment of Gao Song as a Senior Managerial Member of Chongqing Rural Commercial Bank (關於聘任高嵩為重慶農村商業銀行高級管理人員的議案), the Resolution regarding the Nomination of Non-executive Directors of Chongqing Rural Commercial Bank (關於提名重慶農村商業銀行非執行董事的議案), the Resolution regarding the Appointment of Zhou Ying as the Chief Financial Officer of Chongqing Rural Commercial Bank (關於聘任周穎為重慶農村商業銀行財務負責人的議案). The Fifth meeting of the Third Session of the Nomination committee considered and approved the Resolution regarding the Nomination of Chen Jianwei as the Non-executive director of Chongqing Rural Commercial Bank (關於提名陳建偉為重慶農村商業銀行股份有限公司非執行董事的議案).

(V) *Remuneration Committee*

At present the remuneration committee comprised 5 directors, with Mr. Sun Leland Li Hsun (independent non-executive director) as the chairman and Mr. Xie Wenhui, Mr. Duan Xiaohua, Mr. Yin Mengbo and Mr. Cao Guohua being its committee members. Majority of the members are independent non-executive members.

The primary responsibilities of the remuneration committee include:

1. to review the Bank's fundamental system and policy of remuneration management and submit the same to the Board of Directors for consideration;
2. to prepare the appraisal measures on performance of duties of directors and the remuneration package for directors and supervisors, and submit the same to the Board of Directors for consideration;
3. to organize appraisal of performance of duties of directors, and propose remuneration allocation of directors in accordance with the appraisal measures;
4. to propose remuneration allocation of supervisors according to the appraisal of performance of duties of supervisors carried out by the board of supervisors;
5. to review the remuneration allocation of senior management and submit the same to the Board of Directors for approval;

6. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
7. to perform such other duties and powers as authorized by the Board of Directors.

During the reporting period, the remuneration committee convened two meetings in total at which three proposals regarding the remuneration of the person-in-charge and its remuneration management measures were considered. All the then members of the remuneration committee were present at the two meetings above.

Working Procedures of the Remuneration Committee:

The office of the Board of Directors shall be responsible for the preparation for the Remuneration committee's decision-making, and shall prepare the following materials:

- (1) the key financial indicators and progress in reaching the business objectives of the Bank;
- (2) the information about the extent to which the targets and objectives of the work performance appraisal system are reached by the directors and the senior management;
- (3) the information about the directors' and senior management's business innovation ability and operation performance based on such ability;
- (4) the relevant materials collected from the Board of supervisors on evaluation of the supervisors' performance; working instructions for Remuneration committee of the Board of Directors;
- (5) the basis of calculation in the formulation of the remuneration allocation plans and means in accordance with the performance of the Bank.

The procedures for evaluation by the Remuneration committee on the directors and the senior management:

- (1) conduct performance evaluation on the directors and senior management in accordance with the performance evaluation standard and procedures;
- (2) to submit to the Board of Directors for consideration the recommendation on the remuneration to the directors and senior management, and the rewarding method in accordance with the result of work performance evaluation and the remuneration allocation policy, after it is passed by voting.

Corporate Governance Report

Major work of the Remuneration committee in 2016:

The Remuneration committee convened two meetings. The third meeting of the Third Session of the Remuneration committee considered and approved the 2015 Report on Appraisal of Directors and Mutual Evaluation of Independent Directors of Chongqing Rural Commercial Bank (重慶農村商業銀行股份有限公司董事會2015年度對董事評價及獨立董事相互評價報告). The fourth meeting of the Third Session of the Remuneration committee considered and approved the Resolution regarding the Consideration of the Measures for the Administration of the Remuneration of the Person in Charge of Chongqing Rural Commercial Bank (關於審議<重慶農村商業銀行負責人薪酬管理辦法>的議案) and the Resolution regarding the Consideration of the Remuneration of the Person in Charge of Chongqing Rural Commercial Bank in 2015 (關於審議2015年重慶農村商業銀行股份有限公司負責人薪酬的議案).

(VI) Audit Committee

At present the audit committee comprised 4 directors, with Mr. Cao Guohua (independent non-executive director) as the chairman, and Mr. He Zhiming, Mr. Sun Leland Li Hsun and Mr. Yin Mengbo being its committee members and the majority of the members are independent non-executive directors, which is in compliance with the requirements under Rule 3.21 of the Hong Kong Listing Rules.

The primary responsibilities of the audit committee include:

1. to supervise the internal control of the Bank, and examine and evaluate the compliance of significant operating activities of the Bank;
2. to review the major financial policies of the Bank and their implementation, supervise the financial operation, monitor the truthfulness of financial reports and the effectiveness of implementing the financial report procedure by the management;
3. to supervise and evaluate the internal audit work of the Bank as well as the internal audit system of the Bank and its implementation;
4. to propose to appoint or change the external auditor, adopt appropriate measures to supervise the performance of the external auditor and ensure the independence of the audit work;
5. to review the annual audit report, interim report on financial review and other financial and accounting reports of the Bank and other discloseable financial information prepared by the external auditor, and make a judgment report on the truthfulness, accuracy and completeness of such reports and information and submit such judgment report to the Board of Directors for consideration;
6. to coordinate between the internal audit department and the external auditor;
7. to ensure that attention will be drawn to the improprieties of the employees of the Bank that may occur in financial reporting, internal control or other areas, and procure the Bank to carry out fair and independent investigation and take appropriate actions in respect of such matters;

8. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
9. to perform such other duties and powers as authorized by the Board of Directors.

During the reporting period, the audit committee held four meetings in total, at which nine proposals regarding 2015 annual report and results announcement and 2016 interim report were reviewed. All the then members of the audit committee were present at the four meetings mentioned above. In addition, the Bank also convened two meetings for audit committee and auditors in accordance with the provisions of Corporate Governance Code.

(VII) Sannong Financial Service Committee

The Sannong Financial Services Committee consists of 5 directors at present. The chairman of committee: Mr. Liu Jianzhong; committee members: Mr. Xie Wenhui, Mr. Duan Xiaohua, Mr. Yuan Zengting and Mr. Cao Guohua.

The main responsibilities of Sannong Financial Services Committee are:

1. To examine and approve the Bank's Sannong financial services development strategy programming;
2. To examine and approve the Bank's annual Sannong financial services development goal;
3. To examine and approve the Bank's Sannong financial services resource allocation plan;
4. To supervise and evaluate the implementation situation of Sannong financial services by the Bank's operation and management layer, and report to the Board of Directors;
5. The relevant functions and powers stipulated by securities regulatory authority and the relevant laws and regulations in the place where the Bank's shares were listed; and
6. Other functions and powers conferred by the Board of Directors.

During the reporting period, Sannong Financial Service Committee convened two meetings to examine the work report on Sannong financial services and special work report on targeted poverty alleviation for the year 2015. All the then members of Sannong Financial Service Committee attended the meeting.

(VIII) Consumer Rights Protection Committee

The Board of Directors convened the 31th meeting of the third session of the Board on 27 October 2016, examining and approving the proposal that the Board of Directors would establish Consumer Rights Protection Committee and prepare the working instructions for Consumer Rights Protection Committee of the Board of Directors.

Corporate Governance Report

At present the Consumer Rights Protection Committee comprises 5 directors, with Mr. Liu Jianzhong as the chairman, and Mr. Xie Wenhui, Mr. Duan Xiaohua, Mr. Wen Honghai and Mr. Cao Guohua being its committee members.

The main responsibilities of Consumer Rights Protection Committee are:

1. To review the Bank's policy on consumer rights protection;
2. To review the Bank's report or plan on consumer rights protection, evaluate the Bank's consumer rights protection work and provide comments on enhancing the Bank's consumer rights protection work;
3. Other functions and powers conferred by the Board of Directors.

During the reporting period, the Consumer Rights Protection Committee has yet to convene the relevant meeting.

BOARD OF SUPERVISORS

Composition of the board of supervisors

At the end of the reporting period, the board of supervisors comprised 8 supervisors, including 2 shareholder representative supervisors, namely Mr. Zeng Jianwu and Ms. Zuo Ruilan, 3 external supervisors, namely Mr. Hu Shuchun, Mr. Pan Like and Mr. Wang Hong; 3 employee representative supervisors, namely Ms. Ni Yuemin (chairman of the board of supervisors), Mr. Zheng Yi and Mr. Zhu Yuzhou.

Our Supervisors are elected for a term of three years and may be subject to re-election upon expiration of their terms of office. Our External Supervisor are elected for a term of three years and are eligible for re-election, provided that their terms of office shall not exceed six consecutive years.

Chairwoman of the board of supervisors

Ms. Ni Yuemin serves as the chairwoman of the board of supervisors of the Bank and is responsible for organization and performance of duties of the board of supervisors.

Meetings of the board of supervisors

In 2016, the board of supervisors of the Bank held twelve meetings at which 27 proposals mainly including the 2015 work report of the board of supervisors, report on centralized supervision and inspection for 2015, various types of special investigation reports, 2015 annual reports, 2015 annual final accounts proposal, 2016 financial budgets proposal, proposal on the annual profit distribution plan for 2015, report on risk management evaluation for 2015 and report on internal control system evaluation for 2015 were considered and approved.

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

Actual attendance/meetings required to attend during the term of office

	Board of Supervisors
Supervisors	
Ni Yuemin	12/12
Hu Shuchun	12/12
Pan Like	12/12
Wang Hong	12/12
Zeng Jianwu	12/12
Zuo Ruilan	12/12
Zheng Yi	12/12
Zhu Yuzhou	12/12

CHAIRMAN AND PRESIDENT

The roles and functions of the chairman and the president of the Bank are carried out by different individuals. The chairman of the Board of Directors is the legal representative of the Bank, and is responsible for planning the overall strategies of the Bank and leading the Board of Directors so as to ensure that it functions efficiently and discusses all material matters in a timely manner.

The president of the Bank is responsible for the Bank's business development and the management and operation of overall business. The president is appointed by and is accountable to the Board of Directors and discharges his duties in accordance with the Articles of Association and the authorization of the Board of Directors.

The roles of the chairman and the president are separate and their duties are clearly defined. The senior management takes charge of the daily operation and management.

Appointment

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted, in respect of securities transactions by directors, supervisors and relevant employees, the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors confirmed that they have complied with the Model Code for the year ended 31 December 2016.

EXTERNAL AUDITORS AND AUDITORS’ REMUNERATION

The audit opinion of the external auditors of the Group engaged by the Bank and their responsibilities are set out in the “Independent Auditor’s Report” on pages 149 to 156.

The Group’s financial statements for the year ended 31 December 2016 prepared in accordance with China Accounting Standards have been audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), and those prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers provided audit services to the Bank. The fees paid by the Bank to PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers for the audit of financial statements for the year ended 31 December 2016 were RMB2.90 million. Other non-audit fees (inclusive of tax) were RMB1.50 million, of which fees for the review of financial statements amounted to RMB1.10 million and fees for agreed process services were RMB400,000. Save for the abovementioned, there were no other significant non-audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors has overall and ongoing responsibility for the internal control system and risk management procedures of the Bank. The Board of Directors has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system. The risk management and internal control systems can only provide reasonable but not absolute assurance against material misstatement or loss. It is designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

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

The Board of Directors is responsible for establishing a sound internal control and risk management system and its effective implementation. The board of supervisors supervises the establishment and implementation of internal control and risk management system of the Board of Directors and the senior management. The senior management is responsible for the daily operation of internal control and risk management of the Bank. Meanwhile, the Board of Directors has established the audit committee, the risk management committee and the related party transaction supervision committee to assist the Board of Directors in fulfilling its oversight and corporate governance roles in the Group's finance, operation, compliance, risk management and internal controls, and the financial resources and internal audit functions.

The Bank has established an organizational structure with defined levels of responsibility and reporting procedures. The annual work plan of Internal Audit department of the Bank covers major activities and processes of the Group's operations and businesses. Special reviews were also performed at management's request. Audit issues were tracked, followed up for proper implementation, and their progress were reported to the Board of Directors and the senior management periodically. The Risk Management, Compliance and Internal Audit department, which co-ordinated enterprise risk management activities and reviewed significant direction of risk management for the Group, assisted the Board of Directors in reviewing the effectiveness of the Group's risk management and internal control systems on an ongoing basis and reported to the Board of Directors at each regularly scheduled meeting throughout the year the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, etc.

The Bank has embedded its risk management systems into the core operating practices of the business. On an ongoing basis, it will review and assess the status of potential risks which may impact on their ability to achieve the business objectives of the Bank. This review process includes assessment as to whether the existing system of internal controls continues to remain relevant, adequately addresses potential risks, and/or should be supplemented. The results of these reviews are reported to the senior management and the Board of Directors of the Bank periodically and regularly.

The Bank has adopted procedures to regulate the handling and dissemination of insider information, ensuring the confidentiality before the disclosure of such information is properly approved and an effective and consistent manner in which such information is to be disclosed.

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

For the year ended 31 December 2016, the Board of Directors have completed the semi-annual and annual assessment on the effectiveness of the internal control and risk management systems of the Bank (twice/year on regular basis). The assessment covered all the major control of the Group, including financial control, operation control and compliance control as well as the functions of risk management. The Board of Directors believes that, the overall operation of the Bank's risk management and internal control systems is sufficient and effective in respect of resources, staff qualification and experience, training programme as well as accounting, internal audit and budgeting of financial report. No major issues should be concerned with during the year.

COMPANY SECRETARY

Ms. Yung Mei Yee, the joint company secretary of the Bank, has resigned on 18 March 2016, and Ms. Mok Ming Wai (莫明慧女士) was appointed as the company secretary of the Bank on the same date. They are engaged from external service provider. They have complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules of receiving relevant professional training for not less than 15 hours during the reporting period.

In 2016, the main contact person in the Bank to liaise with Ms. Mok was Mr. Chen Xi, Director of the Office of the Board of Directors.

The Bank convened the 31st meeting of the third session of the Board of Directors in October 2016 to appoint Mr. Liu Jiangqiao as the secretary to the Board of Directors. Mr. Liu Jiangqiao had obtained the qualification certificate of board secretary after receiving the 80th board secretary training organized by the Shanghai Stock Exchange in November 2016.

RIGHTS OF SHAREHOLDERS

Request for Convening Extraordinary General Meeting

Shareholders can refer to the existing Articles of Association posted on the websites of Hong Kong Stock Exchange and the Bank for the procedures of requesting to convene extraordinary general meetings.

Proposals in General Meeting

Shareholders can also refer to the existing Articles of Association posted on the websites of Hong Kong Stock Exchange and the Bank for the procedures of putting forward proposals at general meetings.

Shareholders can refer to the Procedures for Nominating Candidates for Directors (《提名候選董事程序》) and the prevailing Articles of Association posted on the websites of Hong Kong Stock Exchange and the Bank for the procedures of nominating directors.

SHAREHOLDERS' ENQUIRIES

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862 2863
Facsimile: (852) 2865 0990/(852) 2529 6087

Any enquiries related to the shareholding of domestic shares, including the transfer of shares, change of basic information should be sent in writing to the following address:

Office of the Board of Directors of the Bank
No. 36 Jinshamen Road, Jiangbei District, Chongqing, China
Telephone: (8623) 6111 0846
Facsimile: (8623) 6111 0844

INFORMATION DISCLOSURE

The Bank places great emphasis on the communications with its shareholders and strives to enhance understanding and communication through many channels such as general meetings, results announcement meetings, roadshows, receiving visitors and answering telephone enquiries.

INVESTOR RELATIONS

Shareholders and investors may send enquiries to The Board of Directors to the following:

Office of the Board of Directors of the Bank
No. 36 Jinshamen Road, Jiangbei District, Chongqing, China
Telephone: (8623) 6111 0842
Facsimile: (8623) 6111 0844
Email: ir@cqrcb.com

Principal Place of Business in Hong Kong of the Bank:

36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

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

OTHER PARTICULARS

The Bank holds a financial license number B0335H250000001 approved by CBRC, and was authorized by the Administration for Industry and Commerce of Chongqing to obtain a corporate legal person business license with a unified social credit code 91500000676129728J. The Bank is not an authorized institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and deposit-taking business in Hong Kong.

Directors, Supervisors and Senior Management

INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Name	Position	Gender	Age	Term of office
Liu Jianzhong	Chairman of the Board of Directors, Executive Director	Male	53	June 2008 –
Xie Wenhui	Executive Director, President	Male	44	December 2013 –
He Zhiming	Non-executive Director	Male	53	November 2015 –
Sun Lida	Non-executive Director	Male	61	October 2014 –
Duan Xiaohua	Non-executive Director	Male	42	August 2014 –
Chen Xiaoyan	Non-executive Director	Female	44	November 2015 –
Wen Honghai	Non-executive Director	Male	51	June 2008 –
Sun Leland	Independent Non-executive Director	Male	55	December 2011 –
Li Hsun				
Yin Mengbo	Independent Non-executive Director	Male	61	December 2011 –
Yuan Zengting	Independent Non-executive Director	Male	41	December 2014 –
Cao Guohua	Independent Non-executive Director	Male	49	December 2014 –

Supervisors

Name	Position	Gender	Age	Term of office
Ni Yuemin	Chairwoman of the board of supervisors, Employee Representative Supervisor	Female	50	February 2015 –
Hu Shuchun	External Supervisor	Male	47	October 2014 –
Pan Like	External Supervisor	Male	43	October 2014 –
Wang Hong	External Supervisor	Male	50	October 2014 –
Zeng Jianwu	Shareholder Representative Supervisor	Male	41	June 2008 –
Zuo Ruilan	Shareholder Representative Supervisor	Female	41	June 2008 –
Zheng Yi	Employee Representative Supervisor	Male	51	November 2011 –
Zhu Yuzhou	Employee Representative Supervisor	Male	51	November 2011 –

Directors, Supervisors and Senior Management

Senior Management

Name	Position	Gender	Age	Term of office
Xie Wenhui	Executive Director, President	Male	44	December 2013 –
Wang Min	Vice President	Male	53	July 2015 –
Yuan Xiaobo	Deputy Secretary to the Party Committee, Secretary to the Disciplinary Committee and Chairman of the Trade Union	Male	53	December 2008 – March 2010 –
Dong Lu	Vice President	Female	41	May 2011 –
Shu Jing	Vice President	Female	44	October 2015 –
Liu Jiangqiao ⁽¹⁾	Vice President Secretary to the Board Director of CQRC Financial Leasing Co., Ltd.	Male	46	October 2015 – September 2016 – July 2016 –
Zhang Peizong ⁽²⁾	Vice President	Male	42	September 2016 –
Gao Song ⁽³⁾	Vice President	Male	37	September 2016 –

Notes:

- (1) The Bank convened the 31st meeting of the third session of the Board of Directors in October 2016 to appoint Mr. Liu Jiangqiao as the secretary to the Board of Directors of the Bank and his qualification has been approved by the China Banking Regulatory bodies in January 2017. CQRC Financial Leasing Co., Ltd., the backbone subsidiaries of the Bank convened the second shareholders general meeting for the year of 2016 to appoint Mr. Liu Jiangqiao as director and his qualification has been approved by the China Banking Regulatory bodies in December 2016.
- (2), (3) The Bank convened the 31st meeting of the third session of the Board of Directors in October 2016 to appoint Mr. Zhang Peizong and Mr. Gao Song as the Vice President of the Bank and their qualifications have been approved by the China Banking Regulatory bodies in January 2017.

MAJOR WORK EXPERIENCE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Directors of the Bank

LIU Jianzhong

Chairman, Executive Director

Mr. Liu Jianzhong has been the Chairman of the board of directors, executive director and the secretary to the Party committee of the Bank, a deputy to the 12th National People's Congress, a representative of the 3rd and 4th municipal congress of party representatives, an member of the 4th municipal committee of Chongqing and a deputy to the 3rd Municipal People's Congress since June 2008. He also serves as the chairman of the strategic development committee, the chairman of Sannong financial service committee, the chairman of the consumer rights protection committee and a member of the nomination committee. Between December 2014 and March 2016, Mr. Liu served as the Chairman to the Board and the Secretary to the Party Committee of CQRC Financial Leasing Co., Ltd. Between November 2002 and June 2008, Mr. Liu held a number of positions at the Chongqing Rural Credit Cooperative Union, including director-general, secretary and deputy secretary to the Party committee, director and deputy director. Prior to joining the Bank and between September 1992 and November 2002, Mr. Liu held several positions at the Chongqing business management department of the PBOC Chongqing Operations Office, including division director and deputy division director of the Cooperative Financial Institution Regulatory Division, a director and deputy director of the logistics services center and deputy division director of the Administration Office. Mr. Liu worked for the frontier inspection station at the Chongqing Airport between February 1985 and September 1992. Mr. Liu received a master's degree in Industrial Engineering from Chongqing University in 2005. He is currently a senior economist accredited by Chongqing Municipal Government.

XIE Wenhui

Executive Director, President

The board of directors of the Bank has appointed Mr. Xie Wenhui as the president, deputy secretary to the Party Committee and Director since December 2013. Mr. Xie has been served as an executive director of the Bank since August 2014. He also serves as the chairman of the risk management committee, a member of the strategic development committee, the nomination committee, the remuneration committee, Sannong financial service committee and the consumer rights protection committee. Mr. Xie had been a deputy president and Member of the Party Committee of the Bank from May 2011 to December 2013. Mr. Xie was a general manager of the Information Technology Department at the headquarters of the Bank from January 2010 to May 2011, deputy general manager (in charge of work) of the Technology Department at the headquarters of the Bank from August 2008 to January 2010. Mr. Xie held several positions in Chongqing Rural Credit Cooperative Union from January 2007 to August 2008, including the deputy general manager and assistant to general manager at the Technology Department. Prior to joining the Bank, Mr. Xie served as a deputy director of the Technology Division at the Chongqing Branch of Industrial and Commercial Bank of China from March 1998 to January 2007. Mr. Xie worked in Zhuhai Software Development Centre of Industrial and Commercial Bank of China from July 1997 to March 1998. Mr. Xie obtained a master's degree in in precision instrument and machinery engineering from Chongqing University in July 1997 and is currently an economist and engineer.

HE Zhiming

Non-Executive Director

Mr. He Zhiming was appointed as the non-executive director of the Bank from November 2015. He also served as the member of the Strategic Development Committee and the Audit Committee of the Bank. Mr. He Zhiming has been the general manager, deputy secretary to the Party Committee and director of Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (the main shareholder of the Bank and one of the state-owned shareholders of the Bank) since September 2014. From February 2011 to September 2014, he served as the deputy director-general of the Chongqing Finance Bureau. From August 2001 to February 2011, he held various positions in the Regional Administration of Taxation of Chongqing, including the deputy director-general, the Head of International Taxation Department (國際稅務處) and the Head of the subordinate Tax Collection Administration (直屬徵收管理局). From April 2000 to August 2001, he was the Head of the Regional Administration of Taxation of Qianjiang, Chongqing and secretary to the Party Organization. He served as the Head of the Regional Administration of Taxation in the High and New Technology Industry Development Zone of Chongqing Municipal Government from March 1998 to April 2000. He served as the deputy head of the office in the Regional Administration of Taxation of Chongqing from June 1997 to March 1998. From September 1994 to June 1997, he held several positions in Regional Administration of Taxation of Chongqing City, Sichuan Province, including chief clerk of the General Office and deputy head of the General Office. From July 1993 to September 1994, he served as the chief clerk of the General Office of the Administration of Taxation of Chongqing City, Sichuan Province. From March 1992 to July 1993, Mr. He was the deputy head of the Stated-operated First Office of the Taxation Subdivision of the Central Area (市中區稅務分局國營一所), Chongqing City, Sichuan Province. From July 1987 to March 1992, he was a deputy chief clerk of the Department of Policy Development of the Administration of Taxation of Chongqing City, Sichuan Province (四川省重慶市稅務局政策研究室), as well as a chief clerk of the Department of Policy and Regulations (政策法規處). Mr. He obtained a bachelor's degree in Finance from Sichuan Institute of Finance and Economics (四川財經學院) in September 1984, and was granted a master's degree in Finance from Southwestern University of Finance and Economics (西南財經大學) in June 1987.

Directors, Supervisors and Senior Management

SUN Lida

Non-Executive Director

Mr. Sun Lida has served as a non-executive director of the Bank since October 2014. He is also a member of related party transaction supervision committee of the Bank. He has served as the chairman and secretary to the Party Committee of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) from August 2013 to January 2016. From May 2014 to December 2014, he concurrently served as the chairman of Ancheng Property & Casualty Insurance., Ltd. (安誠財產保險股份有限公司). From January 2011 to August 2013, he served as the chairman and deputy secretary to the Party Committee of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司). From June 2006 to January 2011, he served in a number of positions in Chongqing City Construction Investment Company Limited (重慶市城市建設投資公司), including general manager, director, chairman and deputy secretary to the Party Committee. From July 2001 to June 2006, he served as the general manager and secretary to the Party Committee of Chongqing City Construction Investment Company (重慶市建設投資公司). During the period, he has also been the director and vice-chairman of Chongqing Jiulong Power Company Limited (重慶九龍電力股份有限公司). From June 1997 to July 2001, he served in a number of positions in Energy and Transportation Office of Chongqing Planning Committee (重慶市計委能源交通處), including deputy chief and chief. From April 1979 to June 1997, he served in a number of positions in the Planning Committee of Chongqing City, Sichuan Province, including the division clerk of the Consolidated Division (綜合處科員), deputy chief clerk, chief clerk and deputy chief of the Energy and Transportation Office. From February 1979 to April 1979, he worked in Finance and Trade Cadre School in Nanchong Area, Sichuan Province (四川省南充地區財貿幹部學校). He is currently a senior economist. Mr. Sun graduated from Nanchong Normal School in Sichuan Province of China, majoring in Chinese language and literature from February 1977 to February 1979.

DUAN Xiaohua

Non-Executive Director

Mr. Duan Xiaohua has served as a non-executive director of the Bank since August 2014. He is also a member of the remuneration committee, Sannong financial service committee and Consumer Rights Protection Committee of the Bank. Mr. Duan has served as a non-executive director of Hanhua Financial Holding Co., Ltd. (瀚華金控股份有限公司) (Stock Code: 3903) since June 2013 and a director and financial controller of Shanghai Fenghwa Group Co., Ltd. (上海豐華(集團)股份有限公司) since October 2012. From March 2012 to October 2012, he served as the financial controller of Loncin Holdings Limited (隆鑫控股有限公司). From March 2008 to March 2012, he served in a number of positions in Chengdu Fudi Property Co., Ltd. (成都複地置業有限公司), including the financial manager, vice financial president and financial president. From May 2007 to March 2008, he served as the finance assistant manager of Hutchison Whampoa Property (Xi'an) Co., Ltd. (和記黃埔地產西安公司). From June 2003 to May 2007, he served as the chief of the Finance Department of Taiji Industry (Group) Co., Ltd. (太極集團有限公司). From June 2000 to June 2003, he served as the deputy director of the Finance Department of Taiji Group Sales General Company (太極集團銷售總公司). From April 1999 to June 2000, he served as the deputy head of the Finance Division of Taiji Industry (Group) Co., Ltd. (太極集團有限公司). From July 1998 to April 1999, he served as a clerk in the Finance Department of Taiji Industry (Group) Co., Ltd.. He currently holds an MBA degree, and he is an accountant and a certified internal auditor. Mr. Duan graduated from Chongqing University with MBA from September 2003 to July 2005.

CHEN Xiaoyan

Non-Executive Director

Ms. Chen Xiaoyan was appointed as the non-executive director of the Bank from November 2015. She also served as the member of the risk management committee and the Related Party Transaction Control Committee of the Bank. Ms. Chen Xiaoyan has served as the chief financial officer of Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) (the shareholder of the Bank and one of the state-owned shareholders of the Bank) since August 2014 and concurrently served as the head of Financial Department of the same company from May 2012 to August 2014. She worked at the Financial Department of Chongqing Land Group (重慶市地產集團) from April 2011 to May 2012, and worked at the Financial Department of Chongqing International Construction Corporation (重慶對外建設總公司) from January 1999 to April 2011 during which she consecutively served as the deputy chief clerk, deputy head and the head of Financial Department. From September 1989 to January 1999, she worked at the financial office of Chongqing Wandefu Food Company Limited (重慶市萬得福食品有限公司). Ms. Chen graduated from Chongqing College of Technology (重慶工學院) in June 2000, major in accounting and is currently a senior accountant. Ms. Chen graduated from Chongqing College of Technology with bachelor's degree, majoring in accounting from June 1998 to December 2000.

Directors, Supervisors and Senior Management

WEN Honghai

Non-Executive Director

Mr. Wen Honghai has been a non-executive director of the Bank since June 2008. He is also a member of the related party transaction supervision committee and Consumer Rights Protection Committee of the Bank. Mr. Wen has also been the director and vice president of the Huaxin Century Investment Group Co., Ltd. (one of our shareholders) since March 2001 and served as deputy finance manager and finance manager of Huaxin Century Investment Group Co., Ltd. from June 2000 to March 2001. From November 1996 to June 2000, Mr. Wen was the finance manager of China Enterprise International Investment Co. Ltd. From April 1992 to November 1996, Mr. Wen worked as the manager of the China Rural Development Trust and Investment Company and lectured in Renmin University of China (中國人民大學) during the period from September 1988 to April 1992. Mr Wen obtained a bachelor's degree in Economics and Finance from Renmin University of China (中國人民大學) in 1988.

SUN Leland Li Hsun

Independent Non-Executive Director

Mr. Sun Leland Li Hsun has been an independent non-executive director of the Bank since December 2011. He also serves as the chairman of the remuneration committee, a member of the audit committee, risk management committee and the nomination committee of the Bank. Mr. Sun has been an independent non-executive director of Mizuho Securities Asia Limited (瑞穗證券亞洲有限公司) since December 2014. From November 2005 to June 2014, he had served as an independent non-executive director of New Heritage Holdings Ltd. (Stock Code: 95). He has also been the managing director of Pan Asian Mortgage Company Limited since December 1999. Mr. Sun was the consultant of Merrill Lynch Asia Pacific Limited (美林亞洲有限公司) between April 1998 and December 1999, and was appointed by the Financial Secretary of the Government of the Hong Kong Special Administrative Region as the first Chief Operating Officer of The Hong Kong Mortgage Corporation between February 1997 and April 1998. Mr. Sun was the managing director of ARCH Fixed Income Management Limited between March 1996 and February 1997, a senior managing director of Bear Stearns Asia Limited between October 1994 and February 1996, and executive director of GS (Asia) Securities Limited between July 1986 and September 1994. Mr. Sun obtained a master's degree in Business Administration. Mr. Sun graduated from UCLA Anderson School of Business with MBA from 1984 to 1986.

