



**重庆银行**  
BANK OF CHONGQING

**BANK OF CHONGQING CO., LTD.\***

**重慶銀行股份有限公司\***

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

*(Stock Code : 1963)*



*2016 ANNUAL REPORT*

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

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# Corporate Information

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## Legal Name and Abbreviation in Chinese

重慶銀行股份有限公司(Abbreviation: 重慶銀行)

## Name in English

Bank of Chongqing Co., Ltd.

## Legal Representative

GAN Weimin

## Authorized Representatives

GAN Weimin

ZHOU Wenfeng (resigned on March 21, 2017)

WONG Wah Sing (appointed on March 21, 2017)

## Acting Secretary to the Board

ZHOU Wenfeng (resigned on March 21, 2017)

WONG Wah Sing (appointed on March 21, 2017)

## Joint Company Secretaries

ZHOU Wenfeng (resigned on March 21, 2017)

WONG Wah Sing (appointed on March 21, 2017)

HO Wing Tsz Wendy

## Registered Address and Postal code

No. 153 Zourong Road, Yuzhong District,

Chongqing, the PRC

400010

## Principal Place of Business in Hong Kong

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

## Corporate Website

<http://www.cqcbank.com>

## E-mail

[ir@bankofchongqing.com](mailto:ir@bankofchongqing.com)

## Listing Exchange of H Shares

The Stock Exchange of Hong Kong Limited

## Stock Name and Stock Code

Stock name: BCQ

Stock code: 1963

## Date and Registration Authority of Initial Incorporation

September 2, 1996

Administration for Industry and  
Commerce of Chongqing, the PRC

## Unified Social Credit Code of Business License

91500000202869177Y

## Financial License Registration Number

B0206H250000001

## Auditors

International: *PricewaterhouseCoopers*

22/F, Prince's Building, Central,  
Hong Kong

Domestic: *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

Chongqing Jingsheng Law Firm

## Legal Advisor as to Hong Kong Laws

Sullivan & Cromwell (Hong Kong) LLP

## H Share Registrar

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

## Domestic Share Registrar

China Securities Depository and Clearing Co., Ltd.  
No. 17 Taipingqiao Avenue, Xicheng District,  
Beijing, the PRC

# Financial Highlights

In respect to the financial statements of the Bank prepared under the PRC GAAP (China Accounting Standards) and those under the International Financial Reporting Standards (the “IFRSs”), there is no difference for the net profit attributable to shareholders of the Bank for the year ended December 31, 2016 (the “Reporting Period”).

## 2.1 Financial Data

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,					
	2016	2015	Year-on-year change between 2016 and 2015	2014	2013	2012
<b>OPERATING RESULTS</b>			<b>Change (%)</b>			
Interest income	16,226,274	15,507,610	4.6	13,236,153	10,467,150	8,308,816
Interest expense	(8,548,876)	(8,505,537)	0.5	(7,004,455)	(5,288,532)	(4,159,185)
Net interest income	7,677,398	7,002,073	9.6	6,231,698	5,178,618	4,149,631
Net fee and commission income	1,926,017	1,512,053	27.4	908,846	644,581	368,046
Other operating income, net trading gains/(losses) and net gains/ (losses) on investment securities	(381)	78,455	(100.5)	342,566	51,301	139,619
Operating income	9,603,034	8,592,581	11.8	7,483,110	5,874,500	4,657,296
Operating expenses	(2,537,298)	(3,190,171)	(20.5)	(2,805,275)