YIN Mengbo

Independent Non-Executive Director

Mr. Yin Mengbo has been an independent non-executive director of the Bank since December 2011. He also serves as the chairman of the nomination committee and a member of the audit committee, the strategic development committee, the remuneration committee and the related party transaction supervision committee. Mr. Yin has been a lecturer of Southwestern University of Finance and Economics since July 1982, the chairman of the Professor Committee of the School of Finance of Southwestern University of Finance and Economics since June 2013, the dean of the Research Institute of Southwestern University of Finance and Economics (西南財經大學研究生院院長) from November 2011 to June 2013, the head of the graduate department of Southwestern University of Finance and Economics (西南財經大學研究生部主任) from September 2007 to November 2011 and the dean of the School of Finance of Southwestern University of Finance and Economics between September 1997 and September 2007. Mr. Yin graduated from the department of finance of Southwestern University of Finance and Economics in 1982 and currently holds a master's degree and a doctorate degree, serving as professor and doctoral supervisor. Mr. Yin graduated from Southwestern University of Finance and Economics (西南財經大學) for postgraduate and PhD degree of economics, majoring in finance, from September 1996 to May 1999.

YUAN Zengting

Independent Non-Executive Director

Mr. Yuan Zengting has served as an independent non-executive director of the Bank since December 2014. He is also the chairman of the related party transaction supervision committee and a member of the strategic development committee, the risk management committee and Sannong financial service committee of the Bank. Mr. Yuan is currently the deputy director and associate research fellow of the Financial Laboratory of the Institute of Finance and Banking, Chinese Academy of Social Sciences, and a master tutor of MBA Center and Department of Finance, Chinese Academy of Social Sciences since October 2013. He once served as a deputy director of the Structured Finance Research Department of the Institute of Finance and Banking, Chinese Academy of Social Sciences, and deputy director of the Financial Product Center, Chinese Academy of Social Sciences from October 2009 to September 2013. He served as an assistant researcher at the Structured Finance Research Department of the Institute of Finance and Banking, Chinese Academy of Social Sciences from July 2005 to September 2009; from September 2006 to July 2008, he served as a postdoctoral researcher at Tehua Investment Holding Co., Ltd. (特華投資控股有限公司). Mr. Yuan served as a senior analyst at the Research Division of China Cheng Xin International Credit Rating Co. Ltd. (中誠信國際信用評級公司) from September 2004 to June 2005. Mr. Yuan obtained PhD degree of economics from Wuhan University Faculty of Economics, majoring in economics from 2001 to 2004.

Directors, Supervisors and Senior Management

CAO Guohua

Independent Non-Executive Director

Mr. Cao Guohua has served as an independent non-executive director since December 2014. He is also a chairman of the audit committee, the nomination committee, the remuneration committee, Sannong financial service committee and Consumer Rights Protection Committee of the Bank. Mr. Cao has been a professor and PhD tutor of the Department of Finance, School of Economics and Business Management, Chongqing University since September 2007 until now. Since May 2015, he has served as an independent director of Chongqing Jingke Property Group Co., Ltd. (重慶金科地產集團股份有限公司), and he has served as an independent director of Chongqing Jian Feng Chemical Co., Ltd. (重慶建峰化工股份有限公司) since January 2015, an outside director of Chongqing Tourism Investment Group Co., Ltd. (重慶旅遊投資集團有限公司) since June 2014, an independent director of Chongqing Yukaifa Co., Ltd. since August 2012 and an independent director of Chengde Nanjiang Co., Ltd. (承德南江股份有限公司) since April 2012. He once served as an independent director of Balance Automobile Insurance Co., Ltd. (天平汽車保險股份有限公司) from March 2010 to March 2013. Mr. Cao served as an independent director of Guizhou Bailing Group Pharmaceutical Co., Ltd. (貴州百靈企業集團製藥股份有限公司) from December 2007 to December 2013. He once served as an associate professor and professor of the Department of Finance, School of Economics and Business Management, Chongqing University from December 2000 to September 2007. From April 1993 to December 2000, he served as an assistant lecturer and lecturer of the School of Economics and Business Management, Chongqing University. From July 1992 to April 1993, he served as an assistant lecturer of the Department of Mathematics, Chongqing University. Mr. Cao obtained a bachelor's degree in the Department of Mathematics, Anhui Normal University in July 1989. He obtained a master's degree in the Department of Mathematics, Sichuan University in July 1992 and obtained a PhD degree in the School of Economics and Business Management, Chongqing University in December 1999.

2. Supervisors of the Bank

NI Yuemin

Chairwoman of the board of supervisors, Employee Representative Supervisor

Ms. Ni has been the chairman of the supervisory board and Member of the Party Committee of the Bank since February 2015. Prior to joining the Bank, Ms. Ni from October 2009 to February 2015 served as a vice president and a member of the Party Committee of Chongqing Co., Ltd. (stock code: 1963), and an executive director of the company from November 2012 to February 2015. Ms. Ni served as director of Property Management Division of Chongqing State-owned Assets Supervision and Administration Commission from June 2005 to October 2009 and director of Assessment and Allocation Division of Chongqing State-owned Assets Supervision and Administration Commission from October 2003 to June 2005. From March 1989 to October 2003, Ms. Ni served various positions at the Chongqing Municipal Finance Bureau, including deputy director of Enterprise Division One, principal staff member, deputy staff member, staff member of Enterprise Finance Division One, and served as a member of Plant-Residing Group of Shapingba District of Chongqing Municipal Finance Bureau from July 1987 to March 1989. Ms. Ni in July 1987 obtained a bachelor's degree of Economics (a major of Accounting and Statistics, Faculty of Economics and Management) from Yuzhou University (now Chongqing Technology and Business University), and in December 2011 obtained a Master's degree of Business Administration for senior administrative staff of Chongqing University. Ms. Ni is a non-practicing member of the Chinese Institute of Certified Public Accountants and a senior accountant.

ZENG Jianwu

Shareholder Representative Supervisor

Mr. Zeng Jianwu has been a shareholder representative supervisor of the Bank since June 2008. He is also a member of the audit committee under the board of supervisors of the Bank. Mr. Zeng is currently the deputy general manager of Xiamen Gaoxinhong Equity Investment Co., Ltd. Mr. Zeng has been serving as the manager of the Sunshine Private Placement Fund (陽光私募基金) under Xiamen Septwolves Wealth Management Co., Ltd. (廈門七匹狼財富管理有限公司) since February 2015, a director of Xiamen Siming Baiying Microcredit Co., Ltd.* (廈門思明百應小額貸款有限公司) since May 2014, a director and the general manager of Jinjiang Baiying Microcredit Co., Ltd. (晉江市百應小額貸款有限責任公司) since January 2014, a director of Quanzhou Septwolves Private Capital Management Co., Ltd (泉州市七匹狼民間資本管理有限公司) since March 2013, director of Xiamen Baiying Finance Leasing Co., Ltd. (廈門市百應融資租賃股份有限公司) since May 2011 and the deputy general manager of Xiamen Laierfu Trading Co., Ltd since May 2001. Mr. Zeng has obtained a PhD in Applied Economics (Financial Engineering) from Xiamen University in June 2008 and a master degree of Science from Xiamen University in July 2000.

Directors, Supervisors and Senior Management

ZUO Ruilan

Shareholder Representative Supervisor

Ms. Zuo Ruilan has been a shareholder representative supervisor of the Bank since June 2008. She is also a member of the nomination committee under the board of supervisors of the Bank. Ms. Zuo has been the chairman of Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) since January 2006 and the chairman of Chongqing Huayu Property Service Co., Ltd. (重慶華宇物業服務有限公司) from July 2000 to March 2006. Ms. Zuo worked at the Chongqing Jiangjin Branch office of the Construction Bank of China (中國建設銀行重慶江津支行辦公室) from February 1998 to July 2000 and worked at the Saving Agency of Chongqing Jiangjin Branch of the Construction Bank of China (中國建設銀行重慶江津支行東門儲蓄所) from July 1995 to February 1998. Ms. Zuo graduated in December 1999 from Southwest University majoring in Economics Management.

HU Shuchun

External Supervisor

Mr. Hu Shuchun has served as an external supervisor of the Bank since October 2014. He is also the chairman of the internal control review committee under the board of supervisors of the Bank. Mr. Hu has served as the director of Chongqing Da Neng Law Firm (重慶達能律師事務所) and an arbitrator of the Chongqing Arbitration Commission since March 2013. From July 2003 to March 2013, he served as an attorney and partner of Chongqing Zhi Yuan Law Firm (重慶智圓律師事務所). From December 2002 to July 2003, he served as an attorney of Chongqing Jing Bo Law Firm. He served as an attorney of Chongqing Jing Sheng Law Firm (重慶靜升律師事務所) from October 2001 to December 2002. Mr. Hu also served as a procurator of the People's Procuratorate of Chongqing from July 1998 to October 2001. From September 1995 to July 1998, Mr. Hu studied at the graduate faculty of Southwest University of Political Science & Law and obtained a master's degree in economic law. He served as a law teacher at the Party School of the CPC Hegang Municipal Committee from July 1992 to September 1995. He is currently a CPC member and a holder of master's degree in law.

PAN Like

External Supervisor

Mr. Pan Like has served as an external supervisor of the Bank since October 2014. He is also the director of the audit committee under the board of supervisors of the Bank. Mr. Pan has served as a salaried partner and partner of Pan-China Certified Public Accountants Co., Ltd. (天健會計師事務所) since December 2011. He served as a salaried partner of Pan-China (Zhengxin) Certified Public Accountants Co., Ltd. (天健正信會計師事務所) from December 2009 to December 2011. He served as a salaried partner of Pan-China (Guanghua) Certified Public Accountants Co., Ltd. (天健光華會計師事務所) from December 2008 to December 2009. Mr. Pan served as a department manager and director of office and senior manager of Pan-China (Chongqing) Certified Public Accountants Co., Ltd. (重慶天健會計師事務所) from August 2000 to December 2008, during which he enrolled in graduate courses at Shanghai University of Finance and Economics majoring in accounting as a part-time student from September 1999 to July 2001 and served as a project manager, a deputy director of the Office of Director and a deputy department manager of Chongqing Huayuan Certified Public Accountants Co., Ltd. (重慶華源會計師事務所) from December 1998 to August 2000. He once served as an assistant of audit services department of Chongqing Certified Public Accountants Co., Ltd. (重慶會計師事務所) from June 1995 to December 1998. He is currently a CPC member, a postgraduate, a senior accountant, a Chinese certified public accountant, a certified public valuer, a certified real estate appraiser and a certified land valuer.

WANG Hong

External Supervisor

Mr. Wang Hong has served as an external supervisor of the Bank since October 2014. He is also the chairman of the nomination committee of the board of supervisors of the Bank. Mr. Wang has served as a professor and PhD tutor of the Civil and Commercial Law School, Southwest University of Political Science & Law since September 2009. He serves as a professor and PhD tutor of the Civil and Commercial Law School, Southwest University of Political Science & Law since September 2009 and an independent director of Guizhou Bailing Group Pharmaceutical Co., Ltd. (貴州百靈企業集團製藥股份有限公司) since December 2013. From September 2005 to September 2009, Mr. Wang served as a professor and master tutor of the Civil and Commercial Law School, Southwest University of Political Science & Law. From September 2000 to September 2005, he served as an associate professor and master tutor of the Civil and Commercial Law School, Southwest University of Political Science & Law, during which he studied at the graduate faculty of the Civil and Commercial Law School, Southwest University of Political Science & Law from September 2001 to June 2005 and obtained a doctorate degree. From April 1991 to September 2000, he served as a teacher of the Division of Civil Law, Department of Law, Southwest University of Political Science & Law. Mr. Wang is currently a member of China Democratic National Construction Association, a doctor of Civil Law and Commercial Law and an arbitrator of the China International Economic and Trade Arbitration Commission and the Arbitration Commissions of Chongqing, Chengdu, Nanning and Hohhot.

Directors, Supervisors and Senior Management

ZHENG Yi

Employee Representative Supervisor

Mr. Zheng Yi has been an employee representative supervisor of the Bank since November 2011. He is also a member of the audit committee and the Internal Control Review Committee under the board of supervisors of the Bank. Mr. Zheng currently serves as the General Manager of Credit Approval Department of the Bank. Mr. Zheng has been the General Manager of Credit Management Department of the Bank from April 2011 to June 2016. Mr. Zheng had served as the general manager of Operation Management Department of the Chongqing Rural Credit Cooperative Union from July 2007 to August 2008. Mr. Zheng had served as the vice general manager of Operation Management Department of the Chongqing Rural Credit Cooperative Union from January 2007 to July 2007. Mr. Zheng had been the vice general manager of Risk Management Department of the Chongqing Rural Credit Cooperative Union from December 2006 to January 2007. Mr. Zheng had served as the deputy director of the Credit Management Division of the Chongqing Rural Credit Cooperative Union from June 2004 to December 2006. Mr. Zheng had been engaged in the credit management work of Chongqing Rural Credit Cooperative Union from May 2000 to June 2004. From August 1998 to May 2000, he worked at the Leading Group for Reform of Chongqing Rural Financial System. From April 1984 to August 1998, he engaged in credit work at Chongqing Hechuan Rural Credit Cooperative Union (重慶市合川農村信用聯社). Mr. Zheng graduated from the Correspondence College of Chongqing Municipal Party Committee in December 1999, majoring in Economics and Management, and is currently an economist.

ZHU Yuzhou

Employee Representative Supervisor

Mr. Zhu Yuzhou has been an employee representative supervisor of the Bank since November 2011. He is also a member of the Due Diligence Supervisory Committee and the Internal Control Review Committee under the board of supervisors of the Bank. Mr. Zhu currently serves as the Director of Security Monitoring Department of the Bank. Mr. Zhu had worked as the General Manager of Small Enterprise Business Department of the Bank from April 2011 to October 2011. Mr. Zhu had been the General Manager of Small Enterprises Credit Department of the Bank from January 2010 to April 2011. Mr. Zhu had served as the General Manager of Real Estate Business Department of the Bank from August 2008 to January 2010, the chairman, secretary to the Party committee of Fuling Rural Credit Cooperative Union (涪陵農村信用合作聯社) from December 2002 to August 2008 and the chairman, director of Fengdu Rural Credit Cooperative Union (豐都縣農村信用合作聯社) from June 1998 to December 2002. From August 1995 to June 1998, he worked as the deputy director and director of the Sales Department of Fuling Rural Credit Cooperative Union (涪陵農村信用合作聯社). From July 1983 to August 1995, he worked at Fuling Rural Credit Cooperative Union. Mr. Zhu graduated from College of Chongqing Municipal Party Committee (中共重慶市委黨校) in June 2001, majoring in regional economics, and is currently an economist.

3. Senior Management of the Bank

XIE Wenhui

Executive Director, President

Please refer to the section headed “Directors of the Bank” for biographic details of Mr. Xie Wenhui.

WANG Min

Vice President

Since July 2015, Mr. Wang Min has served as Vice President and Member of the Party Committee of the Bank. Before joining the Bank, Mr. Wang served as deputy president and member of the Party Committee of Bank of Chongqing Co., Ltd. (Stock code: 1963) from October 2010 to July 2015; served as staff in the Chongqing Branch of the National Development Bank and deputy president of the Bank of Chongqing and member of the Party Committee from July 2006 to October 2010; held a number of positions in the Chongqing Branch of the National Development Bank from July 2000 to July 2006, including director of the second Customer Department, director of Audit Supervision Department, director of Discipline Inspection Office and director of Audit; held a number of positions in the National Development Bank from December 1994 to July 2000, including deputy director of the Second Credit Audit Department of the Audit Council and deputy director of the Second Credit Audit Department and auditor at section level in the General Office of the Audit Bureau; served in the National Transportation Investment Office from June 1988 to December 1994; served in the general office of the State Economic Commission from July 1986 to June 1988. Mr. Wang obtained a bachelor’s degree in history of the Archival Science in Renmin University of China in July 1986 and obtained an EMBA degree from Sichuan University in June 2013.

YUAN Xiaobo

Deputy Secretary to the Party Committee, secretary to the Discipline Committee and chairman of the Trade Union

Mr. Yuan has been a deputy secretary to the Party Committee of the Bank since December 2008. Mr. Yuan has been the secretary to the Discipline Committee and chairman of the trade union of the Bank since March 2010. Prior to joining the Bank, Mr. Yuan was the division director (training division, human resources division) of Entrepreneur administration Division of Chongqing State-owned Assets Supervision from October 2003 and December 2008. Mr. Yuan assumed a number of positions in Enterprise Executive Committee of Chongqing Municipal Party Committee from June 2000 to October 2003, including deputy division director, research assistant and principal staff member of the Cadres Division. He served as principal staff member of the Cadres Division of the Working Committee of Industrial Transport of Chongqing Municipal Party Committee from June 1998 to June 2000. Mr. Yuan worked for the Chongqing Electronics Industry Authority from March 1992 to June 1998 as a staff member and deputy principal staff member of Personnel and Education Division. Mr. Yuan worked at the State-owned 907 Factory from August 1984 to March 1992. Mr. Yuan obtained a Master’s degree in project management from Chongqing University in December 2008 and is currently a senior administration engineer and an economist.

Directors, Supervisors and Senior Management

DONG Lu

Vice President

Ms. Dong Lu has been the Vice President and Member of the Party Committee of the Bank since May 2011. Ms. Dong was the general manager of the Treasury Operation Department at headquarters of the Bank from August 2008 to May 2011 and assumed a number of positions in Chongqing Rural Credit Cooperative Union from October 2004 to August 2008 including general manager, vice general manager of the Business Department and deputy head of the Financial Planning Division. Prior to joining the Bank, Ms. Dong worked in the Financial Planning Department at Chongqing Branch of the China Everbright Bank from March 2002 to October 2004, business manager of the Customer Manager Department at Yuzhong Sub-branch of Chongqing Branch of China Everbright Bank from April 2001 to March 2002 and worked in Business Department at Yuzhong Sub-branch of Chongqing Branch of China Everbright Bank from June 1997 to April 2001. Ms. Dong obtained a master's degree in Project Management from Chongqing University in December 2011 and is currently an economist.

SHU Jing

Vice President

Ms. Shu Jing has served as Vice President and Member of the Party Committee of the Bank since October 2015. Ms. Shu held a number of positions in the Bank from August 2008 to October 2015, including general manager of Credit Approval Department, general manager of Service Department of the company, general manager and deputy general manager in the Business Department. Before joining the Bank, Ms. Shu served as assistant president and deputy president of High Technology Development Zone Branch of Chongqing Branch of China Everbright Bank from August 2005 to August 2008; held multiple positions in the Beibei Branch of Chongqing Branch of China Construction Bank from January 1998 to August 2005, including manager and deputy general manager (conducting work) in the Business Department, deputy director of Huaguang Branch and secretary of the League of Branch, secretary of the League of Branch and audit supervisor of Finance Department, served as accounting of Business Department and accounting supervisor in Beibei Branch of Chongqing Branch of China Construction Bank from November 1992 to January 1998. Ms. Shu graduated from Economics and Management Major of the Correspondence School of the CPC Chongqing Municipal Party School in December 1997 and now is an economist.

LIU Jiangqiao

Vice President, Secretary to the Board, Director of CQRC Financial Leasing Co., Ltd.

Since October 2015, Mr. Liu Jiangqiao has served as Vice President and Member of the Party Committee of the Bank. He served as the Director of CQRC Financial Leasing Co., Ltd. since July 2016, the Secretary to the Board of the Bank since September 2016. Mr. Liu currently serves as the Vice President and Secretary to the Board of the Bank and the Director of CQRC Financial Leasing Co., Ltd. Mr. Liu held multiple positions in the Bank from September 2008 to October 2015, including general manager of Personal Business Department, general manager of Three Rural Business Management Department, general manager of Personal Credit Department and general manager of Retail Channels Department, deputy general manager of Small Business Loan Center (conducting work) and deputy general manager of Agriculture and Personal Business Department. Before joining the Bank, Mr. Liu served as deputy president and member of the Party Committee of Wanzhou Branch of Chongqing of China Construction Bank from December 2005 to September 2008; served as president assistant in the Banan Branch of Chongqing Branch of China Construction Bank from December 2003 to December 2005; served as accounting manager and deputy president in the Peace Plaza Branch of Chongqing Wanzhou Branch of China Construction Bank from May 2001 to December 2003; served as vice president and president assistant, chief of Business Department of Longbao Branch in the Longbao District Branch of Chongqing Wanxian Branch of China Construction Bank from February 1997 to May 2001, served as deputy and clerk sector chief of Business Department in the Longbao District Branch of Sichuan Province Wanxian Branch of China People's Construction Bank from July 1992 to February 1997. Mr. Liu graduated from the Business Management Major in the Master of Business Administration College in Chongqing in June 2002 and now is an economist.

Directors, Supervisors and Senior Management

ZHANG Peizong

Vice President

Mr. Zhang Peizong served as the Vice President and Member of the Party Committee of the Bank since September 2016. Mr. Zhang served as the chairman and the secretary to the Party committee of CQRC Financial Leasing Co., Ltd. from March 2016 to January 2017, the president, deputy secretary to the Party Committee of CQRC Financial Leasing Co., Ltd. from November 2014 to March 2016. He assumed various positions in the Bank from August 2008 to November 2014, including the person in charge and Secretary to the Party Committee of Beibei Branch, the person in charge, Secretary to the Party Committee, general manager of Development Research Department and general manager of Development Planning Department of Tongliang Branch. He served various positions in Chongqing Rural Credit Cooperative Union, including general manager of department of investigation and statistics, council secretary (general manager level), deputy head of the general office from June 2004 to August 2008 and secretary to the general office of Chongqing Rural Credit Cooperative Union from February 2001 to June 2004. He served as secretary to the general office of Chongqing Bishan Rural Credit Cooperative Union from February 1999 to February 2001, and worked at the Hebian Rural Credit Cooperative of Chongqing Bishan Rural Credit Cooperative Union from July 1998 to February 1999. Mr. Zhang obtained a Bachelor of Arts in Chinese language and literature from Chongqing Normal Academy(重慶師範學院) in July 1998. Mr. Zhang obtained a Master's Degree in project management from Chongqing University in December 2008. He is currently a senior economist.

GAO Song

Vice President

Mr. Gao Song served as the Vice President and Member of the Party Committee of the Bank since September 2016. Mr. Gao served various positions in the Bank from May 2010 to September 2016, including general manager of the Human Resources Department, person in charge and secretary to the Party committee of Changshou Branch, general manager of the Channel Management Department and deputy general manager of the Asset Preservation Department. Prior to joining the Bank, Mr. Gao served as deputy president of Xinpaifang Branch in Chongqing Branch of Bank of Communications from April 2009 to May 2010 and assumed various positions in Chongqing Branch of Bank of Communications from March 2002 to April 2009, including legal compliance management officer of legal compliance department, assets preservation officer of assets preservation department and clerk of risk management division. He worked at the Shapingba Branch in Chongqing Branch of Bank of Communications from July 2001 to March 2002. Mr. Gao obtained a Bachelor Degree in law from Southwest University of Political Science & Law in July 2001 and obtained a Master's Degree in law from Southwest University of Political Science & Law in January 2005.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, Mr. Zheng Haishan resigned as the non-executive director of the Bank on 24 August 2016.

During the reporting period, the Board of Directors of the Bank appointed Mr. Liu Jiangqiao as the Secretary to the Board of Directors of the Bank, Mr. Zhang Peizong and Mr. Gao Song as Vice President of the Bank on 27 October 2016. Mr. Ling Jiaquan of the Bank resigned as Chief Controller on 25 January 2016 as he reached the age of retirement. Mr. Wang Rong of the Bank resigned as First-level Senior Manager on 1 April 2016 as he reached the age of retirement. Mr. Liu Jiangqiao has been appointed as Director of CQRC Financial Leasing Co., Ltd., the backbone subsidiary of the Bank on 10 October 2016.

REMUNERATION FOR DIRECTORS OF THE BANK IN 2016

Unit: RMB'000

Name	Position	Paid remuneration (before tax) (1)	Social insurance, housing funds, the portion of supplementary health insurance contributed by the Bank (2)	Part-time fees (3)	Total remuneration before tax in 2016 (4)=(1)+(2)+(3)
Liu Jianzhong	Chairman of the Board of Directors, Executive Director	267	79	-	346
Xie Wenhui	Executive Director, President	267	79	-	346
He Zhiming	Non-executive Director	-	-	60	60
Sun Lida	Non-executive Director	-	-	60	60
Duan Xiaohua	Non-executive Director	-	-	60	60
Chen Xiaoyan	Non-executive Director	-	-	60	60
Wen Honghai	Non-executive Director	-	-	60	60
Sun Leland Li Hsun	Independent Non-executive Director	-	-	120	120
Yin Mengbo	Independent Non-executive Director	-	-	120	120
Yuan Zengting	Independent Non-executive Director	-	-	120	120
Cao Guohua	Independent Non-executive Director	-	-	120	120
Retired Director					
Zheng Haishan	Non-executive Director	-	-	40	40

Directors, Supervisors and Senior Management

REMUNERATION FOR SUPERVISORS AND SENIOR MANAGEMENT

For the year ended 31 December 2016, the total remuneration before tax paid by the Bank to its supervisors and senior management amounted to RMB3.311 million and RMB1.599 million, respectively, details of which are set out below:

Remuneration for Supervisors of the Bank in 2016

Unit: RMB'000

Name	Position	Paid remuneration (before tax) (1)	Social insurance, Housing funds, the portion of supplementary health insurance contributed by the Bank (2)	Part-time fees (3)	Total remuneration before tax in 2016 (4)=(1)+(2)+(3)
Ni Yuemin	Chairwoman of the Board of Supervisors	267	79	-	346
Zeng Jianwu	Shareholder Representative Supervisor	-	-	50	50
Zuo Ruilan	Shareholder Representative Supervisor	-	-	50	50
Wang Hong	External Supervisor	-	-	80	80
Hu Shuchun	External Supervisor	-	-	80	80
Pan Like	External Supervisor	-	-	80	80
Zheng Yi	Employee Representative Supervisor	1,356	81	-	1,437
Zhu Yuzhou	Employee Representative Supervisor	1,107	81	-	1,188

Remuneration for senior management was within following ranges:

	Number of individuals Year ended 31 December 2016
RMB nil – RMB1,000,000	7
RMB1,000,001 – RMB1,500,000	-
RMB1,500,001 – RMB2,000,000	-
RMB2,000,001 – RMB2,500,000	-
RMB2,500,001 – RMB3,000,000	-
RMB3,000,001 – RMB3,500,000	-
RMB3,500,001 – RMB4,000,000	-

Report of The Board of Directors

The Board of Directors is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

PROFIT AND DIVIDENDS

The income of the Group for the year ended 31 December 2016 and the Group's financial position as at that date are set out in the section entitled "Financial Statements" of this annual report.

Pursuant to the resolutions passed at the annual general meeting of 2015 on 17 June 2016, the Bank recommended a distribution of cash dividends of RMB1,860 million (tax inclusive) for 2015 to all the shareholders at a par value of RMB0.20 per share (tax inclusive). Such dividend was distributed to holders of domestic shares and holders of H shares whose names appeared on the register of members on 29 June 2016. Such proposed dividends were denominated in RMB. Dividends payable to holders of domestic shares were paid in RMB, whereas dividends payable to holders of H shares were paid in HKD. The exchange rate of RMB to HKD adopted was the average middle rates of the five business days preceding the date of declaration of such dividends at the 2015 annual general meeting of the Bank (17 June 2016, including the date thereof) as announced by the People's Bank of China. The above mentioned dividends were distributed on 11 August 2016.

The Board of Directors recommended a distribution of cash dividends of RMB1,860 million (tax inclusive) for 2016 to all the shareholders at a par value of RMB0.20 per share (tax inclusive). The dividend distribution plan will be submitted to the annual general meeting of 2016 for consideration and approval. If such proposal obtains approval from the annual general meeting of 2016, the dividend will be distributed on 27 June 2017 to holders of domestic shares and holders of H shares whose names appear on the register of members on 16 May 2017. Such proposed dividends will be denominated in RMB. Dividends payable to holders of domestic shares shall be paid in RMB, whereas dividends payable to holders of H shares shall be paid in HKD. The exchange rate of RMB to HKD to be adopted shall be the average middle rates of the five business days preceding the date of declaration of such dividends at the 2016 annual general meeting of the Bank (5 May 2017, including the date thereof) as announced by the People's Bank of China.

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

<i>(RMB, in million)</i>	2015	2014	2013
Cash dividends	1,860.0	1,860.0	1,767.0
As a percentage of profit for the year	25.73%	27.30%	29.60%

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Bank for the year 2016 will be held on Friday, 5 May 2017. In order to determine the holders of shares who are eligible to attend and vote at the Annual General Meeting, the register of members of the Bank will be closed from Wednesday, 5 April 2017 to Friday, 5 May 2017, both days inclusive, during which period no transfer of shares will be registered. Holders of H shares of the Bank who wish to attend and vote at the Annual General Meeting for 2016 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 17M floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 3 April 2017.

RESERVES

Please refer to the "Consolidated Statement of Changes in Equity" for details of the movements in the reserves available for distribution to shareholders of the Group for the year ended 31 December 2016.

SUMMARY OF FINANCIAL INFORMATION

Please refer to the "Financial Summary" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2016.

DONATIONS

During the year ended 31 December 2016, the Group made charitable and other donations amounting to approximately RMB3,795,400.

PROPERTY AND EQUIPMENT

Please refer to Note 27 "Property and Equipment" to the section entitled "Financial Statements" of this annual report for details of movements in the property and equipment of the Group during the year ended 31 December 2016.

RETIREMENT BENEFITS

Please refer to Note 36 "Accrued Staff Costs" to the section entitled "Financial Statements" of this Annual Report for details of the retirement benefits provided to employees of the Group.

ULTIMATE PARENT COMPANY AND SUBSIDIARIES

Please refer to "Major Shareholders of the Bank" in the section entitled "Changes in Share Capital and Particulars of Shareholders" and the related notes to the section entitled "Financial Statements" of this annual report for details of the Bank's ultimate parent company and subsidiaries as at 31 December 2016.

PURCHASE, SALE AND REDEMPTION OF SHARES OF THE BANK

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS

In 2016, the aggregate amount of interest income and other operating income generated from the five largest customers of the Bank represented an amount not exceeding 30% of the total interest income and other operating income of the Bank.

SHARE CAPITAL

Please refer to Note 40 "Share Capital" to the "Financial Statements" of this annual report for details of the movement in share capital of the Bank during the reporting period.

TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

The top ten shareholders of the Bank and their respective shareholdings at the end of 2016 are stated in "Changes in Share Capital and Particulars of Shareholders" of this annual report.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

As of the end of the reporting period, the Board of Directors comprised 11 directors in total, including 2 executive directors, namely Mr. Liu Jianzhong (chairman), Mr. Xie Wenhui (president); 5 non-executive directors, namely Mr. He Zhiming, Mr. Sun Lida, Mr. Duan Xiaohua, Ms. Chen Xiaoyan and Mr. Wen Honghai; 4 independent non-executive directors, namely Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting and Mr. Cao Guohua.

During the reporting period, Mr. Zheng Haishan resigned as the non-executive director of the Bank on 24 August 2016.

Please refer to the "Profiles of Directors, Supervisors and Senior Management" of this annual report for details of directors, supervisors and senior management of the Bank.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2016, the interests of the directors, supervisors and the chief executive 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 Securities and Futures Ordinance of Hong Kong) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic shares of the Bank	% of the total issued share capital of the Bank
Supervisors				
Zuo Ruilan	Beneficial owner	11,900	0.00017	0.00013
Zhu Yuzhou	Beneficial owner	37,600	0.00055	0.00040

Other than as disclosed above, none of the directors, supervisors or the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at 31 December 2016.

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the reporting period was the Bank, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors and supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those continuing connected transactions which can be exempted from the reporting annual review, announcement and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules, no director, supervisor or entity which is related to such persons of the Bank had a material interest, whether directly or indirectly, in material transactions, arrangements and contracts in relation to the Group's businesses to which the Bank, its holding company, any of its subsidiaries or fellow subsidiaries was a party at any time during the year (excluding service contracts).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

For the year ended 31 December 2016, there was no management and administrative contract in respect of all or any of the principal activities being entered into by or existed in the Bank.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

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

SUBSTANTIAL SHAREHOLDERS

To the knowledge of the Bank, as at 31 December 2016, the interests and short positions of substantial shareholders (within the meaning of the Securities and Futures Ordinance), other than directors and supervisors, in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance were as follows:

Domestic Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	629,304,418	9.27	6.77
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	621,435,221	9.16	6.68
Loncin Holding Co., Ltd (隆鑫控股有限公司)	Beneficial Owner	570,000,000	8.40	6.13
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	Beneficial Owner	443,100,000	6.53	4.76
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Beneficial Owner	423,431,972	6.24	4.55

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
BlackRock, Inc.	Interest of controlled corporations	310,028,640(L) 424,000(S)	12.34 0.02	3.33 0.005
BlackRock Global Funds	Beneficial Owner	154,015,000(L)	6.13	1.66

Note: (L) – long position, (S) – short position

BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2, Inc. and BlackRock Holdco 2, Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. In accordance with the Securities and Futures Ordinance of Hong Kong, BlackRock, Inc. and BlackRock Holdco 2, Inc. are deemed to be interested in the shares of the Bank held by BlackRock Financial Management, Inc. and its controlled subsidiaries. BlackRock, Inc. had a long position in 310,028,640 H shares and a short position in 424,000 H shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. The long position in 36,000 of 310,028,640 H shares are held through derivatives.

CORPORATE GOVERNANCE

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

CONNECTED TRANSACTIONS

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

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures”, and its interpretations by the IASB. The related party transactions set out in Note 48 to the consolidated financial statements did not constitute connect transaction for the Bank under Chapter 14A of the Hong Kong Listing Rules.

REMUNERATION POLICY FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

The Bank’s remuneration policy for directors, supervisors and senior management is based on the principle of combining incentives and disciplines, short-term incentives and long-term incentives, and market adjustment and governmental regulation, and has defined a structured remuneration system comprising basic annual salary, performance annual salary, mid-term and long-term incentives, allowances and welfare income.

The Bank participates in the relevant PRC mandatory retirement schemes for its employees including directors, supervisors and senior management. Since the state has not issued relevant policies, the Bank does not implement mid-term and long-term incentive plan for directors, supervisors, senior management and other employees of the Bank.

SUFFICIENCY OF PUBLIC FLOAT

As at 31 December 2016, the public float of the Bank was 27.03%. Based on information that is publicly available to the Bank and to the knowledge of the directors, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange as at the date of this report.

Tax Relief (H Share Holders)

Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations, the "Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises" (Guoshuihan [2008] No. 897) and Notice of SAT on the List of Agreed Dividend Tax Rates (Guo Shui Han [2008] No. 112) relevant regulations, the Bank temporarily withholds the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose name appear on the register of members in respect of H shares of the Bank on 29 June 2016, and the effective tax rate is determined based on the agreed tax rate.

Non-resident Individual Shareholders

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

1. As for non-resident individual H Share Holders in countries which have entered into an agreement with China in respect of a tax rate lower than 10%, the Bank applies for the relevant entitlements thereunder on their behalf.
2. As for non-resident individual H Share Holders in countries and regions which have entered into an agreement with China in respect of a 10% tax rate, the Bank withholds individual income tax at the rate of 10%.
3. As for non-resident individual H Share Holders in countries which have entered into an agreement with China in respect of a tax rate between 10% and 20%, the Bank withholds individual income tax at the actual rate agreed thereunder.
4. As for non-resident individual H Share Holders in countries which have no tax agreement with China or are under any other circumstances, the Bank withholds individual income tax at the tax rate of 20%.

AUDITORS

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers have been the Bank's domestic and overseas auditors for 2016.

The Bank's financial report for the year 2016 prepared in accordance with International Financial Reporting Standards had been audited by PricewaterhouseCoopers, who had issued an unqualified audit report.

The Bank did not change auditors for the last three years.

BUSINESS REVIEW

Review on the Business of the Company and Prediction of Possible Development in the Future

In 2016, the Bank has made a new and great progress in operation and management. The total assets of the Group amounted to RMB803.158 billion. The balance of deposits was RMB518.186 billion, representing an increase of RMB47.958 billion, maintaining the first place among financial institutions in the banking industry of Chongqing in terms of both the balance and increased amount of deposits. The balance of loans stood at RMB300.421 billion. Net profit amounted to RMB8.001 billion, representing an increase of 10.69% over the same period of last year. The income structure is constantly improving. Net fee and commission income was RMB2.118 billion, representing an increase of 41.71%.

In 2016, the Bank fully enhanced risk management, carried out management over excess capacity, followed list management policy for loans of property and non-performing loans, and reinforced clearance of non-performing loans on-balance sheet and off-balance sheet. RMB1.78 billion of non-performing loans on-balance sheet and off-balance sheet has been settled in the year. The Bank made an interim capital plan and the official launch of the non-retail credit risk internal grading system in all districts, and gradually applied them to the management of credit business, completed the project regarding internal appraisal of retailing credit risk and automated credit consulting projects, constructed retailing internal appraisal cards and pool model, established retail internal grading and governance structure and mechanism, achieved management over retail business portfolio. The Bank promoted the launch of trial operation of liquidity risk management system. The Bank also improved the emergency protection system of "Two Areas and Three Centers", optimized the systems of online anti-money laundering and VAT in lieu of business tax, launched the construction of management system for loans and investments, management accounting system, to effectively support the business development.

Report of The Board of Directors

In 2016, the Bank followed the requirements of the structural adjustment, transformation and upgrade of the city economy by centering on the strategies such as “One Belt and One Road”, Yangtze River Economic Belt, China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity and the positioning of Five Major Functional Regions in Chongqing. The Bank focused on the establishment of fundamental facilities, the transformation and upgrade of traditional industries, the development of top ten strategic emerging industries and strategically emerging industries. The Bank pushed forward hierarchical customer management and optimized the high-net-worth customer service system. The number of medium to high-end customers amounted to over a million. The Bank continued to optimize the small and micro- service system, strengthened the small and micro-collaboration between companies and focused on the industrial chains of core customers. Through including upstream and downstream customers into credit plan, the Bank expanded the small and micro customer base. With strengthening the quality of “Sannong” financial services as the foremost prerequisite, the Bank focused on the support for industrialization of agriculture, urbanization of villages and professional development of agriculture and enlarged the investment in agriculture-related credit, promoting the development of “Sannong” financial business development.

The main risks and uncertainties exposure to the Bank include policy risk, credit risk, liquidity risk, operational risk and financial risk. By promoting comprehensive risk management, continuously refining the systems, enriching working and operating means and improving technologies, the Bank has effectively enhanced the risk management capability.

Policy Risk

The Bank kept a close eye on the national economic situation, implemented public financial reform policies and complied with the regulatory requirements and terms of People’s Bank of China, CBRC and Hong Kong Stock Exchange to effectively manage the market interest and exchange rate. The Bank actively studied the financial policies which have been already formulated and are under implementation, and made appropriate judgment on the future policy trends, thus ensured the steady and ordered implementation of policies, and avoided policy risk.

Credit Risk

The Bank reinforced the credit risk management by formulating guidance for credit allocation for the whole year, determined the business direction and key points for management and governance, carried out effective warning, identification, management and control, closely monitored the fields of high-energy consumption, high pollution and overcapacity as well as the industries with excessive production capacity, and optimized structure of credit term and portfolio. In addition, the Bank enhanced management on matured loans, implemented team management on matured loans and joint management on large-sum troubled loan. At the same time, the Bank promoted the construction of internal rating-based approach for credit risk to practically improve the credit risk management.

Liquidity Risk

Facing to the complicated and ever-changing liquidity condition in the financial market, the Bank focused on enhancing the liquidity management. It rationally matched the term structure of assets and liabilities and the liquidity gas for the whole year is positive. By means of reinforcing management on excess reserve, reserving high-quality liquid assets, reasonably matching the deposit term structure and appropriately decreasing the proportion of medium-and long-term loans and the leverage ratio of fund in banks, the Bank's assets and liabilities remained stable.

Operational Risk

The Bank placed emphasis on compliance management and took strict precautions against the operational risk. It stepped up construction of regulations and procedures, improved the operational risk management system. The Bank made great efforts to build awareness of compliance operation to each single employee through popularization of compliance manual. In addition, the Bank has established a supervision system for concentrated online transactions, rebuilt the electronic commercial draft system and set up a blacklist system for credit risk transactions. Construction of the disaster recovery system of "Two Areas and Three Centers" has completed, which improved the foundation facilities.

Financial Risk

Please refer to "Management Discussion and Analysis" on pages from 14 to 86 of the annual report for further information of financial risk.

Compliance with Laws, Rules and Regulations

The Board of Directors paid close attention to the policies and practices in relation to relevant laws and regulations which the Group has to comply with. The Bank has employed legal advisers for domestic and overseas laws to ensure the transactions and businesses of the Group are carried out under the applicable laws. Relevant employees and operation units will be informed by update on applicable laws, rules and regulations from time to time. Laws and Regulations are the basis and foundation for the legal and compliant operation of the Bank, and also the guidance for the Bank to conduct operating and management activities within the regulatory framework. According to the requirements and changes of laws and regulations, the Bank evaluates the effect on operation and management and make necessary adjustments to ensure healthy business development in legal compliance.

Employment Relations

The Bank placed utmost emphasis on the enterprise cultural construction, employee management and training, and is committed to build harmonious and stable employment relations. The Bank treasures employees as one of the most important and valuable assets and has been always cherishing the employees' contribution and support.

Report of The Board of Directors

In order to facilitate sound operation and sustainable development of Chongqing Rural Commercial Bank, according to Guidelines on the Supervision of Steady Compensation of Commercial Banks (商業銀行穩健薪酬監管指引) of the CBRC and other relevant requirements, Chongqing Rural Commercial Bank has established a remuneration system consists of basic remuneration, performance-based remuneration and welfare, which enables a compensation mechanism in which the Bank can achieve its strategic targets and enhance its competitiveness in line with the cultivation of talents and risk control.

The Bank has made great efforts to provide comfortable and harmonious working environment, sound welfare and compensation system and reasonable career plan. By means of appropriate trainings and opportunity offering, the Bank has helped a lot of employees in career development and promotion.

Relations with Clients and Suppliers

The Bank has been always perfecting the financial services to the clients for deposits and loans and clients from other banks to win the clients' understanding, trust and support. The Bank insists the market principle for all clients who apply for loans, especially the related clients, and avoids special credit aid priority.

In selecting of suppliers, the Bank adheres to the principles of openness, fairness and justice and in form of bidding. The Bank kept well communication and cooperation with all suppliers.

Environmental Protection Policy and Implementation

The Bank kept focusing on environmental protection, initiated and provided green credit financial services, including offering loans to enterprises engaged in environmental protection industries, new energy industries and new-material industries, and strictly controlled and gradually reduced the credit scale of high-pollution, high-energy-consumption and overcapacity industries.

The Bank also adheres to the concept of environmental protection for internal operation by recycling use papers printing both sides, promoting paperless office, purchasing energy saving equipment, turning off water and power when leaving. Through these measures, water and power consumption amount per capital was continuously reduced as compared to the same period of last year. The Bank is continuously making efforts to reduce energy consumption and carbon emission, and actively carried out works to protect the environment.

Subsequent Major Events with Significant Influence to the Bank

The Bank conducted a comprehensive review on the financial performance of 2016 pursuant to the national laws and regulatory requirements and prepared annual report for the year of 2016. No major event or case having significant influence to the Bank has occurred after completion of annual financial review.


Permitted Indemnity Provision

There is no permitted indemnity provision was or is in effect which benefit for the directors of the Banks (whether entered into by the Bank or not) or its associates (entered in to by the Bank) at any time during the financial year up to the date of the report of directors.

Equity-linked Agreement

During the year ended 31 December 2016, the Banks has not entered into any equity-linked agreement.

On behalf of the Board

Handwritten signature in black ink, consisting of three characters: 刘建忠.

Liu Jianzhong
Chairman

17 March 2017

Report of the Board of Supervisors

MAJOR WORK

The board of supervisors seriously fulfilled the responsibilities authorised by the Articles of Association. Adhering to the principle of benefiting constantly stable business development of the Bank and safeguarding interests of shareholders, the board of supervisors carried out its supervision to highlight the performance supervision, financial supervision and internal control and risk supervision, paid attention to the effective implementation of the Bank's development strategies and effectiveness of risk management and internal control as well as actively promoted steady operation and healthy development of the Bank.

Supervision on Meetings

In accordance with the responsibilities authorized by the Articles of Association, the board of supervisors convened twelve supervisory meetings in total, at which twenty-seven resolutions were considered and approved. The board of supervisors convened nine meetings of the special committees, at which fifteen items were considered. The supervisors attended two general meetings as observers and attended seven on-site board meetings as observers, at which they performed supervision on the process of the meetings, the discussion process of relevant resolutions, and presented supervisory comments on the relevant issues.

Daily Supervision

The board of supervisors supervised the operation of corporate governance, the effectiveness of the internal risk control mechanism and the compliance in the decision-making of major financial activities mainly in the ways such as attending the meetings (board meetings, presidents' office meetings, general meetings as well as other important operation and management meetings) without voting rights, department interviews, grass-roots research, data accessing, and communicating with the external auditors. The board of supervisors put forward the rectification opinions and advice on the problems found in the supervision and inspection process to the board of directors and senior management by issuing opinion letters. It also established rectification ledger to track the progress of rectification to promote the effective rectification of the problems.

Concentrated Supervision

The annual concentrated supervision and inspection were carried out focusing on the contents such as the Bank's execution of national policies, laws and regulations as well as "Three Important and One Major" system, main operation indicators, strategic sustainable development capacity, internal control management and risk prevention as well as the duty fulfillment of the directors and senior management. The board of supervisors was of the view that the Bank executed the national polices, laws and regulations strictly; the Bank completed the annual plan relatively well in various operation indicators, and the internal control management and risk prevention levels were improved continuously.

Special Inspection

The board of supervisors carried out the special inspections actively and performed the supervisory duty fully based on the operational practice of the Bank. For compliance supervision on business operation, it carried out the special inspection on the compliance of its principal businesses, with a main focus on the establishment of the principal business system, the implementation of pre-operation compliance review, ongoing compliance inspection and post-operation compliance evaluation of the execution-related system, and the enforcement of rectifications of problems identified by the supervising department. For credit risk prevention, it carried out special inspection on the credit risks of the Bank's credit business, focusing on the change in quality of the Bank's credit assets, control measures and disposal. For operational risk prevention, it emphasized on the establishment and implementation of a counter business-related system, the control over the counter operation system and the design of operational process, and carried out special inspection on operation risk in its counter services. For enhancing consolidation management, the board of supervisors carried out special inspection on the internal control management of banks in villages and cities and emphasized on the establishment and implementation of bank system in villages and towns as well as the effectiveness of the internal control risk management system. The board of supervisors considered that the Bank maintained a prudent risk appetite and established a good sense of compliance and that the internal control risk management system was effective as a whole.

Self-establishment of the Board of Supervisors

The board of supervisors enhanced its system construction by establishing a comprehensive method for the duty performance evaluation on board of directors, senior management and its members and revising its method for the duty performance evaluation on supervisors to refine the duty performance evaluation on the supervisors. The board of supervisors strengthened its supervision over general duties by regularly collecting and organizing major operational data of the Bank and conducting analysis over the key financial indicators as reference for the board of supervisors in making comments. The board of supervisors strengthened its supervision during operation by reporting to SASAC the operation of the convenient service point, the disposal of idle assets and the compliance of commission business by ways of special report to further improve the effective period of supervision. The board of supervisors refined its supervision mechanism for rectifications by establishing rectification ledger from the perspective of the board of supervisors to track the progress of rectification regularly. It will conduct comprehensive evaluation on the rectification progress for the whole year to promote the effective use of supervision results.

INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

Operations in Compliance with Laws and Regulations

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

Report of the Board of Supervisors

Financial Reporting

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have audited the financial report for the year 2016 of the Company prepared in accordance with the PRC Generally Accepted Accounting Principles and the International Financial Reporting Standards respectively, and has issued a standard and unqualified audit report respectively. The financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

Acquisition and Disposal of Assets

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

Related Party Transactions

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

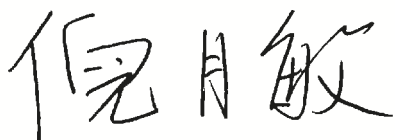
Internal Control

The board of supervisors has reviewed the 2016 Annual Internal Control Evaluation Report of Chongqing Rural Commercial Bank Co., Ltd. and was not aware of any significant defect in the Bank's internal control system and its implementation.

Social Responsibility

During the reporting period, the Bank vigorously undertook social responsibilities. The board of supervisors has no disagreement with the 2016 Report on Social Responsibilities of Corporate (2016年度企業社會責任報告) of the Bank.

On behalf of the board of supervisors



Ni Yuemin

Chairman of the board of supervisors

17 March 2017

CORPORATE GOVERNANCE

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

During the reporting period, in accordance with the requirements of CBRC, the Bank convened the 31st meeting of the third session of the Board of Directors on 27 October 2016 for the establishment of Consumer Rights Protection Committee under the board of directors and the review and approval of working rules of Consumer Rights Protection Committee under the board of directors.

During the reporting period, the Bank had been observing and complying with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Bank commenced training for the Directors and published discloseable documents and information on the websites of the Bank and Hong Kong Stock Exchange pursuant to the code provisions. Meanwhile, the Bank also complied with most of the recommended best practices in the aforementioned code. For details, please refer to Corporate Governance Report.

MATERIAL RELATED PARTY TRANSACTIONS

As of the end of the reporting period, the loan balance of material related party transactions with related parties amounted to RMB12,990 million, accounting for 4.32% of the total loan of the Bank. Loans under the material related party transactions between the Bank and related parties have no negative impact on operating results and the financial position of the Bank.

MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

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

As of the end of the reporting period, pending legal proceedings in which the Bank was a defendant or a third party involved an amount of RMB7,680,000. In the opinion of the Bank, it will not have any material effect on the Bank's operating activities.

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

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

Major Events

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

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

MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

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

Independent Auditor's Report

To the shareholders of Chongqing Rural Commercial Bank Co., Ltd.

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

Opinion

What we have audited

The consolidated financial statements of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group") set out on pages 157 to 283, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report (Continued)

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment allowance of loans and advances to customers
- Classification of debt securities classified as receivables
- Consolidation of structured entities

Independent Auditor's Report (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment Allowance of Loans and Advances to Customers</p> <p><i>Refer to Note 4, "Critical Accounting Judgments and Estimates" and Note 22, "Loans and Advances to Customers" to the Consolidated Financial Statements.</i></p> <p>As at 31 December 2016, the Group has a total balance of loans and advances to customers of RMB300,421.44 million, with impairment allowances of RMB12,305.02 million provided.</p> <p>Management of the Group adopted individual and collective assessment to determine the impairment allowances.</p> <p>Loans and advances to customers which are considered individually significant are initially assessed individually for impairment. Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed with no objective evidence of impairment on an individual basis are assessed for impairment on a collective basis.</p> <p>During the assessment process, management consider future cash flows estimation for individual assessment; select parameters and models, and apply calculation methodology for collective assessment.</p> <p>Because of the significance of the loans and advances balance and judgement involved in the assessments, impairment allowance of loans and advances was an area of focus.</p>	<p>Our procedures in relation to impairment allowance of loans and advances to customers included:</p> <ul style="list-style-type: none"> – Evaluated and tested the internal controls related to risk assessment and impairment assessment of loans and advances to customers. <p>Individual assessment</p> <ul style="list-style-type: none"> – Based on the criteria that may indicate evidence of impairment, we performed independent credit reviews on a sample basis for individually significant loans and advances to customers, to assess whether these loans are impaired and whether the impairment was identified by management on a timely basis. – Evaluated individual assessment, including accuracy of source data for estimated cash inflow, realisable value of mortgages and pledges and discount rates used against available external evidence. <p>Collective assessment</p> <ul style="list-style-type: none"> – Tested the completeness of the underlying loan information used in the impairment models by agreeing the relevant data to the Group's loan systems. – Evaluated and tested the accuracy of overdue periods recorded and the corresponding risk classifications; – Evaluated the migration rate calculated by management with reference to the macro economic data, and challenged the assumptions as to whether they reflect the current economic environment and are in line with recent loss experience and representative of current credit risks. <p>We found management's judgement exercised in identifying impaired loans and estimation of allowances for impairment losses on loans and advances to customers to be supportable.</p>

Independent Auditor's Report (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Classification of Debt Securities Classified as Receivables</p> <p><i>Refer to Note 3 "Significant Accounting Policies", Note 4 "Critical Accounting Judgments and Estimates", and Note 25 "Debt securities classified as receivables" to the Consolidated Financial Statements.</i></p> <p>As at 31 December 2016, debt securities classified as receivables amounted to RMB 101,151.28 million. Classifications of financial assets into this category are subject to certain key assumptions and management judgement including whether these financial assets are with fixed or determinable payments, and are not quoted in active trading markets.</p> <p>Due to the significance in amount and judgement exercised in classifications, we consider that classification of debt securities classified as receivables should be an area of focus.</p>	<p>Our procedures in relation to management's classification of debt securities classified as receivables included:</p> <ul style="list-style-type: none"> – Evaluated the rationality, applicability and consistency of the accounting policies used in the classification of financial instruments into debt securities classified as receivables by management; – Reviewed on a sample basis the investment contracts and offering documents of the debt securities invested by the Group; we also independently sent confirmations on sampling basis to verify significant terms in the investment contracts. – Checked the market transactions and activities to confirm the non-existence of active market quotes for the debt securities classified as receivables. <p>Based on the work done, we noted no significant differences with management's classifications of debt securities classified as receivables.</p>

Independent Auditor's Report (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Consolidation of Structured Entities</p> <p><i>Refer to Note 3 “Significant Accounting Policies”, Note 4 “Critical Accounting Judgments and Estimates”, and Note 49 “Structured entities” to the Consolidated Financial Statements.</i></p> <p>As at 31 December 2016, consolidated structured entities of the Group mainly consisted of guaranteed wealth management products and those unguaranteed wealth management products satisfying the criteria of control. Management assessed whether the structured entities managed or owned and invested by the Group should be consolidated by determining whether control exists.</p> <p>As a result of the complexity of application of control assessments of IFRS 10 and the significant balance of structured entities on reporting date, we considered that the assessment of the consolidation of structured entities should be an area of focus.</p>	<p>Our procedures in relation to management's assessment on consolidation of structured entities included:</p> <ul style="list-style-type: none"> – Understood, evaluated and tested management control process adopted on the consolidation assessment and disclosures of structured entities; – Evaluated management's accounting policies on control assessment against IFRS 10, including the Group's power over the structured entities; the Group's exposure, or rights, to variable returns from involvement with the structured entities; and the Group's ability to use power over the structured entities to affect the returns; and their application consistency; – Performed sampling testing of structured entities by reviewing supporting documents including contracts and assessed whether they were controlled by the Group. – Understood and evaluated disclosures in the consolidated financial statements in relation to consolidated structured entities. <p>We found no significant inconsistencies between management's assessments in relation to control of structured entities from our procedures above.</p>

Independent Auditor's Report (Continued)

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yip Siu Foon, Linda.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March, 2017

Consolidated Income Statement

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	2016	2015
Interest income	5	32,866,157	35,199,199
Interest expense	5	(13,461,438)	(15,032,720)
Net interest income		<u>19,404,719</u>	<u>20,166,479</u>
Fee and commission income	6	2,223,886	1,575,481
Fee and commission expense	6	(105,527)	(80,537)
Net fee and commission income		<u>2,118,359</u>	<u>1,494,944</u>
Net trading (losses)/gains	7	(15,614)	19,759
Other operating income, net	8	154,247	207,810
Operating income		<u>21,661,711</u>	<u>21,888,992</u>
Operating expenses	9	(8,450,978)	(9,076,090)
Impairment losses on financial assets	11	(2,676,544)	(3,235,980)
Net gains/(losses) from disposals of available-for-sale financial assets		64,740	(1,525)
Net gains from disposals of debt securities classified as receivables		45,907	11,972
Profit before tax		10,644,836	9,587,369
Income tax expense	12	(2,643,514)	(2,359,522)
Profit for the year		<u>8,001,322</u>	<u>7,227,847</u>
Attributable to:			
Shareholders of the Bank		7,944,748	7,223,298
Non-controlling interests		56,574	4,549
		<u>8,001,322</u>	<u>7,227,847</u>
Earnings per share (Expressed in RMB Yuan per share)			
– Basic and diluted	13	<u>0.85</u>	<u>0.78</u>

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	2016	2015
Profit for the year	8,001,322	7,227,847
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial losses on defined benefit plans	(268,940)	(127,430)
Income tax relating to actuarial losses on defined benefit plans	67,235	31,858
	<u>(201,705)</u>	<u>(95,572)</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value (losses)/gains on available-for-sale financial assets	(70,155)	92,156
Income tax relating to available-for-sale financial assets	17,539	(23,039)
	<u>(52,616)</u>	<u>69,117</u>
Other comprehensive income for the year, net of tax	<u>(254,321)</u>	<u>(26,455)</u>
Total comprehensive income for the year	<u>7,747,001</u>	<u>7,201,392</u>
Total comprehensive income attributable to:		
Shareholders of the Bank	7,690,427	7,196,843
Non-controlling interests	56,574	4,549
Total comprehensive income for the year	<u>7,747,001</u>	<u>7,201,392</u>

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

Consolidated Statement of Financial Position

As at 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	31 December 2016	31 December 2015
ASSETS			
Cash and balances with central bank	15	85,835,992	78,500,278
Deposits with banks and other financial institutions	16	34,582,759	44,764,501
Placements with banks and other financial institutions	17	112,571,397	74,000,584
Financial assets held for trading	18	3,511,939	1,246,612
Financial assets designated at fair value through profit or loss	19	1,009,400	2,909,700
Derivative financial assets	20	52,261	1,510
Financial assets held under resale agreements	21	3,699,871	34,549,303
Loans and advances to customers	22	288,116,411	257,540,907
Available-for-sale financial assets	23	90,141,757	12,501,623
Held-to-maturity investments	24	67,842,199	63,649,584
Debt securities classified as receivables	25	101,151,277	133,076,127
Property and equipment	27	5,198,481	5,211,197
Goodwill	28	440,129	440,129
Deferred tax assets	38	2,781,708	2,553,866
Other assets	30	6,222,151	5,859,294
Total assets		803,157,732	716,805,215

Consolidated Statement of Financial Position (Continued)

As at 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	31 December 2016	31 December 2015
LIABILITIES			
Borrowings from central bank	31	24,954,500	5,719,040
Deposits from banks and other financial institutions	32	104,282,525	87,194,599
Placements from banks and other financial institutions	33	20,755,494	12,663,055
Derivative financial liabilities	20	52,211	1,510
Financial assets sold under repurchase agreements	34	8,965,463	44,899,172
Deposits from customers	35	518,185,883	470,228,193
Accrued staff costs	36	4,682,378	4,025,192
Corporate income tax payable		764,802	923,596
Debt securities issued	37	58,487,030	34,846,782
Other liabilities	39	7,837,609	8,016,275
Total liabilities		748,967,895	668,517,414
EQUITY			
Share capital	40	9,300,000	9,300,000
Capital reserve	41	9,201,954	9,201,954
Investment revaluation reserve	42	53,219	105,835
Actuarial changes reserve		(313,434)	(111,729)
Surplus reserve	43	8,580,210	7,798,116
General reserve	44	9,473,893	8,017,146
Retained earnings	45	16,297,378	12,451,471
Equity attributable to shareholders of the Bank		52,593,220	46,762,793
Non-controlling interests		1,596,617	1,525,008
Total equity		54,189,837	48,287,801
Total equity and liabilities		803,157,732	716,805,215

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

Approved and authorised for issue by the Board of Directors on 17 March 2017.

LIU JIANZHONG

CHAIRMAN

XIE WENHUI

EXECUTIVE DIRECTOR
AND PRESIDENT

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Attributable to shareholders of the Bank							Non-controlling interests	Total	
		Share capital	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings			Subtotal
As at 1 January 2016		9,300,000	9,201,954	105,835	(111,729)	7,798,116	8,017,146	12,451,471	46,762,793	1,525,008	48,287,801
Profit for the year		-	-	-	-	-	-	7,944,748	7,944,748	56,574	8,001,322
Other comprehensive income		-	-	(52,616)	(201,705)	-	-	-	(254,321)	-	(254,321)
Total comprehensive income for the year		-	-	(52,616)	(201,705)	-	-	7,944,748	7,690,427	56,574	7,747,001
Contribution from non-controlling interests		-	-	-	-	-	-	-	-	20,000	20,000
Appropriation to surplus reserve	43	-	-	-	-	782,094	-	(782,094)	-	-	-
Appropriation to general reserve	44	-	-	-	-	-	1,456,747	(1,456,747)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(1,860,000)	(1,860,000)	(4,965)	(1,864,965)
As at 31 December 2016		9,300,000	9,201,954	53,219	(313,434)	8,580,210	9,473,893	16,297,378	52,593,220	1,596,617	54,189,837
As at 1 January 2015		9,300,000	9,201,954	36,718	(16,157)	7,079,309	6,371,219	9,452,907	41,425,950	1,422,459	42,848,409
Profit for the year		-	-	-	-	-	-	7,223,298	7,223,298	4,549	7,227,847
Other comprehensive income		-	-	69,117	(95,572)	-	-	-	(26,455)	-	(26,455)
Total comprehensive income for the year		-	-	69,117	(95,572)	-	-	7,223,298	7,196,843	4,549	7,201,392
Contribution from non-controlling interests		-	-	-	-	-	-	-	-	98,000	98,000
Appropriation to surplus reserve	43	-	-	-	-	718,807	-	(718,807)	-	-	-
Appropriation to general reserve	44	-	-	-	-	-	1,645,927	(1,645,927)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(1,860,000)	(1,860,000)	-	(1,860,000)
As at 31 December 2015		9,300,000	9,201,954	105,835	(111,729)	7,798,116	8,017,146	12,451,471	46,762,793	1,525,008	48,287,801

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	2016	2015
Cash flows from operating activities			
Profit before tax		10,644,836	9,587,369
Adjustments for:			
Depreciation and amortisation		696,633	659,014
Impairment losses		2,676,544	3,235,980
Interest income arising from debt securities		(10,751,724)	(8,232,891)
Interest income arising from impaired financial assets		(71,609)	(78,388)
Interest expense arising from debt securities issued		1,491,132	847,605
Net gains on disposal of investment securities		(110,647)	(10,447)
Dividends income from investment securities		(5,417)	(5,420)
Net gains on disposal of property and equipment		(20,744)	(25,763)
Net gains on financial assets held for trading		(952)	(22,443)
Exchange gains		(49,290)	(29,924)
		<u>4,498,762</u>	<u>5,924,692</u>
Operating cash flows before movements in working capital			
Increase in balances with central bank, deposits with banks and other financial institutions		(550,009)	(13,983,774)
(Increase)/Decrease in placements with banks and other financial institutions		(27,598,628)	22,534,254
Decrease in financial assets held under resale agreements		9,728,050	25,962,448
Increase in financial assets held for trading		(2,264,425)	(1,056,067)
Increase in loans and advances to customers		(32,846,066)	(26,920,590)
Decrease in financial assets designated at fair value through profit or loss		1,900,300	13,912,146
Decrease in financial assets sold under repurchase agreements		(35,933,709)	(2,385,018)
Increase in deposits from customers, deposits from banks and other financial institutions		65,045,616	65,232,009
Increase/(Decrease) in borrowings from central bank		19,235,460	(1,056,960)
Increase in placements from banks and other financial institutions		8,092,439	115,641
Decrease in financial liabilities designated at fair value through profit or loss		-	(500,000)
Decrease/(Increase) in other operating assets		937,644	(127,796)
(Decrease)/Increase in other operating liabilities		(1,214,411)	893,320
		<u>9,031,023</u>	<u>88,544,305</u>
Cash generated by operating activities			
Income tax paid		(2,945,376)	(2,602,259)
		<u>6,085,647</u>	<u>85,942,046</u>
Net cash flows from operating activities			

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	2016	2015
Cash flows from investing activities			
Cash received from disposal and redemption of investment securities		398,797,401	217,172,869
Cash received from disposal of property and equipment and other assets		80,656	109,676
Cash paid for purchase of investment securities		(448,967,951)	(308,723,943)
Cash paid for purchase of property and equipment and other assets		(709,141)	(1,621,897)
Interest income received from investment securities		10,515,242	7,924,615
Dividends income from investment securities		5,417	5,420
Net cash flows used in investing activities		<u>(40,278,376)</u>	<u>(85,133,260)</u>
Cash flows from financing activities			
Contribution from non-controlling shareholders		20,000	98,000
Debt securities issued		143,247,667	51,858,178
Redemption of bonds issued		(120,770,000)	(22,540,000)
Dividends paid to shareholders of the Bank		(1,727,536)	(1,855,987)
Dividends paid to shareholders of non-controlling interests		(4,965)	–
Interest paid on debt securities issued		(319,000)	(319,000)
Net cash flows from financing activities		<u>20,446,166</u>	<u>27,241,191</u>
Net (decrease)/increase in cash and cash equivalents			
		(13,746,563)	28,049,977
Cash and cash equivalents as at 1 January		83,209,705	55,083,187
Effect of foreign exchange rate changes		201,329	76,541
Cash and cash equivalents as at 31 December	46	<u>69,664,471</u>	<u>83,209,705</u>
Net cash from operating activities include:			
Interest received		22,093,870	26,851,081
Interest paid		(13,969,438)	(14,832,300)
Net interest received from operating activities		<u>8,124,432</u>	<u>12,018,781</u>

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

The Bank has financial services certificate No. B0335H250000001 issued by the China Banking Regulatory Commission (the “CBRC”), and a corporate legal person business license with a unified social credit code 91500000676129728J issued by the Chongqing Administration of Industry and Commerce.

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collectively include International Accounting Standards and related interpretations issued by the International Accounting Standards Board (the “IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance for this financial year and the comparative period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based Payment”, leasing transactions that are within the scope of IAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 53.

The principal accounting policies are set out below.

2.3 New standards, amendments and interpretations adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

The IASB has amended IAS 1, “Presentation of financial statements” (“IAS 1”), to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The IASB has amended IFRS 10, “Consolidated financial statements” (“IFRS 10”) and IAS 28, “Investments in associates” (“IAS 28”). These amendments resolve a current inconsistency, between IFRS 10 and IAS 28, on the treatment for sales or contribution of assets between an investor and its associates or joint ventures. 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.3 New standards, amendments and interpretations adopted by the Group (Continued)

The IASB has amended IFRS 11 “Joint Arrangements” (“IFRS 11”). These amendments provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

The IASB has amended IFRS 14, “Regulatory deferral accounts” (“IFRS 14”). This standard, as transition rules, specifies the accounting for certain balances that arise from rate-regulated activities (regulatory deferral accounts). This standard is only applicable to entities that are first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous accounting policies in Generally Accepted Accounting Principles (“GAAP”) for the recognition, measurement, and impairment and de-recognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure.

The IASB has amended IAS 16, “Property, plant and equipment” (“IAS 16”) and IAS 38, “Intangible assets” (“IAS 38”). These 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 IASB has amended IAS 27 “Separate Financial Statements” (“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.

The Annual Improvements to IFRSs 2012 — 2014 Cycle include a number of amendments to various IFRSs, including the amendments IFRS 5, “Non-current Assets Held for Sale and Discontinued Operations” (“IFRS 5”) regarding methods of disposal, the amendments to IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”) regarding servicing contracts, the amendments to IAS 19, “Employee Benefits” (“IAS 19”) regarding discount rates, the amendments to IAS 34 “Interim Financial Reporting” (“IAS 34”) regarding disclosure of information.

The application of these new and revised IFRSs do not have significant impacts on the Group’s operating results, comprehensive income and financial position.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.4 New standards, amendments and interpretations not yet adopted

The IASB has amended IAS 7 “Cash flow statements” (“IAS 7”). These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. In this additional disclosure, an entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. The adoption of IAS 7 (amended) will not have a significant impact on the Group’s consolidated financial statements.

The IASB has amended IAS 12 “Income taxes” (“IAS 12”). These amendments clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. They also clarify certain other aspects of accounting for deferred tax assets. The adoption of IAS 12 (amended) will not have a significant impact on the Group’s consolidated financial statements.

IFRS 9, published by the IASB in July 2014 and effective for annual periods beginning on or after 1 January, 2018, will replace the existing guidance in IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Key requirements of IFRS 9 that are relevant to the Group are:

- All recognised financial assets that are within the scope of IAS 39 are subsequently measured at amortized cost or fair value under IFRS 9. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods and their fair value changes are recognised in profit or loss. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. All of the above represent new requirements for classification and measurement for financial assets under IFRS 9 that will change the way the Group classifies and measures its financial assets in “financial assets at fair value through profit or loss”, “held-to-maturity investments”, “loans and receivables” and “available-for-sale financial assets” under the existing IAS 39.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.4 New standards, amendments and interpretations not yet adopted (Continued)

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an equity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is analysing its business models, loans and other financial instruments' contract terms and changes to its existing credit exposures to assess the potential impact on its financial statements resulting from the adoption of IFRS 9. Given the nature of the Group's operations, it is expected to have an impact on the classification of financial instruments as well as the calculation, amount and timing of its allowances for impairment losses for financial assets. Implementation of IFRS 9 will also have an impact on the risk management organization, process and key functions, budgeting and performance review, as well as the IT systems. The Group is starting to carry out an assessment of the need for any system modification related to the expected credit loss model, updating financial instruments impairment policies and procedures as well as launching relevant staff training.

The Group has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impact on the Group's operating results and financial position has not yet been quantified.

The IASB has amended IFRS 15, "Revenue from contracts with customers" ("IFRS 15"). In April 2016, IASB issued the amendment of IFRS 15 to clarify three areas: the principal versus agent assessment (revenue gross vs net presentation), identifying distinct performance obligation and accounting for licence. The adoption of IFRS 15 (amended) will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.4 New standards, amendments and interpretations not yet adopted (Continued)

The IASB published IFRS 16, “Leases” (“IFRS 16”) on 13 January 2016, which replaces the current guidance in IAS 17. This will require far-reaching changes in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB243 million, see Note 50. However, the Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The IASB has amended IFRS 10, “Consolidated financial statements” (“IFRS 10”) and IAS 28, “Investments in associates” (“IAS 28”). The amendments to IFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity’s investment activities. However, the amendments confirm that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties. The amendments to IAS 28 allow an entity which is not an investment entity, but has an interest in an associate or joint venture which is an investment entity, a policy choice when applying the equity method of accounting. The entity may choose to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture. The adoption of IFRS 10 and IAS 28 (amended) will not have a significant impact on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and subsidiaries (including structured entities) controlled by the Bank. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Consolidated structured entities

The unguaranteed wealth management products (“WMPs”) controlled by the Group are presented in the consolidated statement of financial position. In accordance with IAS 39 “Financial Instruments”, the financial assets and liabilities held by the wealth management products are properly classified, according to the criteria, such as the objective and intention of holding, whether there is a quoted price in active market, cash flows of financial instruments, and so forth. The fair value of unguaranteed wealth management products of consolidated structured entities is measured in accordance with IFRS 13 “Fair Value Measurement”. Normally, the cost of initial recognition of financial instrument is not up to the requirement of subsequent measurement of fair value, unless there are sufficient evidences or reasons illustrating that the cost is still the proper estimate of fair value on the date of measurement.

On the financial reporting date, the Group assesses whether there is objective evidence of impairment of consolidated structured entities’ unguaranteed wealth management products, except the financial assets designated at fair value through profit and loss. The amount by which the carrying amount exceeds recoverable amount of consolidated structured entities’ unguaranteed wealth management products is recognised as an impairment loss. Recoverable amount of consolidated structured entities’ unguaranteed wealth management products is the higher of its fair value less costs of disposal and its value in use.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting. The chief operating decision-maker allocates resources and assesses performance of the operating segments, according to the segment reporting.

3.4 Goodwill

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Goodwill (Continued)

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

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

3.5 Revenue recognition

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

(a) Interest income and expense

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition (Continued)

(b) *Fee and commission income*

The Group 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 recognised over that period. For other services, fee and commission income are recognised when the transactions are completed.

(c) *Dividend income*

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

3.6 Taxation

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

(a) *Current tax*

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

(b) *Deferred tax*

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Taxation (Continued)

(b) Deferred tax (Continued)

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Employee benefits

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

(a) *Social welfare*

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

(b) *Retirement benefit costs*

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

The Group provides supplementary retirement benefits to its employee classified as defined benefit retirement plans. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in equity and will not be reclassified to profit or loss. Current service cost and past service cost are recognised in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Employee benefits (Continued)

(b) Retirement benefit costs (Continued)

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item “Operating expenses”. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

(c) Early retirement benefits

The Group provides early retirement benefits to those employees who accept the early retirement arrangement.

Obligations of early retirement benefits are calculated by an independent actuary using the projected unit credit method at the end of the reporting period. All resulting gains or losses are charged or credited to profit or loss immediately as “Operating expenses” when they occur.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the year in which they become receivable.

3.9 Financial instruments

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

(a) *Financial assets*

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Financial assets at fair value through profit or loss (“FVTPL”)

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

A financial asset is classified as held for trading if:

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Held-to-maturity investments

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

- those that the Group upon initial recognition designates as at fair value through profit or loss; or
- those that the Group designates as available-for-sale; or
- those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).

(iii) Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment losses on financial assets below).

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(a) *Financial assets (Continued)*

(iv) Loans and receivables

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

(v) Impairment of financial assets

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

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

Impairment of financial assets carried at amortised cost

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

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(a) Financial assets (Continued)

(v) Impairment of financial assets (Continued)

Impairment of financial assets carried at amortised cost (Continued)

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(a) Financial assets (Continued)

(v) Impairment of financial assets (Continued)

Impairment of financial assets carried at amortised cost (Continued)

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

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

Impairment of available-for-sale financial assets

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(b) Financial liabilities and equity instruments

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

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

(i) Financial liabilities at FVTPL

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

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

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

(ii) Other financial liabilities

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

(iii) Equity instruments

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(c) Derivative financial instruments and hedging

Derivative financial instruments, including foreign currency forward, etc. are carried at their fair value when initially being recognised.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives).

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

(i) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualified as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(d) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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

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

(e) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(f) *Financial guarantee contracts*

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

(g) *Repurchase agreements and agreements to resell*

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Property and equipment

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Land use rights

Land use rights are classified in other assets and amortised over a straight-line basis over their authorised useful lives.

3.12 Intangible assets

(a) *Intangible assets acquired separately*

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

(b) *Intangible assets acquired in a business combination*

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

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

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

3.13 Impairment of tangible and intangible assets other than goodwill

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Impairment of tangible and intangible assets other than goodwill (Continued)

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

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

3.14 Foreclosed assets

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

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

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

3.15 Cash and cash equivalents

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

3.16 Leases

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Leases (Continued)

(a) *The Group as lessor*

When the Group is the lessor in a finance lease, an amount representing the minimum lease payment receivables and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the “net lease investment”) is recorded in the consolidated statement of financial position as Loans and Advances to Customers. The difference between the net lease investment and the undiscounted amount is recorded as unearned finance income, amortizing over the term of the lease using the effective interest method and recognised in the consolidated income statement. Impairment losses on lease receivables are accounted for in accordance with the accounting policies as financial instruments impairment.

When the Group is the lessor in an operating lease, the assets subject to the operating lease continue to be recognised as the Group’s property and equipment. Rental income from operating leases is recognised as Other Operating Income in the consolidated income statement on a straight-line basis over the term of the related lease.

(b) *The Group as lessee*

When the Group is a lessee under finance leases, the leased assets are capitalised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are recognised in liabilities. The differences are recognised in unrecognised financial charges. Finance charges are charged over the term of the lease using the effective interest method and recognised in the consolidated income statement. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned.

When the Group is the lessee in an operating lease, operating lease payments are recognised as an expense and charged to Operating Expenses in the consolidated income statement on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as expenses in the periods in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are considered in determining the amount to be recognised over the lease term.

3.17 Fiduciary and agency activities

The fiduciary and agency activities of the Group include granting the trust loans on behalf of third-party lenders and operating non-guaranteed wealth management business. The Group only receives commissions without taking main risks related to these activities. Related assets and the obligation of returning such assets on maturity to principals should be off-balance accounted.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Provisions

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

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

3.19 Foreign currency translation

(a) Functional and presentation currency

The consolidated financial statements are presented in Renminbi (RMB), which is the Bank's functional and the Group's presentation currency.

(b) Transactions and balances

Transactions in currencies other than the functional currency of the Bank (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates.

At the date of reporting, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on other monetary financial assets and liabilities are recognised in profit or loss.

Translation differences on non-monetary financial assets and liabilities measured at fair value are recognised in consolidated income statement; unless the gains and losses related to the non-monetary items are directly recognised in other comprehensive income, in which situation that translation differences are included in other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

4.1 Impairment on financial assets

The Group reviews its loan portfolio, debt securities and other debt instruments issued by financial institutions to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is an objective evidence of impairment which will have a measurable decrease in the estimated future cash flows from a portfolio. When the decrease may not have been identified individually or the individual financial asset is not significant, the Group uses estimates based on historical loss experience on a collective basis with similar credit risk characteristics to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

4.2 Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.3 Held-to-maturity investments

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

4.4 Fair value of financial instruments

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

4.5 Supplementary retirement benefit and early retirement benefit obligation

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

4.6 Taxes

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET INTEREST INCOME

	2016	2015
Interest income		
Loans and advances to customers	15,489,131	17,332,900
Including: Corporate loans and advances	9,482,071	10,108,865
Retail loans and advances	5,721,417	6,671,756
Discounted bills	285,643	552,279
Debt securities classified as receivables	6,749,788	5,032,097
Held-to-maturity investments	3,067,513	3,044,724
Placements with banks and other financial institutions	3,038,320	3,863,614
Deposits with banks and other financial institutions	1,628,574	1,432,374
Balances with central bank	1,183,658	1,189,007
Available-for-sale financial assets	934,423	156,070
Financial assets held under resale agreements	562,178	2,512,401
Financial assets designated at fair value through profit or loss	111,303	599,656
Financial assets held for trading	101,269	36,356
Subtotal	<u>32,866,157</u>	<u>35,199,199</u>
Interest expense		
Deposits from customers	(8,170,040)	(9,566,449)
Deposits from banks and other financial institutions	(2,100,355)	(2,402,693)
Debt securities issued	(1,491,132)	(847,605)
Placements from banks and other financial institutions	(600,813)	(616,961)
Financial assets sold under repurchase agreements	(587,330)	(1,464,921)
Borrowings from central bank	(511,768)	(134,091)
Subtotal	<u>(13,461,438)</u>	<u>(15,032,720)</u>
Net interest income	<u>19,404,719</u>	<u>20,166,479</u>
Included: interest income from impaired financial assets (Note 22.(3))	<u>71,609</u>	<u>78,388</u>
Included in interest income		
Interest income on listed investments	5,144,893	4,870,731
Interest income on unlisted investments	5,819,403	3,998,172
	<u>10,964,296</u>	<u>8,868,903</u>

Listed investments mainly include debt securities traded on the China Domestic Interbank Bond Market and stock exchanges.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

	2016	2015
Fee and commission income		
Wealth management fees	1,136,322	761,514
Bank card fees	385,164	378,249
Agency service fees	377,594	218,491
Settlement and clearing fees	174,419	115,701
Custodian and other fiduciary service fees	23,912	25,106
Others	126,475	76,420
	<u>2,223,886</u>	<u>1,575,481</u>
Subtotal		
Fee and commission expense		
Bank card fees	(50,822)	(55,667)
Settlement and clearing fees	(22,184)	(17,926)
Others	(32,521)	(6,944)
	<u>(105,527)</u>	<u>(80,537)</u>
Subtotal		
Net fee and commission income	<u><u>2,118,359</u></u>	<u><u>1,494,944</u></u>

7. NET TRADING (LOSSES)/GAINS

	2016	2015
Net (losses)/gains on transactions of held-for-trading debt securities	<u>(15,614)</u>	<u>19,759</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

8. OTHER OPERATING INCOME, NET

	2016	2015
Government subsidies	42,265	81,849
Credit card overdue charges	–	31,808
Net foreign exchange gains	49,290	29,924
Net gains on disposal of property and equipment	20,744	25,763
Penalty and compensation income	13,486	11,519
Rental income	8,808	11,860
Dividends income	5,417	5,420
Net gains on disposal of foreclosed assets	294	6,464
Others	13,943	3,203
	<u>154,247</u>	<u>207,810</u>
Total	<u>154,247</u>	<u>207,810</u>

9. OPERATING EXPENSES

	NOTE	2016	2015
Staff costs	(1)	5,296,318	5,155,612
General operating and administrative expenses		1,397,004	1,412,689
Depreciation and amortisation		696,633	659,014
Taxes and surcharges		662,790	1,483,749
Auditors' remuneration		4,162	4,200
Others		394,071	360,826
		<u>8,450,978</u>	<u>9,076,090</u>
Total		<u>8,450,978</u>	<u>9,076,090</u>

(1) Staff costs

	2016	2015
Salaries, bonuses and allowances	3,527,626	3,524,259
Social insurance	748,452	726,789
Housing funds	325,746	344,545
Staff welfare	162,866	131,803
Labour union fees and staff education expenses	120,998	120,646
Supplementary retirement benefits (Note 36)	448,450	204,210
Early retirement benefits (Note 36)	(37,820)	103,360
	<u>5,296,318</u>	<u>5,155,612</u>
Total	<u>5,296,318</u>	<u>5,155,612</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors' and supervisors' emoluments are as follows.

Name	2016			Total
	Fees	Paid basic salaries, bonuses, allowances and benefits in kind	Contribution to pension schemes	
Executive directors				
Liu Jianzhong	–	267	79	346
Xie Wenhui	–	267	79	346
Non-executive directors				
He Zhiming	60	–	–	60
Sun Lida	60	–	–	60
Duan Xiaohua	60	–	–	60
Chen Xiaoyan	60	–	–	60
Wen Honghai	60	–	–	60
Independent non-executive directors				
Sun Leland Li Hsun	120	–	–	120
Yin Mengbo	120	–	–	120
Yuan Zengting	120	–	–	120
Cao Guohua	120	–	–	120
Supervisors				
Ni Yuemin	–	267	79	346
Zeng Jianwu	50	–	–	50
Zuo Ruilan	50	–	–	50
Wang Hong	80	–	–	80
Hu Shuchun	80	–	–	80
Pan Like	80	–	–	80
Zheng Yi	–	1,356	81	1,437
Zhu Yuzhou	–	1,107	81	1,188
Non-executive directors resigned				
Zheng Haishan ⁽¹⁾	40	–	–	40
Total	1,160	3,264	399	4,823

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

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

Details of the directors' and supervisors' emoluments are as follows (continued).

Name	2015			Total
	Fees	Paid basic salaries, bonuses, allowances and benefits in kind	Contribution to pension schemes	
Executive directors				
Liu Jianzhong	–	693	80	773
Xie Wenhui	–	698	80	778
Non-executive directors				
He Zhiming	10	–	–	10
Sun Lida	60	–	–	60
Duan Xiaohua	60	–	–	60
Chen Xiaoyan	10	–	–	10
Wen Honghai	60	–	–	60
Zheng Haishan	10	–	–	10
Independent non-executive directors				
Sun Leland Li Hsun	120	–	–	120
Yin Mengbo	120	–	–	120
Yuan Zengting	120	–	–	120
Cao Guohua	120	–	–	120
Supervisors				
Ni Yuemin	–	519	60	579
Zeng Jianwu	50	–	–	50
Zuo Ruilan	50	–	–	50
Wang Hong	80	–	–	80
Hu Lichun	80	–	–	80
Pan Like	80	–	–	80
Zheng Yi	–	1,277	80	1,357
Zhu Yuzhou	–	1,100	80	1,180
Non-executive directors resigned				
Tao Jun	30	–	–	30
Wang Yongshu	30	–	–	30
Gao Xiaodong	30	–	–	30
Li Zuwei	60	–	–	60
Independent non-executive directors resigned				
Li Yao	120	–	–	120
Supervisors resigned				
Yang Mingping	–	–	–	–
Total	1,300	4,287	380	5,967

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

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

Details of the directors' and supervisors' emoluments are as follows (continued).

(1) On 24 August 2016, Mr. Zheng Haishan resigned as non-executive directors of the Bank.

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

In accordance with regulations authorised by relevant authorities in the PRC, the compensation package for certain directors and supervisors for the current year have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group for the year ended 31 December 2016. The disclosed amount of remuneration is the amount paid in current year. The amount of final remuneration will be announced after approval.

Five highest paid individuals

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

The emoluments payable to the five individuals whose emoluments were the highest in the Group during the year are as follows:

	2016	2015
Basic salaries, bonuses and allowances	8,782	10,739
Contributions to pension schemes	380	371
Total	<u>9,162</u>	<u>11,110</u>

Emoluments of the individuals were within the following bands:

	Number of individuals	
	2016	2015
RMB1,000,001 – RMB2,000,000	3	1
RMB2,000,001 – RMB3,000,000	<u>2</u>	<u>4</u>

During the years ended 31 December 2016 and 2015, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors waived any emoluments during the years ended 31 December 2016 and 2015.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

11. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2016	2015
Loans and advances to customers	2,372,915	2,978,251
Debt securities classified as receivables	241,242	261,360
Held-to-maturity investments	61,901	(3,781)
Foreclosed assets	486	–
Other receivables	–	150
	<u>2,676,544</u>	<u>3,235,980</u>
Total	<u>2,676,544</u>	<u>3,235,980</u>

12. INCOME TAX EXPENSE

(1) Income tax expense

	2016	2015
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	2,786,582	2,753,746
Deferred tax (Note 38. (2))	<u>(143,068)</u>	<u>(394,224)</u>
Total	<u>2,643,514</u>	<u>2,359,522</u>

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

(2) Reconciliation between income tax expense and accounting profit:

	<i>Note</i>	2016	2015
Profit before tax		<u>10,644,836</u>	<u>9,587,369</u>
Tax calculated at applicable statutory tax rate of 25%		2,661,209	2,396,842
Difference of income tax calculated at applicable statutory tax rate of 15%		(33,508)	(14,618)
Tax effect of expenses not deductible for tax purpose		153,565	75,780
Tax effect of income not taxable for tax purpose	(i)	<u>(137,752)</u>	<u>(98,482)</u>
Income tax expense		<u>2,643,514</u>	<u>2,359,522</u>

(i) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	2016	2015
Earnings:		
Profit for the year attributable to shareholders of the Bank	<u>7,944,748</u>	<u>7,223,298</u>
Numbers of shares:		
Weighted average number of shares in issue (<i>thousand</i>)	<u>9,300,000</u>	<u>9,300,000</u>
Basic and diluted earnings per share (<i>RMB Yuan</i>)	<u>0.85</u>	<u>0.78</u>

There were no potential dilutive ordinary shares outstanding during the current and prior years. Accordingly, diluted earnings per share were same as basic earnings per share.

14. DIVIDENDS

	2016	2015
Dividends recognised as distribution during the year		
2015 Final – RMB20 cents per share	<u>1,860,000</u>	<u>–</u>
2014 Final – RMB20 cents per share	<u>–</u>	<u>1,860,000</u>

A dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2016 with a total of RMB1,860 million has been proposed by the Board of Directors on 17 March 2017 and is subject to the approval by the shareholders in the forthcoming annual general meeting.

A dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2015, with a total of RMB1,860 million was approved in the 2015 annual general meeting on 17 June 2016.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

15. CASH AND BALANCES WITH CENTRAL BANK

	NOTE	As at 31 December 2016	As at 31 December 2015
Cash		3,604,439	3,628,717
Mandatory reserve deposits with central bank	(1)	69,847,282	66,814,035
Surplus reserve deposits with central bank	(2)	10,549,341	6,562,408
Other deposits with central bank	(3)	<u>1,834,930</u>	<u>1,495,118</u>
Total		<u>85,835,992</u>	<u>78,500,278</u>

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

As at 31 December 2016, mandatory reserve deposits with the PBOC were calculated at 13.5% (31 December 2015: 14%) of eligible RMB deposits of the Bank, while for the subsidiaries were at 9%, 8% or 7% (31 December 2015: 9.5%, 8.5% or 7.5%); and 5% for foreign currency deposits from customers (31 December 2015: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing and position allocation.
- (3) This mainly represents the required fiscal deposits placed with the PBOC, which are non-interest bearing.

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2016	As at 31 December 2015
Deposits with:		
Domestic banks and other financial institutions	34,389,943	44,321,584
Overseas banks	<u>192,816</u>	<u>442,917</u>
Total	<u>34,582,759</u>	<u>44,764,501</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2016	As at 31 December 2015
Placements with:		
Other domestic financial institutions	75,965,999	65,215,649
Domestic banks	<u>36,605,398</u>	<u>8,784,935</u>
Total	<u>112,571,397</u>	<u>74,000,584</u>

18. FINANCIAL ASSETS HELD FOR TRADING

	As at 31 December 2016	As at 31 December 2015
Debt securities issued by:		
Public sector and quasi-governments	1,173,201	1,068,587
Corporations	101,829	178,025
Interbank deposit certificates	<u>2,236,909</u>	<u>—</u>
Total	<u>3,511,939</u>	<u>1,246,612</u>

All held-for-trading debt securities are traded on the China Domestic Interbank Bond Market.

19. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2016	As at 31 December 2015
Unlisted debt instruments issued by financial institutions	<u>1,009,400</u>	<u>2,909,700</u>

There were no significant changes in the fair value of the debt instruments that were attributable to changes in the credit risk during the year ended 31 December 2016 and 31 December 2015.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

20. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 31 December 2016			As at 31 December 2015		
	Contract/ Nominal amount	Assets	Liabilities	Contract/ Nominal amount	Assets	Liabilities
Currency forward	<u>4,367,846</u>	<u>52,261</u>	<u>(52,211)</u>	<u>1,109,739</u>	<u>1,510</u>	<u>(1,510)</u>

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	NOTE	As at 31 December 2016	As at 31 December 2015
Analysed by collated types:			
Trust beneficial rights and assets management plans	(1)	2,400,031	12,727,921
Debt securities		1,299,840	822,800
Bills		—	20,998,582
Total		<u>3,699,871</u>	<u>34,549,303</u>

(1) The underlying investments were debt instruments with fixed or determinable return and fixed maturity.

22. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	As at 31 December 2016	As at 31 December 2015
Gross loans and advances	300,421,435	268,585,699
Less: Allowance for impairment losses		
– Collectively assessed	(11,536,868)	(10,377,498)
– Individually assessed	<u>(768,156)</u>	<u>(667,294)</u>
Allowance for impairment losses	<u>(12,305,024)</u>	<u>(11,044,792)</u>
Net loans and advances to customers	<u>288,116,411</u>	<u>257,540,907</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Analysis of allowance for impairment losses by collective and individual assessments

	Loans and advances for which allowance is collectively assessed ⁽ⁱ⁾	Identified impaired loans and advances ⁽ⁱⁱ⁾			Sub-total	Total	Identified impaired loans and advances as a % of total gross loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed				
As at 31 December 2016							
Gross loans and advances	297,548,903	1,389,845	1,482,687	2,872,532	300,421,435		0.96
Allowance for impairment losses	(10,346,006)	(1,190,862)	(768,156)	(1,959,018)	(12,305,024)		
Loans and advances to customers, net	<u>287,202,897</u>	<u>198,983</u>	<u>714,531</u>	<u>913,514</u>	<u>288,116,411</u>		
As at 31 December 2015							
Gross loans and advances	265,956,203	1,399,681	1,229,815	2,629,496	268,585,699		0.98
Allowance for impairment losses	(9,282,478)	(1,095,020)	(667,294)	(1,762,314)	(11,044,792)		
Loans and advances to customers, net	<u>256,673,725</u>	<u>304,661</u>	<u>562,521</u>	<u>867,182</u>	<u>257,540,907</u>		

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(3) Movements of allowance for impairment losses

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2016	667,294	10,377,498	11,044,792
Charge for the year	1,155,523	8,874,255	10,029,778
Reversal for the year	(533,481)	(7,123,382)	(7,656,863)
Written off	(597,882)	(726,380)	(1,324,262)
Reversal for receiving written-off loans and advances	111,063	172,125	283,188
Unwinding of discount	(34,361)	(37,248)	(71,609)
As at 31 December 2016	<u>768,156</u>	<u>11,536,868</u>	<u>12,305,024</u>

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2015	660,425	8,017,304	8,677,729
Charge for the year	735,639	6,994,544	7,730,183
Reversal for the year	(264,791)	(4,487,141)	(4,751,932)
Written off	(496,182)	(266,530)	(762,712)
Reversal for receiving written-off loans and advances	83,724	146,188	229,912
Unwinding of discount	(51,521)	(26,867)	(78,388)
As at 31 December 2015	<u>667,294</u>	<u>10,377,498</u>	<u>11,044,792</u>

Notes to the Consolidated Financial Statements (Continued)

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23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	NOTE	As at 31 December 2016	As at 31 December 2015
Debt instruments:			
Financial institution bonds		–	142,018
Corporate bonds		1,546,906	12,184,264
Trust and asset management plans		10,094,571	–
WMPs issued by other banks		78,324,089	–
Subtotal		89,965,566	12,326,282
Equity instruments			
At cost	(1)	113,563	113,563
At fair value		62,628	61,778
Subtotal		176,191	175,341
Total		90,141,757	12,501,623
Analysed as:			
Listed outside Hong Kong	(2)	1,546,906	12,326,282
Listed in Hong Kong		62,628	61,778
Unlisted		88,532,223	113,563
Total		90,141,757	12,501,623

(1) The unlisted equity securities are measured at cost because their fair values cannot be reliably measured.

(2) All available-for-sale debt securities traded on the China Domestic Interbank Bond Market are included in “Listed outside Hong Kong”.

Notes to the Consolidated Financial Statements (Continued)

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24. HELD-TO-MATURITY INVESTMENTS

	As at 31 December 2016	As at 31 December 2015
Government bonds	16,097,775	12,299,976
Public sector and quasi-governments	22,842,152	22,849,476
Financial institution bonds	10,097,398	5,304,040
Corporate bonds	<u>19,176,164</u>	<u>23,505,481</u>
Subtotal	<u>68,213,489</u>	<u>63,958,973</u>
Less: Collectively assessed allowance for impairment losses	(356,290)	(309,389)
Individually assessed allowance for impairment losses	<u>(15,000)</u>	<u>–</u>
Total	<u><u>67,842,199</u></u>	<u><u>63,649,584</u></u>

Held-to-maturity investments are mainly traded on the China Domestic Interbank Bond Market.

Movements of allowance for impairment losses:

	Collectively assessed allowance	Individually assessed allowance	Total
As at 1 January 2016	309,389	–	309,389
Net charge for the year	<u>46,901</u>	<u>15,000</u>	<u>61,901</u>
As at 31 December 2016	<u><u>356,290</u></u>	<u><u>15,000</u></u>	<u><u>371,290</u></u>
	Collectively assessed allowance	Individually assessed allowance	Total
As at 1 January 2015	313,170	–	313,170
Net charge for the year	<u>(3,781)</u>	<u>–</u>	<u>(3,781)</u>
As at 31 December 2015	<u><u>309,389</u></u>	<u><u>–</u></u>	<u><u>309,389</u></u>

Notes to the Consolidated Financial Statements (Continued)

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25. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	NOTE	As at 31 December 2016	As at 31 December 2015
Government bonds		3,772,000	1,087,000
Financial institution bonds		749,628	1,275,371
Corporate bonds		25,577,828	20,216,142
Trust and asset management plans	(1)	30,347,062	32,889,873
WMPs issued by other banks	(1)	<u>42,091,861</u>	<u>78,753,601</u>
Subtotal		<u>102,538,379</u>	<u>134,221,987</u>
Less: Collectively assessed allowance for impairment losses		<u>(1,387,102)</u>	<u>(1,145,860)</u>
Total		<u>101,151,277</u>	<u>133,076,127</u>
Analysed as:			
Listed outside Hong Kong	(2)	71,563,221	22,313,631
Unlisted		<u>29,588,056</u>	<u>110,762,496</u>
Total		<u>101,151,277</u>	<u>133,076,127</u>

(1) Trust and asset management plans and WMPs issued by other banks are non-callable before maturity with fixed interest rate and not quoted in an active market.

(2) Debt securities classified as receivables include bonds with fixed or determinable payments that are not quoted in an active market. They are traded on the China Domestic Interbank Bond Market, and are included in "Listed outside Hong Kong".

Notes to the Consolidated Financial Statements (Continued)

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25. DEBT SECURITIES CLASSIFIED AS RECEIVABLES (Continued)

Movements of allowance for impairment losses:

	Collectively assessed allowance	Total
As at 1 January 2016	1,145,860	1,145,860
Net charge for the year	<u>241,242</u>	<u>241,242</u>
As at 31 December 2016	<u>1,387,102</u>	<u>1,387,102</u>
	Collectively assessed allowance	Total
As at 1 January 2015	884,500	884,500
Net charge for the year	<u>261,360</u>	<u>261,360</u>
As at 31 December 2015	<u>1,145,860</u>	<u>1,145,860</u>

Notes to the Consolidated Financial Statements (Continued)

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26. INVESTMENT IN SUBSIDIARIES

As at 31 December 2016, details of the Bank's subsidiaries are set out below.

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in Capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting power in the Board of Directors (%)	Principal activities
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.	23/04/2010	Jiangsu	200	51.00	51.00	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.	12/11/2010	Sichuan	100	51.00	51.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd.	14/12/2010	Yunnan	200	51.00	51.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.	04/12/2012	Yunnan	100	51.00	51.00	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd.	09/01/2013	Yunnan	100	51.00	51.00	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.	09/01/2013	Guangxi	100	51.00	51.00	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd.	04/02/2013	Fujian	100	51.00	51.00	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd.	05/02/2013	Fujian	200	51.00	51.00	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.	23/04/2013	Yunnan	62	82.26	82.26	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd.	09/08/2013	Fujian	100	51.00	51.00	Banking
Fujian Shishi CQRC Village and Township Bank Co., Ltd.	02/09/2015	Fujian	200	51.00	51.00	Banking
Yunnan Xishan CQRC Village and Township Bank Co., Ltd. ⁽¹⁾	05/01/2016	Yunnan	200	90.00	90.00	Banking
CQRC Financial Leasing Co., Ltd.	19/12/2014	Chongqing	2,500	68.00	68.00	Financial leasing

- (1) Yunnan Xishan CQRC Village and Township Bank Co., Ltd. was established on 5 January 2016, with registered capital of RMB200 million. The Bank holds 90% of its equity. The main business scope includes deposit taking, short-term, medium-term and long-term loan granting, domestic settlement, acceptance and discounting of bills, interbank lending, bank card business, issuing agency, payment agency, trading of government bonds, proxy fund receipts and payments, agency insurance service, and other businesses as approved by the banking regulatory authority.

From the establishment date to the reporting date, the proportion of equity interest and proportion of voting power of the Board of Directors remained the same as above.

As at 31 December 2016 and 2015, the amount of non-controlling interests in the subsidiaries is not material to the Group. Hence no further information is presented.

There are no significant restrictions on the Bank's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

27. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2015	4,056,695	860,448	112,500	523,837	799,159	6,352,639
Additions	365,663	148,032	8,991	154,156	864,850	1,541,692
Transferred in	604,974	36,634	–	2,430	(644,038)	–
Transferred to other assets	–	–	–	–	(77,171)	(77,171)
Disposals	(10,685)	(26,563)	(7,720)	(18,648)	–	(63,616)
As at 31 December 2015	5,016,647	1,018,551	113,771	661,775	942,800	7,753,544
Additions	162,616	65,114	7,731	48,674	400,962	685,097
Transferred in	373,420	428	–	4,315	(378,163)	–
Transferred to other assets	–	–	–	–	(13,583)	(13,583)
Disposals	(103,149)	(14,575)	(4,483)	(6,071)	–	(128,278)
As at 31 December 2016	<u>5,449,534</u>	<u>1,069,518</u>	<u>117,019</u>	<u>708,693</u>	<u>952,016</u>	<u>8,296,780</u>
Accumulated depreciation						
As at 1 January 2015	(1,238,054)	(456,935)	(63,802)	(240,936)	–	(1,999,727)
Charge for the year	(334,350)	(144,159)	(16,276)	(104,447)	–	(599,232)
Disposals	9,485	24,796	5,305	17,026	–	56,612
As at 31 December 2015	(1,562,919)	(576,298)	(74,773)	(328,357)	–	(2,542,347)
Charge for the year	(425,492)	(114,707)	(14,967)	(81,766)	–	(636,932)
Disposals	65,299	6,353	3,880	5,448	–	80,980
As at 31 December 2016	<u>(1,923,112)</u>	<u>(684,652)</u>	<u>(85,860)</u>	<u>(404,675)</u>	<u>–</u>	<u>(3,098,299)</u>
Carrying amount						
As at 31 December 2016	<u>3,526,422</u>	<u>384,866</u>	<u>31,159</u>	<u>304,018</u>	<u>952,016</u>	<u>5,198,481</u>
As at 31 December 2015	<u>3,453,728</u>	<u>442,253</u>	<u>38,998</u>	<u>333,418</u>	<u>942,800</u>	<u>5,211,197</u>

According to the relevant laws and regulations, subsequent to the Group's transformation into a joint stock company, the legal title of properties previously held by the predecessor entities are to be transferred to the Group. As at 31 December 2016, the registration transfer process of certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

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28. GOODWILL

	As at 31 December 2016	As at 31 December 2015
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

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

29. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in Note 28 has been allocated to three individual cash generating units (CGUs), including corporate banking, personal banking and treasury operations. The carrying amounts of goodwill as at 31 December 2016 and 31 December 2015 allocated to these units are as follows:

	As at 31 December 2016	As at 31 December 2015
Corporate banking (Unit A)	234,934	234,934
Personal banking (Unit B)	108,019	108,019
Treasury operations (Unit C)	<u>97,176</u>	<u>97,176</u>
Total	<u>440,129</u>	<u>440,129</u>

During the years ended 31 December 2016 and 31 December 2015, the Directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of corporate banking unit, personal banking unit and treasury operations unit has been determined based on calculation of a value in use. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 8.31% at 31 December 2016 (31 December 2015: 8.00%). The discount rate used reflects specific risks relating to the relevant CGUs. Cash flows beyond the five-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant domestic industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

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30. OTHER ASSETS

	NOTE	As at 31 December 2016	As at 31 December 2015
Interest receivable	(1)	4,859,575	4,602,529
Land use rights		458,624	485,078
Foreclosed assets	(2)	114,563	113,357
Intangible assets	(3)	70,592	71,201
Others	(4)	718,797	587,129
Total		<u>6,222,151</u>	<u>5,859,294</u>

(1) Interest receivable

Analysed by type

	As at 31 December 2016	As at 31 December 2015
Held-to-maturity investments	1,406,329	1,420,460
Debt securities classified as receivables	1,336,091	1,126,381
Placements with banks and other financial institutions	755,667	578,580
Loans and advances to customers	682,057	595,645
Deposits with banks and other financial institutions	460,073	593,035
Available-for-sale financial assets	93,767	52,864
Financial assets designated at fair value through profit or loss	64,166	85,291
Balances with central bank	36,285	33,791
Financial assets held for trading	18,143	26,745
Financial assets held under resale agreements	6,997	89,737
Total	<u>4,859,575</u>	<u>4,602,529</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

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30. OTHER ASSETS (Continued)

- (2) Foreclosed assets

Analysed by type

	As at 31 December 2016	As at 31 December 2015
Land use rights and buildings	124,928	122,006
Others	—	1,348
Subtotal	124,928	123,354
Allowance for impairment losses	(10,365)	(9,997)
Total	<u>114,563</u>	<u>113,357</u>

- (3) Intangible assets

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

- (4) The amounts mainly represent receivables from suppliers, decoration fees of leased assets, temporary payments of other receivables, deferred expenditure, and so forth.

31. BORROWINGS FROM CENTRAL BANK

As at 31 December 2016, borrowings from central bank mainly contain the mid-term loan facilities from PBOC, of which the carrying amount is RMB22,500 million (31 December 2015: RMB2,000 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

32. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2016	As at 31 December 2015
Deposits from:		
Domestic banks	96,461,870	71,120,341
Other domestic financial institutions	<u>7,820,655</u>	<u>16,074,258</u>
Total	<u>104,282,525</u>	<u>87,194,599</u>

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

33. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2016	As at 31 December 2015
Placements from:		
Domestic banks and other financial institutions	20,645,405	12,371,192
Overseas banks	<u>110,089</u>	<u>291,863</u>
Total	<u>20,755,494</u>	<u>12,663,055</u>

As at 31 December 2016, unconsolidated non-guaranteed WMPs managed by the Bank included WMPs invested in a subsidiary of the Bank, CQRC Financial Leasing. Co Ltd., as interbank borrowings, amounted to RMB2,070 million (31 December 2015: Nil, see Note 49). The Group recognised it as a placement from other banks and financial institutions.

34. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2016	As at 31 December 2015
Analysed by collateral types:		
Debt securities	6,543,669	41,907,980
Bills	<u>2,421,794</u>	<u>2,991,192</u>
Total	<u>8,965,463</u>	<u>44,899,172</u>

Notes to the Consolidated Financial Statements (Continued)

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35. DEPOSITS FROM CUSTOMERS

	NOTE	As at 31 December 2016	As at 31 December 2015
Demand deposits			
Corporate customers		110,898,202	94,032,717
Individual customers		106,221,764	90,975,265
Time deposits			
Corporate customers		17,955,894	19,926,151
Individual customers		274,763,690	254,696,688
Pledged deposits	(1)	8,232,291	10,512,490
Others (Including outward remittance and remittance outstanding)		<u>114,042</u>	<u>84,882</u>
Total		<u><u>518,185,883</u></u>	<u><u>470,228,193</u></u>

(1) Analysed by products for which deposit is required:

	As at 31 December 2016	As at 31 December 2015
Bank acceptances	5,354,156	6,291,451
Loans and receivables	1,060,282	992,628
Letters of guarantee	493,492	1,953,800
Letters of credit	142,368	102,199
Others	<u>1,181,993</u>	<u>1,172,412</u>
Total	<u><u>8,232,291</u></u>	<u><u>10,512,490</u></u>

Notes to the Consolidated Financial Statements (Continued)

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36. ACCRUED STAFF COSTS

	NOTE	As at 31 December 2016	As at 31 December 2015
Salaries, bonuses and allowances		2,071,065	1,940,279
Supplementary retirement benefits	(1)	2,160,958	1,543,432
Early retirement benefits	(2)	300,227	408,392
Labour union fees and staff education expenses		<u>150,128</u>	<u>133,089</u>
Total		<u>4,682,378</u>	<u>4,025,192</u>

(1) Supplementary retirement benefits

The Group sponsors unfunded defined benefit plans for qualified employees. The defined benefit plans include supplementary retirement benefits.

The plans mainly expose the Group to actuarial risks such as: interest rate risk, longevity risk and employee benefit risk.

- Interest risk: A decrease in the bond interest rate will increase the plan liability.
- Longevity risk: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality or survival ages of the participants both during and after their employment. An increase in the life expectancy of the participants will increase the plan's liability.
- Employee benefit risk: The present value of the defined benefit plan liabilities are calculated by reference to the future benefits of the participants. As such, an increase in the benefit of the participants will increase the plan's liability.

The Group's obligation in respect of the supplementary retirement benefits at the end of the reporting period was calculated using the projected accumulated unit credit method by Towers Watson Management Consulting Co., Ltd., an external independent actuary.

Supplementary retirement benefits include supplementary pension and medical benefits.

Notes to the Consolidated Financial Statements (Continued)

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36. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

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

	As at 31 December 2016	As at 31 December 2015
Discount rate	3.50%	3.50%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2010-2013	China Insurance Industry Experience Mortality Table 2000-2003

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	As at 31 December 2016	As at 31 December 2015
Service cost:		
– Current service cost	3,570	–
– Past service cost	387,900	150,490
Net interest expense	<u>56,980</u>	<u>53,720</u>
Components of supplementary retirement benefit costs recognised in profit or loss	<u>448,450</u>	<u>204,210</u>
Re-measurement on the net defined benefit liability:	<u>268,940</u>	<u>127,430</u>
Components of defined benefit pension expense recognised in other comprehensive income	<u>268,940</u>	<u>127,430</u>
Total	<u><u>717,390</u></u>	<u><u>331,640</u></u>

Notes to the Consolidated Financial Statements (Continued)

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36. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its supplementary retirement benefit is as follows:

	As at 31 December 2016	As at 31 December 2015
Accrued staff costs		
– supplementary retirement benefit	<u>2,160,958</u>	<u>1,543,432</u>

Movement in the present value of the supplementary retirement benefit obligation in the current year were as follows:

	As at 31 December 2016	As at 31 December 2015
Defined benefit obligation at beginning of year	1,543,432	1,301,460
Interest cost	56,980	53,720
Losses arising from re-measurement on the defined benefit liability:		
– Actuarial losses arising from changes in financial assumptions	268,940	127,430
Current service cost	3,570	–
Past service cost	387,900	150,490
Benefits paid	<u>(99,864)</u>	<u>(89,668)</u>
Defined benefit obligation at end of year	<u>2,160,958</u>	<u>1,543,432</u>

A sensitivity analysis on the discount rate below have been determined based on reasonably possible changes of the respective assumption occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 25 basis points higher (lower), the defined benefit obligation would decrease by RMB76 million (increase by RMB81 million).

Notes to the Consolidated Financial Statements (Continued)

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36. ACCRUED STAFF COSTS (Continued)

(2) Early retirement benefits

Early retirement benefits include basic salary and allowance paid monthly/annually, social insurance contribution and housing fund, and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program to retired staff until they reach their normal retirement age.

For the year ended 31 December 2016, the Group reversed RMB38 million (2015: recognised RMB103 million) and was included in staff costs and paid RMB70 million (2015: RMB85 million) in respect of the early retirement benefits plan.

37. DEBT SECURITIES ISSUED

	<i>NOTE</i>	As at 31 December 2016	As at 31 December 2015
Interbank certificates of deposit issued	(1)	49,487,030	29,846,782
Subordinated bonds issued	(2)	<u>9,000,000</u>	<u>5,000,000</u>
Total		<u>58,487,030</u>	<u>34,846,782</u>

(1) As at 31 December 2016, the total face value of outstanding interbank certificates of deposit issued by the Bank in the China Domestic Interbank Bond Market is RMB49,487 million with the tenor of 1 to 12 months (31 December 2015: RMB29,847 million with the tenor of 1 to 12 months).

(2) As approved by the PBOC and CBRC, the Bank issued callable fixed rate subordinated bonds of RMB4,000 million on 7 December 2016.

As approved by the PBOC and CBRC, the Bank issued callable fixed rate subordinated bonds of RMB5,000 million on 19 June 2014.

Notes to the Consolidated Financial Statements (Continued)

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38. DEFERRED TAXATION

(1) Recognised deferred tax assets and liabilities which have not been offset:

	As at 31 December 2016	
	Deferred tax assets/(liability)	Deductible/(taxable) temporary differences
Deferred tax assets		
Allowances of impairment losses	2,020,716	8,082,864
Accrued and unpaid wages, bonuses and allowances	517,766	2,071,065
Retirement benefits	192,234	768,936
Adjustment of book value of assets and liabilities on the date of establishment	97,204	368,816
Government grants	22,159	88,635
Provision	6,473	25,892
	<u>2,851,552</u>	<u>11,406,208</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(46,736)	(186,944)
Changes in fair value of financial instruments	(23,108)	(92,432)
	<u>(69,844)</u>	<u>(279,376)</u>
	<u>2,781,708</u>	<u>11,126,832</u>

Notes to the Consolidated Financial Statements (Continued)

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38. DEFERRED TAXATION (Continued)

(1) **Recognised deferred tax assets and liabilities which have not been offset**
(Continued):

	As at 31 December 2015	
	Deferred tax assets/(liability)	Deductible/(taxable) temporary differences
Deferred tax assets		
Allowances of impairment losses	1,861,221	7,444,884
Accrued and unpaid wages, bonuses and allowances	478,969	1,915,876
Retirement benefits	152,040	608,160
Adjustment of book value of assets and liabilities on the date of establishment	126,027	504,108
Government grants	22,808	91,232
Provision	10,826	43,304
	<u>2,651,891</u>	<u>10,607,564</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(57,279)	(229,116)
Changes in fair value of financial instruments	(40,746)	(162,984)
	<u>(98,025)</u>	<u>(392,100)</u>
	<u>2,553,866</u>	<u>10,215,464</u>

Notes to the Consolidated Financial Statements (Continued)

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38. DEFERRED TAXATION (Continued)

- (2) The followings are the major deferred tax assets and liabilities recognised and movements thereon:

	Allowances of impairment losses	Retirement benefits	Accrued salaries, bonuses and allowances	Provision	Changes in fair value of financial instruments	Government grants	Changes in fair value of net assets including debt securities investment, property and equipment and other assets relating to acquisition of business	Total
As at 1 January 2016	1,861,221	152,040	478,969	10,826	(40,746)	22,808	68,748	2,553,866
Charge/(Credit) to profit or loss	159,495	(27,041)	38,797	(4,353)	99	(649)	(23,280)	143,068
Charge to other comprehensive income	-	67,235	-	-	17,539	-	-	84,774
As at 31 December 2016	<u>2,020,716</u>	<u>192,234</u>	<u>517,766</u>	<u>6,473</u>	<u>(23,108)</u>	<u>22,159</u>	<u>45,468</u>	<u>2,781,708</u>
As at 1 January 2015	1,513,604	115,646	413,772	7,821	(11,773)	23,457	88,296	2,150,823
Charge/(Credit) to profit or loss	347,617	4,536	65,197	3,005	(5,934)	(649)	(19,548)	394,224
Charge/(Credit) to other comprehensive income	-	31,858	-	-	(23,039)	-	-	8,819
As at 31 December 2015	<u>1,861,221</u>	<u>152,040</u>	<u>478,969</u>	<u>10,826</u>	<u>(40,746)</u>	<u>22,808</u>	<u>68,748</u>	<u>2,553,866</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

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39. OTHER LIABILITIES

	NOTE	As at 31 December 2016	As at 31 December 2015
Interest payable	(1)	3,658,213	4,485,212
Other payables	(2)	3,029,653	2,558,917
Deferred income	(3)	597,506	497,675
Tax payables (excluding corporate income tax payable)	(4)	365,915	403,206
Dividends payable		160,430	27,965
Provision		25,892	43,300
Total		<u>7,837,609</u>	<u>8,016,275</u>

(1) Interest payable

	As at 31 December 2016	As at 31 December 2015
Deposits from customers	2,522,511	3,299,715
Deposits from banks and other financial institutions	687,752	754,591
Debt securities issued	176,063	166,511
Borrowings from central bank	163,719	4,400
Placements from banks	94,161	86,767
Financial assets sold under repurchase agreements	14,007	173,228
Total	<u>3,658,213</u>	<u>4,485,212</u>

Notes to the Consolidated Financial Statements (Continued)

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39. OTHER LIABILITIES (Continued)

(2) Other payables

	NOTE	As at 31 December 2016	As at 31 December 2015
Payables from providing agency services		1,058,005	1,279,529
Long-term payables		855,127	471,700
Items in process of clearing and settlement		551,567	320,671
Dormant accounts		52,628	55,081
Grant payable on behalf of government		48,732	135,704
Long term loans	(i)	42,180	41,667
Others		<u>421,414</u>	<u>254,565</u>
Total		<u>3,029,653</u>	<u>2,558,917</u>

- (i) The amounts represent special purpose loans from International Fund for Agriculture Development (“IFAD”) to support the petty loan in the PRC.

As at 31 December 2016 and 31 December 2015, the loans bore a fixed interest rate of 0.75% per annum. At 31 December 2016, the remaining maturity of the loans was about 30 years. The terms are similar to the related loans granted to customers.

(3) Deferred income

Deferred income mainly represents deferred financial leasing income and government grants, for which the income will be amortised and recognised over the periods necessary to match them with the related costs.

	As at 31 December 2016	As at 31 December 2015
Deferred leasing income	491,809	380,577
Government grants	86,746	90,679
Fee and commission	15,314	22,398
Operating leasing	1,806	1,871
Other deferred income	<u>1,831</u>	<u>2,150</u>
Total	<u>597,506</u>	<u>497,675</u>

Notes to the Consolidated Financial Statements (Continued)

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39. OTHER LIABILITIES (Continued)

(4) Tax payables (excluding corporate income tax payable)

	As at 31 December 2016	As at 31 December 2015
Value added tax	314,751	3,990
Urban maintenance and construction tax	20,466	23,500
Individual income tax	14,221	14,607
Business tax	–	342,138
Others	16,477	18,971
Total	<u>365,915</u>	<u>403,206</u>

40. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 1 January 2015, 31 December 2015 and 31 December 2016	<u>9,300,000</u>	<u>9,300,000</u>

41. CAPITAL RESERVE

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

Notes to the Consolidated Financial Statements (Continued)

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42. INVESTMENT REVALUATION RESERVE

	Before-tax amount	Tax impact	Net-of-tax amount
As at 1 January 2015	48,958	(12,240)	36,718
Gains/(Losses) on fair value changes of available-for-sale financial assets	90,631	(22,658)	67,973
Amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	<u>1,525</u>	<u>(381)</u>	<u>1,144</u>
As at 31 December 2015	141,114	(35,279)	105,835
Gains/(Losses) on fair value changes of available-for-sale financial assets	(5,415)	1,354	(4,061)
Amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	<u>(64,740)</u>	<u>16,185</u>	<u>(48,555)</u>
As at 31 December 2016	<u><u>70,959</u></u>	<u><u>(17,740)</u></u>	<u><u>53,219</u></u>

43. SURPLUS RESERVE

Under relevant PRC Laws, the Bank is required to appropriate 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under the generally accepted accounting principles of the PRC ("PRC GAAP") to the discretionary surplus reserve upon approval by the shareholders in the general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

For the year ended 31 December 2016, the Board of Directors proposed to appropriate approximately RMB782 million to the statutory surplus reserve (2015: RMB719 million). The Bank does not propose any appropriations to discretionary surplus reserve (2015: Nil). It is pursuant to the approval by the shareholders in the forthcoming general meeting.

44. GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, in addition to the individual and collective allowances for impairment losses, the Bank and subsidiaries are required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

For the year ended 31 December 2016, the directors of the Bank proposed to appropriate RMB1,159 million to general reserve pursuant to regulatory requirement in the PRC (2015: RMB1,399 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

45. RETAINED EARNINGS

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

	As at 31 December 2016	As at 31 December 2015
As at 1 January	12,468,817	9,434,595
Profit for the year	7,820,943	7,188,069
Appropriation to surplus reserve	(782,094)	(718,807)
Appropriation to general reserve	(1,398,781)	(1,575,040)
Dividends recognised as distribution	<u>(1,860,000)</u>	<u>(1,860,000)</u>
As at 31 December	<u>16,248,885</u>	<u>12,468,817</u>

46. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 31 December 2016	As at 31 December 2015
Cash	3,604,439	3,628,717
Surplus reserve deposits with central bank	10,549,341	6,562,408
Deposits with banks and other financial institutions	6,784,559	14,143,251
Placements with banks and other financial institutions	48,026,132	37,053,947
Financial assets held under resale agreements	<u>700,000</u>	<u>21,821,382</u>
Total	<u>69,664,471</u>	<u>83,209,705</u>

47. SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of the Directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group operates mainly in Chongqing, the PRC. Majority of its customers and non-current assets are located in Chongqing, the PRC. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

Notes to the Consolidated Financial Statements (Continued)

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47. SEGMENT ANALYSIS (Continued)

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policy and the policies applied in preparing the consolidated financial statements.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

The Group has no major customers which contribute 10 percent or more of the Group's income.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating Segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into three operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings, financial leasing and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market or repurchase transactions and debt instruments investment for its own account or on behalf of customers.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

47. SEGMENT ANALYSIS (Continued)

Operating Segment (Continued)

	For the year ended 31 December 2016					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	10,059,152	6,613,637	16,193,368	32,866,157	–	32,866,157
External interest expense	(1,475,149)	(6,694,891)	(5,291,398)	(13,461,438)	–	(13,461,438)
Inter-segment interest (expense)/income	(1,936,754)	5,612,281	(3,675,527)	–	–	–
Net interest income	6,647,249	5,531,027	7,226,443	19,404,719	–	19,404,719
Fee and commission income	610,353	960,734	652,799	2,223,886	–	2,223,886
Fee and commission expense	(32,026)	(33,250)	(40,251)	(105,527)	–	(105,527)
Net fee and commission income	578,327	927,484	612,548	2,118,359	–	2,118,359
Net trading losses	–	–	(15,614)	(15,614)	–	(15,614)
Other operating income, net	27,049	17,784	92,834	137,667	16,580	154,247
Operating income	7,252,625	6,476,295	7,916,211	21,645,131	16,580	21,661,711
Operating expenses	(2,866,518)	(2,576,368)	(3,008,092)	(8,450,978)	–	(8,450,978)
Impairment losses on financial assets	(1,382,432)	(990,731)	(303,381)	(2,676,544)	–	(2,676,544)
Net gains on disposal of available-for-sale financial assets	–	–	64,740	64,740	–	64,740
Net gains on disposal of debt securities classified as receivables	–	–	45,907	45,907	–	45,907
Profit before tax	3,003,675	2,909,196	4,715,385	10,628,256	16,580	10,644,836
Income tax expense						(2,643,514)
Profit for the year						8,001,322
Depreciation and amortisation included in operating expenses	236,294	212,376	247,963	696,633	–	696,633
Capital expenditure	240,536	216,189	252,416	709,141	–	709,141
	As at 31 December 2016					
Segment assets	181,361,581	98,585,770	514,776,325	794,723,676	8,434,056	803,157,732
Segment liabilities	131,677,761	386,838,600	227,032,536	745,548,897	3,418,998	748,967,895
Supplementary information						
Credit commitments	19,095,671	10,423,227	–	29,518,898	–	29,518,898

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

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47. SEGMENT ANALYSIS (Continued)

Operating Segment (Continued)

	For the year ended 31 December 2015					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	10,978,629	7,543,278	16,677,292	35,199,199	–	35,199,199
External interest expense	(1,665,993)	(7,766,530)	(5,600,197)	(15,032,720)	–	(15,032,720)
Inter-segment interest (expense)/income	(2,007,772)	5,817,503	(3,809,731)	–	–	–
Net interest income	7,304,864	5,594,251	7,267,364	20,166,479	–	20,166,479
Fee and commission income	349,192	572,184	654,105	1,575,481	–	1,575,481
Fee and commission expense	(29,558)	(15,865)	(35,114)	(80,537)	–	(80,537)
Net fee and commission income	319,634	556,319	618,991	1,494,944	–	1,494,944
Net trading gains	–	–	19,759	19,759	–	19,759
Other operating income, net	90,355	46,177	53,638	190,170	17,640	207,810
Operating income	7,714,853	6,196,747	7,959,752	21,871,352	17,640	21,888,992
Operating expenses	(3,093,330)	(2,487,214)	(3,495,546)	(9,076,090)	–	(9,076,090)
Impairment losses on financial assets	(2,223,330)	(755,072)	(257,578)	(3,235,980)	–	(3,235,980)
Net losses on disposal of available-for-sale financial assets	–	–	(1,525)	(1,525)	–	(1,525)
Net gains on disposal of debt securities classified as receivables	–	–	11,972	11,972	–	11,972
Profit before tax	2,398,193	2,954,461	4,217,075	9,569,729	17,640	9,587,369
Income tax expense	–	–	–	–	–	(2,359,522)
Profit for the year	–	–	–	–	–	7,227,847
Depreciation and amortisation included in operating expenses	230,999	187,816	240,199	659,014	–	659,014
Capital expenditure	568,512	462,232	591,153	1,621,897	–	1,621,897
	As at 31 December 2015					
Segment assets	156,559,820	96,587,113	455,434,347	708,581,280	8,223,935	716,805,215
Segment liabilities	116,852,750	344,817,069	204,867,011	666,536,830	1,980,584	668,517,414
Supplementary information						
Credit commitments	18,007,013	7,867,872	–	25,874,885	–	25,874,885

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

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48. RELATED PARTY TRANSACTIONS

(1) Related parties of the Group

The directors of the Bank consider that the following shareholders are related parties of the Group:

Name of shareholders	Percentage of shares holding of the Bank (%)	
	As at 31 December 2016	As at 31 December 2015
Chongqing Yufu Assets Management Group Company Limited	6.77	6.77
Chongqing City Investment (Group) Co., Ltd.	6.68	6.68
Loncin Holding Co., Ltd.	6.13	6.13

Other related parties include key management members and their close family members; the enterprises directly or indirectly controlled by key management members and their close family members or served by key management members and their close family members as directors or senior management; the enterprises controlled by shareholders with more than 5% (including 5%) shares of the Bank; the natural persons or legal persons who satisfy any circumstances above in the next 12 months in accordance with the relevant agreement and arrangement or in the past 12 months.

(2) Related party transactions

During the year, the Group entered into the following material transactions with related parties:

	Interest Income		Interest expense	
	2016	2015	2016	2015
Shareholders of the Bank	256,962	308,918	3,929	1,793
Other related parties	211,153	235,747	51,635	14,416
Total	468,115	544,665	55,564	16,209

	Operating expenses	
	2016	2015
Shareholders of the Bank	4,930	5,720

Notes to the Consolidated Financial Statements (Continued)

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48. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions (Continued)

Material outstanding balances with related parties as at year end:

	Loans and advances to related parties		Customer deposits from related parties	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
	Shareholders of the Bank	8,665,150	7,074,920	1,093,672
Other related parties	<u>4,324,419</u>	<u>5,254,035</u>	<u>3,652,708</u>	<u>2,819,067</u>
Total	<u>12,989,569</u>	<u>12,328,955</u>	<u>4,746,380</u>	<u>2,995,066</u>

	Interest receivable from related parties		Interest payable to related parties	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
	Shareholders of the Bank	13,087	11,597	109
Other related parties	<u>6,071</u>	<u>8,902</u>	<u>3,830</u>	<u>5,886</u>
Total	<u>19,158</u>	<u>20,499</u>	<u>3,939</u>	<u>5,899</u>

	Guarantee provided by related parties	
	As at 31 December 2016	As at 31 December 2015
	Other related parties	<u>6,652,303</u>

As at 31 December 2015, debt instruments of RMB2,000 million issued by financial institutions were granted to shareholders of the Bank as trust loans and were included in debt securities classified as receivables (31 December 2016: Nil).

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. RELATED PARTY TRANSACTIONS (Continued)

(3) Transactions between the Bank and its subsidiaries

There are various types of related party transactions between the Bank and its subsidiaries. The conditions and prices of these transactions are determined on the basis of market price and normal course of business, or on the basis of the Group's contractual terms. They are examined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

For the years ended 31 December 2016 and 2015, the Bank's transactions with subsidiaries mainly included deposits with subsidiaries, deposits from subsidiaries, placements with subsidiaries and rediscounted bills business.

As at 31 December 2016, the Bank's deposits with subsidiaries amounted to RMB250 million (31 December 2015: RMB530 million), the Bank's deposits from subsidiaries amounted to RMB604 million (31 December 2015: RMB380 million), the Bank's placements with subsidiaries amounted to RMB1,830 million (31 December 2015: RMB1,780 million)

For the year ended 31 December 2016, the corresponding interest income of the Bank's transactions with the subsidiaries totalled RMB140 million (2015: RMB843 million), the corresponding interest expense totalled RMB199 million (2015: RMB980 million).

(4) Key management personnel

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The remuneration of directors and other members of key management during the year were as follows:

	2016	2015
Basic salaries, bonuses and allowances	1,725	8,845
Contribution to pension schemes	566	910
Fees	820	1,300
Total	3,111	11,055

Certain key management personnel's final emoluments for the current year are subject to approval by relevant authorities in the PRC and have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group as at 31 December 2016. The disclosed amount of remuneration is the amount paid in current year. The amount of actual remuneration will be announced after approval.

For the year ended 31 December 2016, both the loans made to key management personnel and their relatives, and the corresponding interest income are not material.

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49. STRUCTURED ENTITIES

(1) Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles (“WMP Vehicles”) formed to issue and distribute wealth management products (“non-guaranteed WMPs”), which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMP Vehicles invest in a range of primarily fixed-rate assets, most typically money market instruments and debt securities. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income. The variable return that the Group has in relation to the non-guaranteed WMPs is not significant; therefore the WMP Vehicles are not consolidated by the Group.

As at 31 December 2016 and 31 December 2015, the outstanding WMPs issued by WMP Vehicles (excluding those with principal guaranteed by the Group) amounted to RMB116,314 million and RMB63,295 million, the Group’s interest in the non-guaranteed WMPs included in Net Fee and Commission Income was RMB797 million (2015: RMB413 million).

As at 31 December 2016, among the unconsolidated non-guaranteed WMPs, the wealth management products amounted to RMB2,070 million were invested in CQRC Financial Leasing Co., Ltd., as interbank lending with a maturity of less than one year. As at 31 December 2015, the Bank did not invest in any unconsolidated non-guaranteed WMPs in subsidiaries.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk from or reduce its interest in WMP vehicles disclosed above during the years ended 31 December 2016 and 2015. The Group is not required to absorb any losses incurred by WMPs before other parties. In 2016 and 2015, no loss was incurred by the WMP Vehicles relating to the Group’s interests in the WMP Vehicles, and the WMP Vehicles did not experience any difficulty in financing their activities.

Notes to the Consolidated Financial Statements (Continued)

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49. STRUCTURED ENTITIES (Continued)

(2) Other unconsolidated structured entities held by the Group

The Group invests in a number of other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. As at 31 December 2016 and 31 December 2015, the Group's maximum exposure to these other unconsolidated structured entities is summarised in the table below.

	As at 31 December 2016			
	Financial assets designated at fair value through profit or loss	Available-for-sale investments	Held-to-maturity investment	Debt instruments classified as receivables
Debt instruments issued by financial institutions	1,009,400	–	–	–
WMPs issued by other banks	–	78,274,089	–	42,091,861
Trust beneficial rights	–	3,502	–	29,342,531
Assets management plans	–	–	–	604,522
Asset-backed securities	–	–	5,898,392	–
Total	1,009,400	78,277,591	5,898,392	72,038,914

	As at 31 December 2015			
	Financial assets designated at fair value through profit or loss	Available-for-sale investments	Held-to-maturity investment	Debt instruments classified as receivables
Debt instruments issued by financial institutions	2,909,700	–	–	–
WMPs issued by other banks	–	–	–	78,753,601
Trust beneficial rights	–	–	–	28,585,734
Assets management plans	–	–	–	3,804,091
Asset-backed securities	–	91,639	384,993	–
Total	2,909,700	91,639	384,993	111,143,426

Information of the total size of the unconsolidated structured entities listed above is not readily available from the public.

Notes to the Consolidated Financial Statements (Continued)

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49. STRUCTURED ENTITIES (Continued)

(3) Consolidated structured entities

The consolidated structured entities issued and managed by the Group mainly consist of guaranteed WMPs, and partial unguaranteed WMPs satisfying the criteria of control. For the year ended 31 December 2016, the Group did not provide financial supporting to the WMPs. The amount of unguaranteed WMPs consolidated by the Group at 31 December 2016 is RMB400 million (31 December 2015: RMB1,801 million).

50. CONTINGENT LIABILITIES AND COMMITMENTS

(1) Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2016, provision of RMB2.82 million was made, based on court judgments or legal advice (31 December 2015: RMB3.24 million). The directors of the Bank believe, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

(2) Capital commitments

	As at 31 December 2016	As at 31 December 2015
Contracted but not provided for	<u>304,241</u>	<u>387,951</u>

(3) Credit commitments

	As at 31 December 2016	As at 31 December 2015
Bank acceptances	12,322,869	13,104,634
Undrawn credit cards limit	10,423,227	7,867,872
Letters of guarantee	5,921,932	4,562,205
Letters of credit issued	<u>850,870</u>	<u>340,174</u>
Total	<u><u>29,518,898</u></u>	<u><u>25,874,885</u></u>

Notes to the Consolidated Financial Statements (Continued)

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50. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(3) Credit commitments (Continued)

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. The Directors of the Bank are of the opinion that such commitments are conditional and revocable and are therefore not included in the commitments disclosure above.

(4) Credit-risk-weighted amounts for credit commitments

	As at 31 December 2016	As at 31 December 2015
Credit commitments	<u>13,705,397</u>	<u>10,720,413</u>

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

(5) Operating lease commitment

The Group has the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment as at year end:

	As at 31 December 2016	As at 31 December 2015
Within 1 year	80,423	70,806
1 to 2 years	61,642	59,465
2 to 3 years	50,037	39,630
3 to 4 years	25,779	32,478
4 to 5 years	9,444	17,203
Above 5 years	<u>16,090</u>	<u>20,520</u>
Total	<u>243,415</u>	<u>240,102</u>

The leases are negotiated with lease terms of 1 to 15 years.

During the year ended at 31 December 2016, operating lease expense recognised as operating expenses by the Group was RMB104.18 million (2015: RMB89.44 million).

Notes to the Consolidated Financial Statements (Continued)

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50. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(6) Collateral

Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement and borrowings from central bank by the Group is as follows:

	As at 31 December 2016	As at 31 December 2015
Bonds	34,068,951	49,577,060
Bills	2,407,219	2,997,961
Loans and advances	<u>2,354,670</u>	<u>—</u>
Total	<u><u>38,830,840</u></u>	<u><u>52,575,021</u></u>

As at 31 December 2016, the carrying amount of financial assets sold under repurchase agreements by the Group was RMB8,965 million (31 December 2015: RMB44,899 million) (see Note 34). All repurchase agreements are due within twelve months from inception.

As at 31 December 2016, the carrying amount of borrowings from central bank by the Group was RMB24,741 million (31 December 2015: RMB5,719 million).

Collateral accepted

The Group received bills and securities as collaterals under resale agreements. A portion of bills and securities can be resold or re-pledged by the Group, the fair value of which is RMB0 million as at 31 December 2016 (31 December 2015: RMB20,999 million). The Group has no collaterals, that have been re-pledged, with the obligation of the Group to return at the maturity date as at 31 December 2016 (31 December 2015: fair value of RMB2,997 million).

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51. TRANSFER OF FINANCIAL ASSETS

(1) Financial assets sold under repurchase agreements

In daily operating activities, the Group entered into repurchase agreements with certain counterparties. As at 31 December 2016, there are debt securities with carrying amount of RMB7,121 million under these agreements classified to held-to-maturity investments (31 December 2015: carrying amount of RMB140 million classified as financial assets held for trading; RMB880 million classified as available-for-sale financial assets; RMB41,114 million classified as held-to-maturity investments; and RMB725 million classified as receivables, respectively). The carrying amount of bills, which were sold by the Group to certain counterparties and were subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices, was RMB2,407 million (31 December 2015: RMB2,998 million). The proceeds from selling such debt securities and bills totalling 8,965 million as at 31 December 2016 (31 December 2015: RMB44,899 million) are presented as “financial assets sold under repurchase agreements” (see Note 34).

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

(2) Rediscounted bills

As at 31 December 2016 and 31 December 2015, the carrying amount of the outstanding rediscounted bills of the Group, which qualifies for derecognition, were RMB21,927 million and RMB28,055 million, respectively.

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT

(1) Overview

The primary risk management of the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

The major risks the Group faces include credit risk, market risk and liquidity risk. The market risk includes currency risk, interest risk and other price risk. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There have been no significant changes in the risk management departments or in any risk management policies for the year 2016.

(2) Risk Management Framework

The Bank has a risk management committee under the Board of Directors. Risk management committee is responsible for setting the overall risk management and internal control strategies of the Group and the Bank, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies set by the risk management committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk

Credit risk management

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

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

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

Impairment assessment

Key factors on impairment assessment

The Group generally measures and manages the quality of credit risk-bearing assets based on the Guideline for Loan Credit Risk Classification issued by the CBRC which requires the Group to classify loans into the following five category loan classification: normal, special mention, substandard, doubtful and loss. Loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. The main factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which relates to borrowers' repayment ability, credit record, repayment intention, projected profitability, guarantees or collateral and legal responsibility of repayment. The allowances for impairment losses are assessed collectively or individually as appropriate.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Impairment assessment (Continued)

Key factors on impairment assessment (Continued)

The Group assesses the impairment for loans and advances to customers at the end of reporting period in accordance with the accounting policies set out in Note 3. In addition, analysis based on the contractual amounts of the loans and advances to customers at the end of reporting period are provided internally to management for the purpose of assessing financial risks. Hence, certain quantitative disclosure in financial risk management has been prepared based on the original contractual amounts of those instruments particularly loans and advances to customers.

The five-category loan classification in which the Group classifies its loans and advances to customers is set out below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special mention: Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
- Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
- Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- Loss: Only a small portion or none of principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The accounting policies regarding the Group's estimation of impairment losses on financial assets are set out in Note 3 "Impairment of Financial Assets".

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

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

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of each financial asset recognised in the consolidated statements of financial position and credit commitments disclosed in Note 50 “Contingent Liabilities and Commitments”.

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

	As at 31 December 2016	As at 31 December 2015
Financial assets		
Balances with central bank	82,231,553	74,871,561
Deposits with banks and other financial institutions	34,582,759	44,764,501
Placements with banks and other financial institutions	112,571,397	74,000,584
Financial assets held for trading	3,511,939	1,246,612
Financial assets designated at fair value through profit or loss	1,009,400	2,909,700
Derivative financial assets	52,261	1,510
Financial assets held under resale agreements	3,699,871	34,549,303
Loans and advances to customers	288,116,411	257,540,907
Available-for-sale financial assets – debt instruments	89,965,566	12,326,282
Held-to-maturity investments	67,842,199	63,649,584
Debt securities classified as receivables	101,151,277	133,076,127
Other financial assets	5,523,301	5,126,962
Subtotal	790,257,934	704,063,633
Off-balance sheet credit commitments	29,518,898	25,874,885
Total	819,776,832	729,938,518

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level, the most typical of these is by obtaining collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers

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

	As at 31 December 2016		As at 31 December 2015	
	Amount	%	Amount	%
Corporate loans and advances				
Manufacturing	56,850,024	28.11	50,266,269	29.18
Water, environment and public utilities management	41,116,149	20.33	29,690,991	17.23
Retail and wholesale	22,017,081	10.89	16,205,590	9.41
Real estate	14,142,799	6.99	17,700,062	10.27
Leasing and commercial services	13,740,713	6.79	9,434,478	5.48
Production and supply of electricity, gas and water	11,764,109	5.82	9,793,980	5.68
Financial industry	9,654,281	4.77	5,559,605	3.23
Transportation, logistics and postal services	7,803,289	3.86	7,174,656	4.16
Construction	6,683,862	3.30	8,039,648	4.67
Agriculture, forestry, animal husbandry and fishery	4,137,074	2.05	5,126,821	2.98
Education	3,391,127	1.68	2,949,650	1.71
Mining	3,221,778	1.59	4,296,258	2.49
Others	7,717,491	3.82	6,046,490	3.51
Subtotal	<u>202,239,777</u>	<u>100.00</u>	<u>172,284,498</u>	<u>100.00</u>
Personal loans and advances				
Mortgages	43,614,637	44.42	44,099,685	45.79
Loans to private business and employment assistance loans	35,053,951	35.70	33,817,007	35.12
Credit cards	5,072,244	5.17	6,373,153	6.62
Others	14,440,826	14.71	12,011,356	12.47
Subtotal	<u>98,181,658</u>	<u>100.00</u>	<u>96,301,201</u>	<u>100.00</u>
Total	<u>300,421,435</u>		<u>268,585,699</u>	

As at 31 December 2016, discounted bills included in corporate loans and advances were RMB12,327 million (31 December 2015: RMB6,982 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

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

Details of impaired loans, loan loss allowances, charges (reversal), and amounts written off in respect of economic sectors which constitute 10% or more of total corporate loans and advances are as follows:

	2016				
	Gross impaired loans	Individually assessed allowances	Collectively assessed allowances	Charge for the year	Written off for the year
Manufacturing	719,089	(375,685)	(2,295,885)	(593,097)	216,197
Water, environment and public utilities management	–	–	(1,283,074)	(345,075)	–
Retail and wholesale	<u>474,695</u>	<u>(237,461)</u>	<u>(722,927)</u>	<u>(471,180)</u>	<u>287,916</u>
	2015				
	Gross impaired loans	Individually assessed allowances	Collectively assessed allowances	Charge for the year	Written off for the year
Manufacturing	468,284	(248,791)	(2,030,363)	(761,629)	248,836
Water, environment and public utilities management	–	–	(937,879)	(259,910)	(96)
Real estate	<u>17,126</u>	<u>(14,625)</u>	<u>(616,160)</u>	<u>(182,976)</u>	<u>(3,018)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

- (ii) The composition of the contractual amount of loans and advances to customers by contractual maturity and collateral type is analysed as follows:

	As at 31 December 2016			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	17,070,678	7,524,076	4,926,981	29,521,735
Guaranteed loans	38,619,756	21,468,206	17,770,077	77,858,039
Collateralised and other secured loans				
– loans secured by property and other immovable assets	54,758,237	40,503,919	60,980,496	156,242,652
– other pledged loans	15,966,799	5,686,095	15,146,115	36,799,009
Total	126,415,470	75,182,296	98,823,669	300,421,435

	As at 31 December 2015			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	12,548,584	5,391,150	5,645,781	23,585,515
Guaranteed loans	34,834,306	11,135,659	8,885,847	54,855,812
Collateralised and other secured loans				
– loans secured by property and other immovable assets	49,805,862	47,643,002	63,722,509	161,171,373
– other pledged loans	12,566,153	6,029,001	10,377,845	28,972,999
Total	109,754,905	70,198,812	88,631,982	268,585,699

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iii) Past due loans at contractual amount

	As at 31 December 2016				
	Up to 90 days	90 – 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	114,834	206,538	13,270	16,742	351,384
Guaranteed loans	376,891	216,343	197,599	21,989	812,822
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,290,479	886,775	1,062,788	79,346	3,319,388
– other pledged loans	79,948	28,706	–	–	108,654
Total	1,862,152	1,338,362	1,273,657	118,077	4,592,248

	As at 31 December 2015				
	Up to 90 days	90 – 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	150,971	138,466	12,229	28,082	329,748
Guaranteed loans	311,277	313,094	210,671	23,610	858,652
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,767,910	1,411,107	346,556	83,407	3,608,980
– other pledged loans	69,723	15,837	18,000	4	103,564
Total	2,299,881	1,878,504	587,456	135,103	4,900,944

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

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iv) Credit quality of loans and advances to customers at contractual amount

	As at 31 December 2016	As at 31 December 2015
Neither past due nor impaired	295,635,435	263,404,395
Past due but not impaired	1,913,468	2,551,808
Impaired	<u>2,872,532</u>	<u>2,629,496</u>
Subtotal	300,421,435	268,585,699
Allowances for impairment losses	<u>(12,305,024)</u>	<u>(11,044,792)</u>
Loans and advances to customers, net	<u>288,116,411</u>	<u>257,540,907</u>

Loans and advances neither past due nor impaired

	As at 31 December 2016		
	Normal	Special mention	Total
Corporate loans and advances	194,532,744	5,656,928	200,189,672
Personal loans and advances	<u>94,287,675</u>	<u>1,158,088</u>	<u>95,445,763</u>
Total	<u>288,820,419</u>	<u>6,815,016</u>	<u>295,635,435</u>

	As at 31 December 2015		
	Normal	Special mention	Total
Corporate loans and advances	166,118,225	4,120,471	170,238,696
Personal loans and advances	<u>92,844,253</u>	<u>321,446</u>	<u>93,165,699</u>
Total	<u>258,962,478</u>	<u>4,441,917</u>	<u>263,404,395</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iv) Credit quality of loans and advances to customers at contractual amount (Continued)

Loans and advances past due but not impaired

	As at 31 December 2016					Fair value of collateral
	Up to 30 days (including 30 days)	30 – 60 days (including 60 days)	60 – 90 days (including 90 days)	More than 90 days	Total	
Corporate loans and advances	360,369	61,849	39,682	105,518	567,418	451,174
Personal loans and advances	789,901	267,837	188,489	99,823	1,346,050	2,180,624
Total	1,150,270	329,686	228,171	205,341	1,913,468	2,631,798

	As at 31 December 2015					Fair value of collateral
	Up to 30 days (including 30 days)	30 – 60 days (including 60 days)	60 – 90 days (including 90 days)	More than 90 days	Total	
Corporate loans and advances	271,964	204,170	134,707	205,146	815,987	1,139,001
Personal loans and advances	1,003,373	344,277	212,981	175,190	1,735,821	2,924,935
Total	1,275,337	548,447	347,688	380,336	2,551,808	4,063,936

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iv) Credit quality of loans and advances to customers at contractual amount (Continued)

Impaired loans and advances

	As at 31 December 2016		
	Contractual amount	Allowance for impairment losses	Carrying amount
Individually assessed	1,482,687	(768,156)	714,531
Collectively assessed	1,389,845	(1,190,862)	198,983
Total	2,872,532	(1,959,018)	913,514

	As at 31 December 2015		
	Contractual amount	Allowance for impairment losses	Carrying amount
Individually assessed	1,229,815	(667,294)	562,521
Collectively assessed	1,399,681	(1,095,020)	304,661
Total	2,629,496	(1,762,314)	867,182

Including:

	As at 31 December 2016	As at 31 December 2015
Individually assessed and impaired	1,482,687	1,229,815
Individually assessed and impaired loans and advances as a percentage of gross loans and advances	0.49%	0.46%
Fair value of collateral	2,712,226	2,475,849

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

(v) Rescheduled loans and advances

Rescheduled loans are loans that have been renegotiated due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are subject to ongoing monitoring.

The amount of rescheduled loans and advances is shown as follow:

	As at 31 December 2016		As at 31 December 2015	
	Total	Percentage of gross loans and advances to customers	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	298,196	0.10%	91,408	0.03%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	52,018	0.02%	8,814	0.003%

(vi) Assets foreclosed under credit enhancement arrangement

All the new foreclosed assets acquired by the Group were houses and buildings, with carrying amount of RMB4.02 million (2015: Nil).

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities

(i) Credit quality of debt securities

	As at 31 December 2016	As at 31 December 2015
Neither past due nor impaired	265,188,773	214,663,554
Impaired	<u>50,000</u>	<u>–</u>
Subtotal	265,238,773	214,663,554
Less: Individually assessed allowance for impairment losses	(15,000)	–
Collectively assessed allowance for impairment losses	<u>(1,743,392)</u>	<u>(1,455,249)</u>
Debt securities, net	<u>263,480,381</u>	<u>213,208,305</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities (Continued)

(i) Credit quality of debt securities (Continued)

Debt securities neither past due nor impaired

	As at 31 December 2016					Total
	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	
Government bonds	-	-	-	16,097,775	3,772,000	19,869,775
Public sector, quasi-government bonds	1,173,201	-	-	22,842,152	-	24,015,353
Financial institution bonds	-	-	-	10,097,398	749,628	10,847,026
Corporate bonds	101,829	-	1,546,906	19,126,164	25,577,828	46,352,727
Interbank deposit certificates	2,236,909	-	-	-	-	2,236,909
Debt instruments issued by financial institutions	-	1,009,400	-	-	-	1,009,400
Trust and asset management plans	-	-	10,094,571	-	30,347,062	40,441,633
WMPs issued by other banks	-	-	78,324,089	-	42,091,861	120,415,950
Total	3,511,939	1,009,400	89,965,566	68,163,489	102,538,379	265,188,773

	As at 31 December 2015					Total
	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	
Government bonds	-	-	-	12,299,976	1,087,000	13,386,976
Public sector, quasi-government bonds	1,068,587	-	-	22,849,476	-	23,918,063
Financial institution bonds	-	-	142,018	5,304,040	1,275,371	6,721,429
Corporate bonds	178,025	-	12,184,264	23,505,481	20,216,142	56,083,912
Debt instruments issued by financial institutions	-	2,909,700	-	-	111,643,474	114,553,174
Total	1,246,612	2,909,700	12,326,282	63,958,973	134,221,987	214,663,554

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities (Continued)

(i) Credit quality of debt securities (Continued)

Impaired debt securities

	As at 31 December 2016	As at 31 December 2015
Held-to-maturity investments-Corporate bonds	50,000	–
Less: Allowance for impairment losses	(15,000)	–
Carrying amount	<u>35,000</u>	<u>–</u>

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities (Continued)

(ii) Debt securities analysed by credit rating and credit risk characteristics

The Group and the Bank relies on credit rating provided by the external credit agencies in the PRC to classify the debt securities.

	As at 31 December 2016				Total
	AAA	AA	A and below	Unrated	
Financial assets held for trading					
Public sector, quasi-government bonds	-	-	-	1,173,201	1,173,201
Corporate bonds	-	-	-	101,829	101,829
Interbank deposit certificates	-	-	-	2,236,909	2,236,909
Subtotal	-	-	-	3,511,939	3,511,939
Financial assets designated at fair value through profit or loss					
Debt instruments issued by financial institutions	-	-	-	1,009,400	1,009,400
Subtotal	-	-	-	1,009,400	1,009,400
Available-for-sale financial assets					
Corporate bonds	206,723	779,303	-	560,880	1,546,906
Trust and asset management plans	-	-	-	10,094,571	10,094,571
WMPs issued by other banks	-	-	-	78,324,089	78,324,089
Subtotal	206,723	779,303	-	88,979,540	89,965,566
Held-to-maturity investments					
Government bonds	-	-	-	16,097,775	16,097,775
Public sector, quasi-government bonds	3,268,160	-	-	19,573,992	22,842,152
Financial institution bonds	5,271,035	4,468,070	358,294	-	10,097,398
Corporate bonds	12,016,282	6,670,989	82,910	34,692	18,804,874
Subtotal	20,555,477	11,139,059	441,204	35,706,459	67,842,199
Debt securities classified as receivables					
Financial institution bonds	499,628	250,000	-	-	749,628
Corporate bonds	-	-	-	25,066,428	25,066,428
Government bonds	-	-	-	3,772,000	3,772,000
Trust and asset management plans	-	-	-	29,471,360	29,471,360
WMPs issued by other banks	-	-	-	42,091,861	42,091,861
Subtotal	499,628	250,000	-	100,401,649	101,151,277
Total	21,261,828	12,168,362	441,204	229,608,987	263,480,381

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities (Continued)

(ii) Debt securities analysed by credit rating and credit risk characteristics (Continued)

	As at 31 December 2015				Total
	AAA	AA	A and below	Unrated	
Financial assets held for trading					
Public sector, quasi-government bonds	1,068,587	-	-	-	1,068,587
Corporate bonds	178,025	-	-	-	178,025
Subtotal	1,246,612	-	-	-	1,246,612
Financial assets designated at fair value through profit or loss					
Debt instruments issued by financial institutions	-	-	-	2,909,700	2,909,700
Subtotal	-	-	-	2,909,700	2,909,700
Available-for-sale financial assets					
Financial institution bonds	51,492	90,526	-	-	142,018
Corporate bonds	468,376	11,613,559	-	102,329	12,184,264
Subtotal	519,868	11,704,085	-	102,329	12,326,282
Held-to-maturity investments					
Government bonds	-	-	-	12,299,976	12,299,976
Public sector, quasi-government bonds	2,545,070	-	-	20,304,406	22,849,476
Financial institution bonds	1,504,990	3,799,050	-	-	5,304,040
Corporate bonds	13,953,531	9,242,561	-	-	23,196,092
Subtotal	18,003,591	13,041,611	-	32,604,382	63,649,584
Debt securities classified as receivables					
Financial institution bonds	173,738	1,101,633	-	-	1,275,371
Corporate bonds	-	13,103,686	-	6,847,574	19,951,260
Government bonds	-	-	-	1,087,000	1,087,000
Debt instruments issued by financial institutions	-	-	-	110,762,496	110,762,496
Subtotal	173,738	14,205,319	-	118,697,070	133,076,127
Total	19,943,809	38,951,015	-	154,313,481	213,208,305

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk

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

The Asset and Liability Management Committee of the Group mapped out the index management system of the ratios of asset and liability structure, based on the principles of liquidity, safety, and profitability; determines annual target values of these indexes in accordance with regulatory requirement and business plan; and allocates and distributes the tasks to branches for implementation. In the process of implementation, Risk Management Department of the headquarter supervises the implementation quality of branches, by preparing monthly and quarterly statistic tables of assets and liabilities management indexes, to achieve the expected objectives of matching of assets and liabilities.

The Group established the supervision system of indexes of asset and liability management, the liquidity reverse system, and relevant emergency management measures, to reduce the liquidity risk of the Group. The Group worked out the ratio of liquidity in accordance with the requirement of CBRC, and reported to CBRC monthly.

The assets which can be used for repaying debt and paying for the outstanding credit commitments contain cash and balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets designated at fair value through profit and loss, and so forth. In normal operation, majority of deposits will not be withdrawn immediately on the maturity date. Therefore, the Group will retain this part of cash flow. The Group can also dispose available-for-sale financial assets for fund-raising to repay matured debt.

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52. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities

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

	As at 31 December 2016							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	71,682,212	14,153,780	-	-	-	-	-	85,835,992
Deposits with banks and other financial institutions	-	4,996,477	7,841,082	7,407,000	14,338,200	-	-	34,582,759
Placements with banks and other financial institutions	-	-	67,097,125	32,797,416	12,676,856	-	-	112,571,397
Financial assets held for trading	-	-	101,829	496,323	1,740,586	882,673	290,528	3,511,939
Financial assets designated at fair value through profit or loss	-	-	50,200	959,200	-	-	-	1,009,400
Derivative financial assets	-	-	89	247	1,663	50,262	-	52,261
Financial assets held under resale agreements	-	-	700,000	2,599,866	400,005	-	-	3,699,871
Loans and advances to customers	2,334,079	-	13,914,129	17,853,610	103,443,461	74,703,045	75,868,087	288,116,411
Available-for-sale financial assets	176,191	-	30,819,291	35,989,095	22,350,598	599,859	206,723	90,141,757
Held-to-maturity investments	35,000	-	649,319	3,588,831	9,583,985	36,373,758	17,611,306	67,842,199
Debt securities classified as receivables	-	-	1,837,765	17,145,785	31,888,483	47,619,616	2,659,628	101,151,277
Other financial assets	11,831	665,405	1,349,210	1,656,403	1,840,073	379	-	5,523,301
Total financial assets	74,239,313	19,815,662	124,360,039	120,493,776	198,263,910	160,229,592	96,636,272	794,038,564
Borrowings from central bank	-	-	1,500,000	2,043,950	20,370,000	1,040,550	-	24,954,500
Deposits from banks and other financial institutions	-	3,380,703	34,166,037	35,850,000	30,536,341	349,444	-	104,282,525
Placements from banks and other financial institutions	-	-	10,617,394	5,118,100	5,020,000	-	-	20,755,494
Derivative financial liabilities	-	-	89	248	1,660	50,214	-	52,211
Financial assets sold under repurchase agreements	-	-	7,518,660	1,446,803	-	-	-	8,965,463
Deposits from customers	-	235,142,287	24,851,010	79,452,915	133,893,463	44,846,204	4	518,185,883
Debt securities issued	-	-	10,356,822	8,737,428	30,392,780	-	9,000,000	58,487,030
Other financial liabilities	-	3,316,888	669,475	1,282,307	1,319,193	57,823	42,180	6,687,866
Total financial liabilities	-	241,839,878	89,679,487	133,931,751	221,533,437	46,344,235	9,042,184	742,370,972
Net position	74,239,313	(222,024,216)	34,680,552	(13,437,975)	(23,269,527)	113,885,357	87,594,088	51,667,592

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

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

	As at 31 December 2015							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	68,309,153	10,191,125	-	-	-	-	-	78,500,278
Deposits with banks and other financial institutions	-	6,978,251	5,678,000	5,137,000	26,971,250	-	-	44,764,501
Placements with banks and other financial institutions	-	-	31,699,770	37,511,277	4,689,539	99,998	-	74,000,584
Financial assets held for trading	-	-	-	-	-	1,213,831	32,781	1,246,612
Financial assets designated at fair value through profit or loss	-	-	-	1,900,300	-	1,009,400	-	2,909,700
Derivative financial assets	-	-	-	3	2	1,505	-	1,510
Financial assets held under resale agreements	-	-	22,721,367	2,500,015	4,928,004	4,399,917	-	34,549,303
Loans and advances to customers	2,874,182	-	12,975,021	18,802,611	90,065,929	64,469,232	68,353,932	257,540,907
Available-for-sale financial assets	175,341	-	4,363,664	4,306,653	1,438,669	1,954,080	263,216	12,501,623
Held-to-maturity investments	-	-	295,870	1,431,561	5,085,034	34,996,469	21,840,650	63,649,584
Debt securities classified as receivables	-	-	35,654,251	13,600,045	41,635,766	40,367,694	1,818,371	133,076,127
Other financial assets	-	524,433	433,741	490,632	807,359	2,148,837	721,960	5,126,962
Total financial assets	71,358,676	17,693,809	113,821,684	85,680,097	175,621,552	150,660,963	93,030,910	707,867,691
Borrowings from central bank	-	-	-	70,000	4,675,000	974,040	-	5,719,040
Deposits from banks and other financial institutions	-	1,384,562	24,003,000	32,538,000	27,948,000	1,321,037	-	87,194,599
Placements from banks and other financial institutions	-	-	4,508,091	4,912,938	3,242,026	-	-	12,663,055
Derivative financial liabilities	-	-	-	3	2	1,505	-	1,510
Financial assets sold under repurchase agreements	-	-	29,904,492	14,485,580	509,100	-	-	44,899,172
Deposits from customers	-	200,151,865	25,138,157	69,539,988	126,629,764	48,768,411	8	470,228,193
Debt securities issued	-	-	17,330,239	7,212,366	5,304,177	-	5,000,000	34,846,782
Other financial liabilities	-	2,517,250	3,434,283	382,096	494,605	174,228	41,667	7,044,129
Total financial liabilities	-	204,053,677	104,318,262	129,140,971	168,802,674	51,239,221	5,041,675	662,596,480
Net position	71,358,676	(186,359,868)	9,503,422	(43,460,874)	6,818,878	99,421,742	87,989,235	45,271,211

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the expected undiscounted contractual cash flows. The Group manages liquidity risk on basis of expected undiscounted cash flows.

	As at 31 December 2016							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	71,682,212	14,190,422	-	-	-	-	-	85,872,634
Deposits with banks and other financial institutions	-	4,998,163	7,958,234	7,545,154	14,811,345	-	-	35,312,896
Placements with banks and other financial institutions	-	-	67,547,172	33,340,118	12,908,314	-	-	113,795,604
Financial assets held for trading	-	-	102,034	519,140	1,818,240	1,033,620	319,680	3,792,714
Financial assets designated at fair value through profit or loss	-	-	53,970	1,034,539	-	-	-	1,088,509
Financial assets held under resale agreements	-	-	700,158	2,652,688	406,900	-	-	3,759,746
Loans and advances to customers	2,334,079	-	15,267,704	21,277,096	116,670,895	98,374,610	105,541,719	359,466,103
Available-for-sale financial assets	176,191	-	30,871,473	36,265,306	22,817,596	710,243	209,230	91,050,039
Held-to-maturity investments	35,000	-	775,686	4,340,426	11,785,134	43,912,746	21,070,360	81,919,352
Debt securities classified as receivables	-	-	2,061,522	18,401,817	35,138,377	53,756,554	3,038,946	112,397,216
Other financial assets	-	663,726	-	-	-	-	-	663,726
Total financial assets	74,227,482	19,852,311	125,337,953	125,376,284	216,356,801	197,787,773	130,179,935	889,118,539
Non-derivative financial liabilities								
Borrowings from central bank	-	-	1,548,866	2,180,471	20,683,058	1,076,754	-	25,489,149
Deposits from banks and other financial institutions	-	3,381,067	34,369,401	36,253,135	31,315,978	421,836	-	105,741,417
Placements from banks and other financial institutions	-	-	10,652,386	5,197,747	5,119,280	-	-	20,969,413
Financial assets sold under repurchase agreements	-	-	7,525,323	1,463,208	-	-	-	8,988,531
Deposits from customers	-	235,142,287	24,875,344	79,705,692	135,665,044	48,100,157	5	523,488,529
Debt securities issued	-	-	10,370,000	8,780,000	31,451,000	1,884,000	10,717,000	63,202,000
Other financial liabilities	-	2,987,473	-	-	-	-	51,670	3,039,143
Total financial liabilities	-	241,510,827	89,341,320	133,580,253	224,234,360	51,482,747	10,768,675	750,918,182
Net position	74,227,482	(221,658,516)	35,996,633	(8,203,969)	(7,877,559)	146,305,026	119,411,260	138,200,357
Derivative Financial instruments								
Gross amount								
Total inflows	-	-	6,666	9,285	91,727	4,260,168	-	4,367,846
Total outflows	-	-	(6,666)	(9,285)	(91,724)	(4,260,121)	-	(4,367,796)
Net position	-	-	-	-	3	47	-	50

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52. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2015							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	68,309,153	10,223,949	-	-	-	-	-	78,533,102
Deposits with banks and other financial institutions	-	6,983,499	5,719,628	5,241,442	28,077,774	-	-	46,022,343
Placements with banks and other financial institutions	-	-	31,912,089	37,864,449	4,796,870	106,512	-	74,679,920
Financial assets held for trading	-	-	-	7,140	42,214	1,326,221	34,401	1,409,976
Financial assets designated at fair value through profit or loss	-	-	-	2,032,996	-	1,088,797	-	3,121,793
Financial assets held under resale agreements	-	-	22,821,872	2,544,750	5,263,415	4,899,150	-	35,529,187
Loans and advances to customers	2,874,182	-	14,347,974	28,197,169	99,370,985	87,968,297	101,713,761	334,472,368
Available-for-sale financial assets	175,341	-	4,406,537	4,399,261	1,608,818	2,290,393	294,676	13,175,026
Held-to-maturity investments	-	-	414,872	2,076,119	7,149,940	43,026,646	25,962,919	78,630,496
Debt securities classified as receivables	-	-	35,893,461	14,472,971	44,843,472	46,700,934	2,194,718	144,105,556
Other financial assets	-	524,433	-	-	-	-	-	524,433
Total financial assets	71,358,676	17,731,881	115,516,433	96,836,297	191,153,488	187,406,950	130,200,475	810,204,200
Non-derivative financial liabilities								
Borrowings from central bank	-	-	19,831	95,823	4,757,050	1,030,953	-	5,903,657
Deposits from banks and other financial institutions	-	1,384,562	24,102,312	32,794,886	28,930,071	1,345,726	-	88,557,557
Placements from banks and other financial institutions	-	-	4,518,771	5,001,383	3,311,915	-	-	12,832,069
Financial assets sold under repurchase agreements	-	-	30,004,304	14,639,886	526,562	-	-	45,170,752
Deposits from customers	-	200,432,516	25,881,451	71,481,900	128,814,821	51,288,668	8	477,899,364
Debt securities issued	-	-	17,543,256	7,663,632	5,928,511	957,000	6,276,000	38,368,399
Other financial liabilities	-	2,517,250	-	-	-	-	51,355	2,568,605
Total financial liabilities	-	204,334,328	102,069,925	131,677,510	172,268,930	54,622,347	6,327,363	671,300,403
Net position	71,358,676	(186,602,447)	13,446,508	(34,841,213)	18,884,558	132,784,603	123,873,112	138,903,797
Derivative Financial instruments								
Gross amount								
Total inflows	-	-	-	8,213	27,423	1,074,103	-	1,109,739
Total outflows	-	-	-	(8,213)	(27,423)	(1,074,103)	-	(1,109,739)
Net position	-	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

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

Off-balance sheet items

Off-balance sheet items of the Group include acceptances, undrawn credit card limits and others. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

	31 December 2016			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	12,322,869	–	–	12,322,869
Undrawn credit card limits	10,423,227	–	–	10,423,227
Letters of guarantee	242,069	5,671,823	8,040	5,921,932
Letters of credit issued	<u>826,456</u>	<u>24,414</u>	<u>–</u>	<u>850,870</u>
Total	<u>23,814,621</u>	<u>5,696,237</u>	<u>8,040</u>	<u>29,518,898</u>

	31 December 2015			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	13,104,634	–	–	13,104,634
Undrawn credit card limits	7,867,872	–	–	7,867,872
Letters of guarantee	2,696,679	1,857,486	8,040	4,562,205
Letters of credit issued	<u>143,920</u>	<u>196,254</u>	<u>–</u>	<u>340,174</u>
Total	<u>23,813,105</u>	<u>2,053,740</u>	<u>8,040</u>	<u>25,874,885</u>

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk

Market risk is the risk of loss, in respect of the Group's and the Bank's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from the proprietary business of the Group.

The Group considers the market risk arising from equity prices in respect of its trading and investment portfolios is immaterial.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and to a lesser extent in other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures.

The exchange rate of RMB to USD is under a managed floating exchange rate system. The exchange rate of RMB to USD has certain fluctuations over the past two years. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

	As at 31 December 2016				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	85,759,396	74,968	1,628	-	85,835,992
Deposits with banks and other financial institutions	34,299,241	182,233	85,593	15,692	34,582,759
Placements with banks and other financial institutions	109,865,967	2,705,430	-	-	112,571,397
Financial assets held for trading	3,511,939	-	-	-	3,511,939
Financial assets designated at fair value through profit or loss	1,009,400	-	-	-	1,009,400
Derivative financial assets	8,779	43,482	-	-	52,261
Financial assets held under resale agreements	3,699,871	-	-	-	3,699,871
Loans and advances to customers	285,726,617	2,243,096	-	146,698	288,116,411
Available-for-sale financial assets	90,141,757	-	-	-	90,141,757
Held-to-maturity investments	67,807,506	34,693	-	-	67,842,199
Debt securities classified as receivables	101,151,277	-	-	-	101,151,277
Other financial assets	5,513,833	9,257	-	211	5,523,301
Total financial assets	788,495,583	5,293,159	87,221	162,601	794,038,564
Borrowings from central bank	23,913,950	1,040,550	-	-	24,954,500
Deposits from banks and other financial institutions	104,282,386	139	-	-	104,282,525
Placements from banks and other financial institutions	18,189,987	2,433,985	-	131,522	20,755,494
Derivative financial liabilities	43,431	8,780	-	-	52,211
Financial assets sold under repurchase agreements	8,965,463	-	-	-	8,965,463
Deposits from customers	516,706,668	1,426,309	31,139	21,767	518,185,883
Debt securities issued	58,487,030	-	-	-	58,487,030
Other financial liabilities	6,666,260	21,579	-	27	6,687,866
Total financial liabilities	737,255,175	4,931,342	31,139	153,316	742,370,972
Net position	51,240,408	361,817	56,082	9,285	51,667,592
Notional amount of derivative financial instruments	-	4,367,846	-	-	4,367,846
Credit commitment	24,979,146	3,616,124	-	923,628	29,518,898

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

	As at 31 December 2015				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	78,417,982	63,689	18,607	-	78,500,278
Deposits with banks and other financial institutions	44,216,924	449,284	91,568	6,725	44,764,501
Placements with banks and other financial institutions	71,815,637	1,824,702	360,245	-	74,000,584
Financial assets held for trading	1,246,612	-	-	-	1,246,612
Financial assets designated at fair value through profit or loss	2,909,700	-	-	-	2,909,700
Derivative financial assets	-	1,510	-	-	1,510
Financial assets held under resale agreements	34,549,303	-	-	-	34,549,303
Loans and advances to customers	255,786,051	1,648,713	-	106,143	257,540,907
Available-for-sale financial assets	12,501,623	-	-	-	12,501,623
Held-to-maturity investments	63,649,584	-	-	-	63,649,584
Debt securities classified as receivables	133,076,127	-	-	-	133,076,127
Other financial assets	5,110,127	14,212	308	2,315	5,126,962
Total financial assets	703,279,670	4,002,110	470,728	115,183	707,867,691
Borrowings from central bank	4,745,000	974,040	-	-	5,719,040
Deposits from banks and other financial institutions	87,194,599	-	-	-	87,194,599
Placements from banks and other financial institutions	10,474,936	2,085,948	-	102,171	12,663,055
Derivative financial liabilities	-	1,510	-	-	1,510
Financial assets sold under repurchase agreements	44,899,172	-	-	-	44,899,172
Deposits from customers	469,239,507	536,964	450,117	1,605	470,228,193
Debt securities issued	34,846,782	-	-	-	34,846,782
Other financial liabilities	6,184,141	859,988	-	-	7,044,129
Total financial liabilities	657,584,137	4,458,450	450,117	103,776	662,596,480
Net position	45,695,533	(456,340)	20,611	11,407	45,271,211
Notional amount of derivative financial instruments	-	1,109,739	-	-	1,109,739
Credit commitment	22,160,706	1,230,842	1,675,560	807,777	25,874,885

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against USD by 5% on net profit.

	Increase/(Decrease) in Net profit	
	As at 31 December 2016	As at 31 December 2015
RMB5% appreciation	(13,568)	16,074
RMB5% depreciation	13,568	(16,074)

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

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

Interest rate risk

The interest rate risk of the Group arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities.

The Group manages its interest rate risk by:

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

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

	As at 31 December 2016						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	80,320,027	-	-	-	-	5,515,965	85,835,992
Deposits with banks and other financial institutions	12,643,561	7,407,000	14,338,200	-	-	193,998	34,582,759
Placements with banks and other financial institutions	67,097,125	32,797,416	12,676,856	-	-	-	112,571,397
Financial assets held for trading	101,829	496,323	1,740,586	882,673	290,528	-	3,511,939
Financial assets designated at fair value through profit or loss	50,200	959,200	-	-	-	-	1,009,400
Derivative financial assets	-	-	-	-	-	52,261	52,261
Financial assets held under resale agreements	700,000	2,599,866	400,005	-	-	-	3,699,871
Loans and advances to customers	195,373,176	17,407,545	71,177,723	3,498,175	659,792	-	288,116,411
Available-for-sale financial assets	30,819,291	35,989,095	22,350,598	599,859	206,723	176,191	90,141,757
Held-to-maturity investments	884,279	4,685,104	12,418,279	32,550,008	17,304,529	-	67,842,199
Debt securities classified as receivables	1,837,765	17,533,154	31,501,114	47,619,616	2,659,628	-	101,151,277
Other financial assets	-	-	-	-	-	5,523,301	5,523,301
Total financial assets	389,827,253	119,874,703	166,603,361	85,150,331	21,121,200	11,461,716	794,038,564
Borrowings from central bank	1,500,000	2,043,950	20,370,000	1,040,550	-	-	24,954,500
Deposits from banks and other financial institutions	37,546,740	35,850,000	30,536,341	349,444	-	-	104,282,525
Placements from banks and other financial institutions	10,617,394	5,118,100	5,020,000	-	-	-	20,755,494
Derivative financial liabilities	-	-	-	-	-	52,211	52,211
Financial assets sold under repurchase agreement	7,518,660	1,446,803	-	-	-	-	8,965,463
Deposits from customers	259,984,009	79,452,915	133,893,463	44,846,204	4	9,288	518,185,883
Debt securities issued	10,356,822	8,737,428	30,392,780	-	9,000,000	-	58,487,030
Other financial liabilities	-	-	-	-	42,180	6,645,686	6,687,866
Total financial liabilities	327,523,625	132,649,196	220,212,584	46,236,198	9,042,184	6,707,185	742,370,972
Interest rate risk gap	62,303,628	(12,774,493)	(53,609,223)	38,914,133	12,079,016	4,754,531	51,667,592

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

	As at 31 December 2015					Non-interest bearing	Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Cash and balances with central bank	74,115,470	-	-	-	-	4,384,808	78,500,278
Deposits with banks and other financial institutions	12,224,232	5,137,000	26,971,250	-	-	432,019	44,764,501
Placements with banks and other financial institutions	31,699,770	37,511,277	4,689,539	99,998	-	-	74,000,584
Financial assets held for trading	-	-	-	1,213,831	32,781	-	1,246,612
Financial assets designated at fair value through profit or loss	-	1,900,300	-	1,009,400	-	-	2,909,700
Derivative financial assets	-	-	-	-	-	1,510	1,510
Financial assets held under resale agreements	22,721,367	2,500,015	4,928,004	4,399,917	-	-	34,549,303
Loans and advances to customers	180,365,946	15,043,800	55,022,733	5,907,950	1,200,478	-	257,540,907
Available-for-sale financial assets	4,357,462	4,398,291	1,393,379	1,913,934	263,216	175,341	12,501,623
Held-to-maturity investments	570,746	2,699,355	5,072,207	33,808,391	21,498,885	-	63,649,584
Debt securities classified as receivables	35,654,251	13,600,045	41,635,766	40,367,694	1,818,371	-	133,076,127
Other financial assets	-	-	-	-	-	5,126,962	5,126,962
Total financial assets	361,709,244	82,790,083	139,712,878	88,721,115	24,813,731	10,120,640	707,867,691
Borrowings from central bank	-	70,000	4,675,000	974,040	-	-	5,719,040
Deposits from banks and other financial institutions	25,387,562	32,538,000	27,948,000	1,321,037	-	-	87,194,599
Placements from banks and other financial institutions	4,508,091	4,912,938	3,242,026	-	-	-	12,663,055
Derivative financial liabilities	-	-	-	-	-	1,510	1,510
Financial assets sold under repurchase agreement	29,904,492	14,485,580	509,100	-	-	-	44,899,172
Deposits from customers	225,281,738	69,539,988	126,629,764	48,768,411	8	8,284	470,228,193
Debt securities issued	17,330,239	7,212,366	5,304,177	-	5,000,000	-	34,846,782
Other financial liabilities	-	-	-	-	41,667	7,002,462	7,044,129
Total financial liabilities	302,412,122	128,758,872	168,308,067	51,063,488	5,041,675	7,012,256	662,596,480
Interest rate risk gap	59,297,122	(45,968,789)	(28,595,189)	37,657,627	19,772,056	3,108,384	45,271,211

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net profit and comprehensive income, based on the Group's position of interest-bearing assets and liabilities at the end of the reporting period.

	2016		2015	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income
+100 basis points	<u>1,765,262</u>	<u>63,611</u>	<u>1,388,316</u>	<u>59,327</u>
- 100 basis points	<u>(1,765,262)</u>	<u>(63,611)</u>	<u>(1,388,316)</u>	<u>(59,327)</u>

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products; therefore the impact of yield curves movement on interest expenses related to demand deposits has been excluded.

The sensitivity analysis on net profit is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate available-for-sale financial assets at end of the reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

The Group, based on regulatory requirement, conducts interest risk management in accordance with relevant regulations in Basel Accord.

This assumption does not represent the policy of fund-using and interest rate risk management of the Group. Therefore, the effect mentioned above may be different from actual situations.

Besides, the effect analysis of changes in interest rate mentioned above is a way of illustration, showing the estimated changes of net profit and other comprehensive income in cases of estimated yield and current interest risk of the Group. However, the risk management measures which may be adopted by management have not been taken into consideration in the analysis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(6) Capital management

The Group's and the Bank's objectives on capital management are to:

- safeguard the Group's and 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;
- support the Group's and the Bank's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of business.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Administrative Measures on the Capital of Commercial Banks (Trial). For systematically important banks, CBRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. During the reporting period, the Group is fully compliant with legal and regulatory requirements.

The risk-weighted assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee. The similar calculation is adopted for off-balance sheet exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardised approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculated the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements promulgated by the CBRC.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(6) Capital management (Continued)

	As at 31 December 2016	As at 31 December 2015
Core tier-one capital adequacy ratio	9.85%	9.88%
Tier-one capital adequacy ratio	9.86%	9.89%
Capital adequacy ratio	12.70%	12.09%
Components of capital base		
Core tier-one capital:		
Share capital	9,300,000	9,300,000
Valid portion of capital reserve	8,941,739	9,196,060
Surplus reserve and general reserve	18,054,103	15,815,262
Retained earnings	16,297,378	12,451,471
Valid portion of non-controlling interests	667,644	817,734
Total core tier-one capital	53,260,864	47,580,527
Deductions:		
Goodwill	(440,129)	(440,129)
Other intangible assets	(70,592)	(71,201)
Net core tier-one capital	52,750,143	47,069,197
Other tier-one capital:		
Non-controlling interests	46,894	27,228
Net tier-one capital	52,797,037	47,096,425
Tier-two capital		
Valid portion of tier-two capital instruments issued and related premium	9,000,000	5,000,000
Surplus provision for loan impairment	6,098,601	5,413,852
Valid portion of non-controlling interests	95,880	77,134
Net capital base	67,991,518	57,587,411
Risk-weighted assets		
Credit-risk-weighted assets	493,986,677	438,521,983
Market-risk-weighted assets	1,926,713	1,821,635
Operational risk-weighted assets	39,425,317	36,069,110

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(1) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements is observable and the significance of the inputs to the fair value measurement in its entirety, which is described below.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of the listed equity securities on exchanges. Where Level 1 inputs are not available, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates, own credit spread and counterparty credit spreads, as appropriate. If these parameters used in the model are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as Level 2.

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorised and determined (in particular, the valuation technique(s) and inputs used).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(1) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial liabilities	Nature of assets/liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
		31/12/2016	31/12/2015		
Financial assets held for trading	Debt securities issued by:				
	– Corporations	101,829	178,025	Level 2	See Note 1.
	– Public sector and quasi-governments	1,173,201	1,068,587		
	– Interbank deposit certificates	2,236,909	–		
Financial assets designated at fair value through profit or loss	Unlisted debt instruments issued by financial institutions	1,009,400	2,909,700	Level 3	Based on fair value of underlying assets, mainly comprising bonds and money market financial instruments traded in the China Domestic Interbank Bond Market
Derivatives	Assets	52,261	–	Level 2	Discounted cash flows. Future cash flows are estimated based on foreign currency forward rates (from observable yield curves at the end of the reporting period), discounted at a rate that reflects the credit risk of various counterparties.
	Liabilities	52,211	–		
	Assets	–	1,510	Level 3	Discounted cash flows. Future cash flows are estimated based on foreign currency forward rates (from observable yield curves at the end of the reporting period), which have been amended, discounted at a rate that reflects the credit risk of various counterparties.
	Liabilities	–	1,510		
Available-for-sale financial assets	Listed equity securities issued by: – Financial institutions	62,628	61,778	Level 2	Based on observable H-share market price and adjusted for the lack of marketability.
	Debt securities issued by:				
	– Corporations	1,546,906	12,184,264	Level 2	See Note 1.
	– Financial institutions	–	142,018		
	– Trust and asset management plans	10,094,571	–	Level 3	Discounted cash flows. Future cash flows are estimated and discounted using yield curve for similar quoted wealth management products issued by financial institutions.
– WMPs issued by other financial institutions	78,324,089	–			

Note 1: The debt securities traded on China Domestic Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository And Clearing Co., Ltd. (CCDCC), and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

There were no significant transfers between all levels during the year of 2016 and 2015.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(2) Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy

	2016			
	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Derivative financial assets	Derivative financial Liabilities
As at 1 January 2016	2,909,700	–	1,510	1,510
Total gain or loss:				
In profit or loss	111,303	832,842	–	–
In other comprehensive income	–	–	–	–
Purchases	–	215,913,665	–	–
Sales and settlements	(1,900,300)	(127,495,005)	(1,510)	(1,510)
Transfer in	–	–	–	–
As at 31 December 2016	1,009,400	88,418,660	–	–
Change in realised gain or loss for the period included in profit or loss				
– Income from investment	111,303	832,842	–	–

	2015			
	Financial assets designated at fair value through profit or loss	Financial liabilities designated at fair value through profit or loss	Derivative financial assets	Derivative financial Liabilities
As at 1 January 2015	16,821,846	500,000	–	–
Total gain or loss:				
In profit or loss	599,656	–	–	–
In other comprehensive income	–	–	–	–
Purchases	–	–	1,510	1,510
Sales and settlements	(13,912,146)	(500,000)	–	–
Transfer in	–	–	–	–
As at 31 December 2015	2,909,700	–	1,510	1,510
Change in realised gain or loss for the period included in profit or loss				
– Income from investment	599,656	–	–	–

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(3) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements are not included in the tables below.

	As at 31 December 2016		As at 31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	288,116,411	288,326,579	257,540,907	257,951,517
Held-to-maturity investments	67,842,199	68,728,093	63,649,584	66,654,325
Debt securities classified as receivables	101,151,277	102,219,970	133,076,127	135,731,969
Financial assets held under resale agreements	<u>3,699,871</u>	<u>3,708,777</u>	<u>34,549,303</u>	<u>34,691,759</u>
Total	<u>460,809,758</u>	<u>462,983,419</u>	<u>488,815,921</u>	<u>495,029,570</u>
Financial liabilities				
Deposits from customers	518,185,883	522,951,499	470,228,193	476,822,704
Debt securities issued	<u>58,487,030</u>	<u>57,402,838</u>	<u>34,846,782</u>	<u>35,691,446</u>
Total	<u>576,672,913</u>	<u>580,354,337</u>	<u>505,074,975</u>	<u>512,514,150</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(3) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

The following table gives the information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities		Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
		31/12/2016	31/12/2015		
Loans and advances to customers		288,326,579	257,951,517	Level 3	Discounted cash flows. Future cash flows are estimated and discounted using the yield curve with reference to the PBOC benchmark interest rates and credit spread for specific borrowers.
Held-to-maturity investments		68,728,093	66,654,325	Level 2	With regard of RMB bonds provided by CCDCC, the interest rate yield curve of the relevant bonds is the key parameter of measurement of the fair value. While the fair value of foreign currency bonds is determined by the results of valuation from Bloomberg.
Debt securities classified as receivables	Debt securities issued by financial institution and corporations	26,805,071	22,416,254	Level 2	See Note 1
	Government bonds	3,717,126	1,098,614	Level 2	See Note 1
	Debt instruments issued by financial institutions	29,622,690	37,063,447	Level 3	Discounted cash flows. Future cash flows are estimated based on expected contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
	– Trust and asset management plans – WMPs issued by other banks	42,075,083	75,153,655		
Financial assets held under resale agreements	Collateral type as: – Bills and trust beneficial rights and asset management plans	3,708,777	34,691,759	Level 3	Discounted cash flows. Future cash flows that are estimated based on contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
Deposits from customers		522,951,499	476,822,704	Level 3	Discounted cash flows. Future cash flows are estimated based on contractual amounts and discounted at a rate with reference to the PBOC benchmark interest rates for deposits of similar remaining maturities.
Debt securities issued		57,402,838	35,691,446	Level 2	See Note 1

Note 1: The debt securities traded on China Domestic Interbank Bond Market are classified into Level 2. Their fair values are provided by CCDCC and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

There were no significant transfers between levels during the year 2016 and 2015.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

54. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK

	<i>NOTE</i>	As at 31 December 2016	As at 31 December 2015
Assets			
Cash and balances with central bank		85,581,955	78,286,279
Deposits with banks and other financial institutions		33,496,799	44,371,409
Placements with banks and other financial institutions		114,401,397	75,080,584
Financial assets held for trading		3,511,939	1,246,612
Financial assets designated at fair value through profit or loss		1,009,400	2,909,700
Derivative financial assets		52,261	1,510
Financial assets held under resale agreements		3,699,871	34,549,303
Loans and advances to customers		270,460,467	243,974,065
Available-for-sale financial assets		90,091,757	11,900,771
Held-to-maturity investments		67,842,199	63,649,584
Debt securities classified as receivables		100,763,908	132,592,079
Investment in subsidiaries	26	2,645,000	2,465,000
Property and equipment		5,015,109	5,090,234
Deferred tax assets		2,680,359	2,495,908
Goodwill		440,129	440,129
Other assets		5,992,446	5,717,767
		<u>787,684,996</u>	<u>704,770,934</u>
Total Assets		<u>787,684,996</u>	<u>704,770,934</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

54. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

	NOTE	As at 31 December 2016	As at 31 December 2015
Liabilities			
Borrowings from central bank		24,740,550	5,374,040
Deposits from banks and other financial institutions		104,706,136	86,700,901
Placements from banks and other financial institutions		10,565,494	6,698,055
Derivative financial liabilities		52,211	1,510
Financial assets sold under repurchase agreements		8,965,463	44,899,172
Deposits from customers		516,104,429	467,637,061
Accrued staff costs		4,566,161	3,955,457
Corporate income tax payable		708,619	898,567
Debt securities issued		58,487,030	34,846,782
Other liabilities		6,373,029	7,050,137
Total liabilities		<u>735,269,122</u>	<u>658,061,682</u>
Equity			
Share capital	40	9,300,000	9,300,000
Capital reserve	41	9,201,954	9,201,954
Investment revaluation reserve	42	53,219	105,835
Actuarial changes reserve		(313,434)	(111,729)
Surplus reserve	43	8,580,210	7,798,116
General reserve	44	9,345,040	7,946,259
Retained earnings	45	16,248,885	12,468,817
Total equity		<u>52,415,874</u>	<u>46,709,252</u>
Total liabilities and equity		<u>787,684,996</u>	<u>704,770,934</u>

Approved and authorised for issue by the Board of Directors on 17 March 2017.

LIU JIANZHONG

CHAIRMAN

XIE WENHUI

EXECUTIVE DIRECTOR
AND PRESIDENT

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

54. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

(1) Reserve movement of the Bank

	2016					
	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2016	9,201,954	105,835	(111,729)	7,798,116	7,946,259	12,468,817
Profit for the year	-	-	-	-	-	7,820,943
Other comprehensive income	-	(52,616)	(201,705)	-	-	-
Total comprehensive income for the year	-	(52,616)	(201,705)	-	-	7,820,943
Appropriation to surplus reserve	-	-	-	782,094	-	(782,094)
Appropriation to general reserve	-	-	-	-	1,398,781	(1,398,781)
Dividend distribution	-	-	-	-	-	(1,860,000)
As at 31 December 2016	<u>9,201,954</u>	<u>53,219</u>	<u>(313,434)</u>	<u>8,580,210</u>	<u>9,345,040</u>	<u>16,248,885</u>
	2015					
	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2015	9,201,954	36,718	(16,157)	7,079,309	6,371,219	9,434,595
Profit for the year	-	-	-	-	-	7,188,069
Other comprehensive income	-	69,117	(95,572)	-	-	-
Total comprehensive income for the year	-	69,117	(95,572)	-	-	7,188,069
Appropriation to surplus reserve	-	-	-	718,807	-	(718,807)
Appropriation to general reserve	-	-	-	-	1,575,040	(1,575,040)
Dividend distribution	-	-	-	-	-	(1,860,000)
As at 31 December 2015	<u>9,201,954</u>	<u>105,835</u>	<u>(111,729)</u>	<u>7,798,116</u>	<u>7,946,259</u>	<u>12,468,817</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

55. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

- (1) According to section 383 of the Hong Kong Companies Ordinance, the emoluments and retirement benefits of directors are disclosed in Note 10, payments or benefits in respect of termination of directors' services, material interests of directors in transactions, arrangements or contracts entered into by the Bank or another company in the same group of companies, and consideration provided to or receivable by third parties for making available the services of a person as a director or in any other capacity is not material during the year 2016 (2015: not material).
- (2) Loans and credit transactions provided to certain controlled body corporates and connected entities of directors and supervisors

Name of the borrower	As at 31 December 2015	As at 31 December 2016	Maximum outstanding during the year 2016	Amounts fallen due but not been paid	Provisions as at 31 December 2016	Term	Interest Rate (%)	Security
Connected entities	4,247,000	3,088,800	4,189,000	-	96,371	1-10 Years	5.32-5.48	Guarantee, certificates of deposit, construction in process, real estate

56. EVENTS AFTER THE REPORTING PERIOD

- (1) On 17 March 2017, the Board of Directors proposed the profit distribution plan for the year 2016, as disclosed in Note 14 "Dividends", Note 43 "Surplus reserve", and Note 44 "General reserves". This plan is subject to the shareholders' approval in the forthcoming annual general meeting.
- (2) On 17 March 2017, the Board of Directors approved the proposals of private offering of no more than 700 million ordinary shares; the issuance of no more than RMB10 billion financial bonds; and the establishment of a direct banking subsidiary for the Bank.

Besides the items mentioned above, the Group and the Bank have no significant events after the reporting period.

Unaudited Supplemental Financial Information

For the year ended 31 December 2016

(Amounts in millions of Renminbi, unless otherwise stated)

LIQUIDITY RATIOS

THE GROUP

	As at 31 December 2016	As at 31 December 2015
RMB current assets to RMB current liabilities	37.63	32.83
Foreign currencies current assets to foreign currencies current liabilities	<u>110.29</u>	<u>40.58</u>

LIQUIDITY COVERAGE RATIO

THE GROUP

	As at 31 December 2016	As at 31 December 2015
Qualified and high-quality current assets	47,566.9	22,318.8
Net cash outflows in next 30 days	35,396.9	24,787.3
Liquidity coverage (%)	<u>134.38</u>	<u>90.04</u>

CORE DEBT RATIO

THE BANK

	As at 31 December 2016	As at 31 December 2015
Core debt ratio (%)	<u>60.38</u>	<u>61.40</u>

The liquidity ratio, liquidity coverage ratio and core debt ratio are calculated based on the formula set by CBRC.

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2016

(Amounts in millions of Renminbi, unless otherwise stated)

CURRENCY CONCENTRATIONS

THE GROUP

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2016				
Spot assets	5,260.6	214.8	173.5	5,648.9
Spot liabilities	(5,023.4)	(31.1)	(170.9)	(5,225.4)
Forward purchases	2,183.9	–	–	2,183.9
Forward sales	(2,183.9)	–	–	(2,183.9)
Net position	<u>237.2</u>	<u>183.7</u>	<u>2.6</u>	<u>423.5</u>
As at 31 December 2015				
Spot assets	4,547.9	606.0	119.8	5,273.7
Spot liabilities	(4,352.9)	(450.1)	(116.8)	(4,919.8)
Forward purchases	554.9	–	–	554.9
Forward sales	(554.9)	–	–	(554.9)
Net position	<u>195.0</u>	<u>155.9</u>	<u>3.0</u>	<u>353.9</u>

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2016

(Amounts in millions of Renminbi, unless otherwise stated)

INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and the Group's international claims are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions and loans and advances to customers.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. 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.

	Banks and other financial institutions	Non-bank private sector	Total
As at 31 December 2016			
Asia Pacific (excluding Mainland China)	2,942.3	2,478.3	5,420.6
– of which attributed to Hong Kong	68.7	–	68.7
North America	105.1	–	105.1
Europe	18.1	–	18.1
Total	<u>3,065.5</u>	<u>2,478.3</u>	<u>5,543.8</u>
As at 31 December 2015			
Asia Pacific (excluding Mainland China)	2,479.6	1,832.1	4,311.7
– of which attributed to Hong Kong	106.6	–	106.6
North America	320.4	–	320.4
Europe	14.8	–	14.8
Total	<u>2,814.8</u>	<u>1,832.1</u>	<u>4,646.9</u>

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2016

(Amounts in millions of Renminbi, unless otherwise stated)

SUMMARY OF INFORMATION ON GEOGRAPHICAL SEGMENTS

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

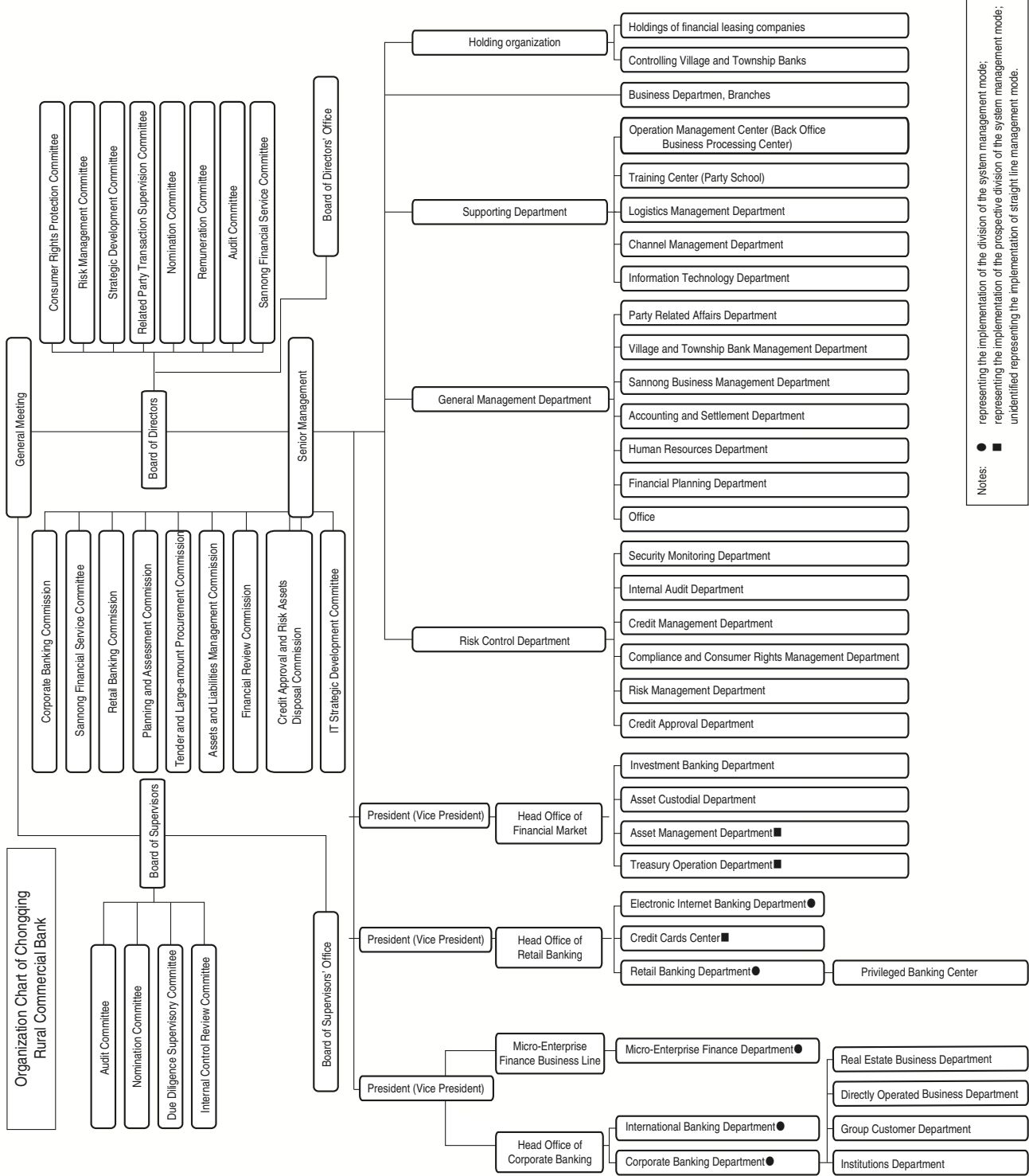
	For the year ended 31 December 2016			For the year ended 31 December 2015		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	3,793.3	15,611.4	19,404.7	4,119.7	16,046.8	20,166.5
Net fee and commission income	1,046.3	1,072.1	2,118.4	617.4	877.5	1,494.9
Net trading (loss)/gains	–	(15.6)	(15.6)	–	19.8	19.8
Other operating income, net	73.4	80.8	154.2	132.8	75.0	207.8
Total operating income	4,913.0	16,748.7	21,661.7	4,869.9	17,019.1	21,889.0
Internal transfer of income and expense	5,715.9	(5,715.9)	–	6,156.7	(6,156.7)	–
Income after adjustment	10,628.9	11,032.8	21,661.7	11,026.6	10,862.4	21,889.0

- (1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of the twelve village and township banking subsidiaries and the information of Qujing Branch.

SUMMARY OF GEOGRAPHICAL SEGMENT

(Expressed in percentage)	As at 31 December									
	2016		2015		2014		2013		2012	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Deposits	67.54	32.46	66.52	33.48	66.30	33.70	68.01	31.99	67.48	32.52
Loans	46.98	53.02	47.87	52.13	50.18	49.82	52.60	47.40	48.28	51.72
Assets	48.59	51.41	46.73	53.27	44.86	55.14	47.77	52.23	46.33	53.67
Loan-deposit ratio	40.33	94.70	41.10	88.95	44.74	87.40	45.63	87.43	42.16	93.74
Return on average total assets	1.04	1.07	1.06	1.10	1.20	1.23	1.29	1.28	1.43	1.34
Net fee and commission income to operating income	9.84	9.72	5.60	8.08	4.18	6.62	2.90	5.57	2.86	3.55
Cost-to-income ratio	37.51	34.46	35.35	34.01	41.27	35.17	41.46	33.47	40.46	34.73

Organization Chart



Notes:
 ● representing the implementation of the division of the system management mode;
 ■ representing the implementation of the prospective division of the system management mode;
 □ unidentifying representing the implementation of straight line management mode.

Branches and Subsidiaries

Branches

Qujing Branch

Address: Block 2 and 3, "Renhe Garden,
Yunding Town Center" Dahua Bridge,
Qilin West Road, Qilin District, Qujing
City, Yunnan Province, China

Postal Code: 655000

Tel: 0874-3193599

Fax: 0874-3193565

Liangjiang Branch

Address: No. 21, 23, 25 Jintong Road, New
North Zone, Chongqing City, China

Postal Code: 401122

Tel: 023-88502278

Fax: 023-88502276

Wanzhou Branch

Address: No. 99 Taibai Road, Wanzhou District,
Chongqing City, China

Postal Code: 404100

Tel: 023-58156268

Fax: 023-58156260

Sub-branches

Yuzhong Branch

Address: No. 142 Xinhua Road, Yuzhong District,
Chongqing City, China

Postal Code: 400011

Tel: 023-63702177

Fax: 023-63716557

Jiangbei Branch

Address: 8-1, No. 7, Buxing Street, Guanyin
Bridge, Jiangbei District, Chongqing
City, China

Postal Code: 400020

Tel: 023-67721582

Fax: 023-67723755

Shapingba Branch

Address: No. 118 Xiaoyanggong Bridge,
Shapingba District, Chongqing City,
China

Postal Code: 400030

Tel: 023-65330998

Fax: 023-65332566

Xiyong Branch

Address: No. 28 Xiyong Avenue, Shapingba
District, Chongqing City, China

Postal Code: 401333

Tel: 023-65518880

Fax: 023-65518880

Dadukou Branch

Address: 13/F, Block A, Tianchenhuafu, Chunhui
Road Street, Dadukou District,
Chongqing City, China

Postal Code: 400084

Tel: 023-68917939

Fax: 023-68901484

Nan'an Branch

Address: No. 24 Jiangnan Avenue, Nanping,
Nan'an District, Chongqing City, China

Postal Code: 400060

Tel: 023-62947564

Fax: 023-62947517

Jiulongpo Branch

Address: No. 2 Xijiao Road, Yang Jia Ping,
Jiulongpo District, Chongqing City,
China

Postal Code: 400050

Tel: 023-86105779

Fax: 023-68437557

Branches and Subsidiaries

Beibei District

Address: No. 20 Beixia West Road, Beibei,
District, Chongqing City, China
Postal Code: 400700
Tel: 023-68864083
Fax: 023-68862728

Yubei Branch

Address: 1-1, Block 1, No. 91 Shuanglong
Avenue, Shuanglonghu Street, Yubei
District, Chongqing City, China
Postal Code: 401120
Tel: 023-67813712
Fax: 023-67813711

Ba'nan Branch

Address: No. 145 Longzhou Avenue, Ba'nan
District, Chongqing City, China
Postal Code: 401320
Tel: 023-66212977
Fax: 023-66222960

Wansheng Branch

Address: No. 36 Wandong North Road,
Wansheng District, Chongqing City,
China
Postal Code: 400800
Tel: 023-48299505
Fax: 023-48299504

Shuangqiao Branch

Address: Fu No.6, No. 2 Shuangbei Road,
Shuangqiao Economic and
Development Zone, Chongqing City,
China
Postal Code: 400900
Tel: 023-43336060
Fax: 023-43336060

Fuling Branch

Address: Block 1, Hongfu Building No. 55
Xinghua Middle Road, Fuling District,
Chongqing City, China
Postal Code: 408000
Tel: 023-72229797
Fax: 023-72237722

Changshou Branch

Address: No. 13 Xiangyang Road, Fengcheng
Street Office, Changshou District,
Chongqing City, China
Postal Code: 401220
Tel: 023-40245293
Fax: 023-40258075

Jiangjin Branch

Address: Block E, Jinhui Garden, Binjiang West
Road, Jijiang Street Office, Jiangjin
District, Chongqing City, China
Postal Code: 402260
Tel: 023-47538041
Fax: 023-47522632

Hechuan Branch

Address: No. 2 Jiuchang Road, Hechuan District,
Chongqing City, China
Postal Code: 401520
Tel: 023-42835168
Fax: 023-42841214

Yongchuan Branch

Address: No. 399, Honghe Middle Road,
Yongchuan District, Chongqing City,
China
Postal Code: 402160
Tel: 023-49863765
Fax: 023-49885099

Nanchuan Branch

Address: No. 28 Jinpo Avenue, Nanchuan
District, Chongqing City, China
Postal Code: 408400
Tel: 023-71423626
Fax: 023-71429898

Qijiang Branch

Address: No. 34 Jiulong Avenue, Wenlong
Street, Qijiang District, Chongqing
City, China
Postal Code: 401420
Tel: 023-48663010
Fax: 023-48658598

Tongnan Branch

Address: No. 4, Xingtong Avenue, Guilin Street Office, Tongnan County, Chongqing City, China

Postal Code: 402660

Tel: 023-44553817

Fax: 023-44554249

Tongliang Branch

Address: No. 102 Zhongxing Road, Bachuan Street, Tongliang County, Chongqing City, China

Postal Code: 402560

Tel: 023-45689247

Fax: 023-45682975

Dazu Branch

Address: Fu No. 2 No.390 Wuxing Avenue, Tangxiang Street Office, Dazu County, Chongqing City, China

Postal Code: 402360

Tel: 023-43789737

Fax: 023-43722323

Rongchang Branch

Address: No. 106 Haitang Avenue, Changzhou Street Office, Rongchang County, Chongqing City, China

Postal Code: 402460

Tel: 023-46730454

Fax: 023-46739122

Bishan Branch

Address: No. 4 Bitong Road, Bicheng Street Office, Bishan County, Chongqing City, China

Postal Code: 402760

Tel: 023-41401133

Fax: 023-41427834

Liangping Branch

Address: No. 1, Block 26, Minghao Commercial Area, Liangshan Town, Liangping County, Chongqing City, China

Postal Code: 405200

Tel: 023-53223401

Fax: 023-53223401

Chengkou Branch

Address: No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City, China

Postal Code: 405900

Tel: 023-59221503

Fax: 023-59221093

Fengdu Branch

Address: No. 187 2nd Shangye Road, Sanhe Town, Fengdu County, Chongqing City, China

Postal Code: 408200

Tel: 023-70736444

Fax: 023-70736533

Dianjiang Branch

Address: No. 12 Renmin East Road, Guixi Town, Dianjiang County, Chongqing City, China

Postal Code: 408300

Tel: 023-74511543

Fax: 023-74685719

Zhong County Branch

Address: No. 49 Ba Wang Road, Zhongzhou Town, Zhong County, Chongqing City, China

Postal Code: 404300

Tel: 023-54243943

Fax: 023-54243942

Kai County Branch

Address: (Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kai County, Chongqing City, China

Postal Code: 405400

Tel: 023-52250701

Fax: 023-52250853

Yunyang Branch

Address: No. 1335 Yunjiang Avenue, Shuangjiang Town, Yunyang County, Chongqing City, China

Postal Code: 404500

Tel: 023-55161488

Fax: 023-55161499

Branches and Subsidiaries

Fengjie Branch

Address: No. 32 Gongping Lane, Yufujie Road,
Fengjie County, Chongqing City,
China

Postal Code: 404600

Tel: 023-56560397

Fax: 023-56560229

Wushan Branch

Address: No. 258 Guangdong East Road,
Wushan County, Chongqing City,
China

Postal Code: 404700

Tel: 023-57680904

Fax: 023-57680901

Wuxi Branch

Address: Unit 1-1, No.7 Yanghe Garden, No.25,
Binhe Zhilu, Boyang Street, Wuxi
County, Chongqing City, China

Postal Code: 405800

Tel: 023-51520567

Fax: 023-51520766

Qianjiang Branch

Address: No. 599 Jiefang Road, Qianjiang
District, Chongqing City, China

Postal Code: 409000

Tel: 023-79237426

Fax: 023-79236496

Shizhu Branch

Address: No. 41 Xinkai Road, Nanbin Town,
Shizhu Tujia Autonomous County,
Chongqing City, China

Postal Code: 409100

Tel: 023-73332466

Fax: 023-73337976

Wulong Branch

Address: No. 36 Furong Middle Road, Xiangkou
Town, Wulong County, Chongqing
City, China

Postal Code: 408500

Tel: 023-77723233

Fax: 023-77722595

Xiushan Branch

Address: Shizi Street, Yuxiu Avenue, Zhonghe
Town, Xiushan Tujia and Miao
Autonomous County, Chongqing City,
China

Postal Code: 409900

Tel: 023-76664159

Fax: 023-76671163

Youyang Branch Co., Ltd.

Address: No. 5, Taohuayuan Middle Road,
Taohuayuan Town, Youyang Tujia and
Miao Autonomous County, Chongqing
City, China

Postal Code: 409800

Tel: 023-75532959

Fax: 023-75552534

Pengshui Branch

Address: Fu No. 4, 2 Shizui Street, Hanjia Street,
Pengshui Miao and Tujia Autonomous
County, Chongqing City, China

Postal Code: 409600

Tel: 023-78492863

Fax: 023-78849965

Xuanwei Branch

Address: No. 1-104, 1st Floor, Xintiandi
International Furniture Expo Centre,
Wenhua Road, Xuanwei City Yunnan
Province, China

Postal Code: 655400

Tel: 0874-7147111

Fax: 0874-7147111

Qujing Qilin Branch

Address: Block B, Qinlin Jiacheng Three, Yintun
Road East, Qilin District, Qujing City,
Yunnan Province, China

Postal Code: 655000

Tel: 0874-3193599

Fax: 0874-3193565

Village and Township Banks

Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.

(江蘇張家港渝農商村鎮銀行股份有限公司)
Address: No. 487 and 489 Chang'an Road,
Zhangjiagang City, Jiangsu Province
Postal Code: 215600
Tel: 0512-58918959
Fax: 0512-58918969

Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.

(四川大竹渝農商村鎮銀行股份有限公司)
Address: Block H8/9, Huangge Commercial
Plaza, Xinhua Road East, Zhuyang
Town, Dazhu County, Sichuan
Province
Postal Code: 635100
Tel: 0818-6256123
Fax: 0818-6256616

Yunnan Dali CQRC Village and Township Bank Co., Ltd.

(雲南大理渝農商村鎮銀行有限責任公司)
Address: No. 176 Yangbi Road, Economic
Development Zone, Dali Prefecture,
Yunnan Province
Postal Code: 671000
Tel: 0872-2188319
Fax: 0872-2188667

Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.

(雲南祥雲渝農商村鎮銀行有限責任公司)
Address: No. 16, Block 11, "Xiangyun Yinxiang
Garden", Wenyuan Road north side,
Xiangcheng Town, Xiangyun County,
Dali Prefecture, Yunnan Province
Postal Code: 672100
Tel: 0872-3997552
Fax: 0872-3122977

Yunnan Heqing CQRC Village and Township Bank Co., Ltd.

(雲南鶴慶渝農商村鎮銀行有限責任公司)
Address: 15 Xinghe Road, Yunhe Town, Hexing
County, Dali Prefecture, Yunnan
Province
Postal Code: 671500
Tel: 0872-4125480
Fax: 0872-4123500

Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.

(廣西鹿寨渝農商村鎮銀行有限責任公司)
Address: 8 Guiyuan Road, Nanxin District,
Luzhai County, Liuzhou City, Guangxi
Province
Postal Code: 545600
Tel: 0772-6822818
Fax: 0772-6663029

Fujian Shaxian CQRC Village and Township Bank Co., Ltd.

(福建沙縣渝農商村鎮銀行有限責任公司)
Address: Floor 1 & 2, North Tower of Yongshun
Building, Xincheng Central Road, Sha
County, Sanming City, Fujian Province
Postal Code: 365500
Tel: 0598-5758880
Fax: 0598-5758880

Fujian Fuan CQRC Village and Township Bank Co., Ltd.

(福建福安渝農商村鎮銀行有限責任公司)
Address: 1 Guanhang Road, Cheng Bei, Fu'an
City, Fujian Province
Postal Code: 355000
Tel: 0593-8988916
Fax: 0593-8988920

Branches and Subsidiaries

Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.

(雲南香格里拉渝農商村鎮銀行有限責任公司)

Address: 3AS-1-1, No. 7 Huajun Plaza,
Changzheng Da Road, Xianggelila
County, Yunnan Province

Postal Code: 674400

Tel: 0887-8980066

Fax: 0887-8989811

Fujian Shi Shi CQRC Village and Township Bank Co., Ltd.

(福建石獅渝農商村鎮銀行有限責任公司)

Address: No. 2454、2456、2458、Hong Xing
International Building, Baqi Road,
Shishi City, Fujian Province

Postal Code: 362700

Tel: 0595-82269866

Fax: 0595-82268858

Fujian Pingtan CQRC Village and Township Bank Co., Ltd.

(福建平潭渝農商村鎮銀行有限責任公司)

Address: A3-A6, 19th Pai, Kangde Huayuan
Villa, Tancheng Town, Pingtan
County, Fujian Province

Postal Code: 350400

Tel: 0591-86175991

Fax: 0591-86175991

Yunnan Xishan CQRC Village and Township Bank Co., Ltd.

(雲南西山渝農商村鎮銀行有限責任公司)

Address: No. 924, 926, 928 Dianchi Road,
Kunming City, Yunnan

Postal Code: 671000

Tel: 0871-68183750

Fax: 0871-68183750

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

Bank or our Bank	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
Banking Regulatory Commission Chongqing Bureau	China Banking Regulatory Commission Chongqing Regulatory Bureau (中國銀行業監督管理委員會重慶監管局)
CBRC	China Banking Regulatory Commission (中國銀行業監督管理委員會)
Board of Directors of the Bank or the Board	The board of directors of the Bank
Board of Supervisors	the board of supervisors of the Bank
County Area	the regions other than Urban Area of Chongqing City, including 29 districts and counties
Articles of Association	Articles of Association of Chongqing Rural Commercial Bank Co., Ltd.*, as amended from time to time
Domestic Shares	the ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each
Group	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) and its subsidiaries
RMB or Renminbi	Renminbi, the lawful currency of the PRC
Yuan	RMB yuan
HKD or HK\$ or HK dollars	Hong Kong dollars, the lawful currency of Hong Kong
PRC or China	the People's Republic of China
Hong Kong	Hong Kong Special Administrative Region, the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
Two Highs and One Surplus Industry	indicates with high pollution, high energy consumption and excess capacity

Definitions

Listing	the listing of H shares on the Main Board of the Hong Kong Stock Exchange
rural commercial bank	a short-hand reference to rural and commercial bank (農村商業銀行)
Sannong	a short-hand reference to the Chinese pronunciation of the phrase “agriculture, rural areas and farmers”
three-transformation	the strategy for future development of the Bank, that is, characteristic operation, streamlining the management and fostering good corporate culture
village and township banks	bank institutions that are approved by CBRC (中國銀監會) to be incorporated in rural areas to provide services to local farmers or enterprises
Five Major Functional Regions	the third meeting of the fourth session of Chongqing Committee of the Chinese Communist Party (中共重慶市委四屆三次全會) studied and planned the functional regions of Chongqing City and the reforms of administrative systems by considering factors such as population, resources, environment, economy, society and culture. Chongqing City will be divided into five functional regions, e.g. urban function core region (都市功能核心區), urban function expanding region (都市功能拓展區), urban development new region (城市發展新區), North of Yudong ecological conservation development region (渝東北生態涵養發展區) and South of Yudong ecological protection region (渝東南生態保護發展區).
“One Belt and One Road”	Silk Road Economic Belt and the 21th Century Maritime Silk Road
ETC	Electronic Toll Collection System
Shareholder(s)	Shareholder(s) of the Bank
IFRSs	International Financial Reporting Standards
Central bank	the People’s Bank of China



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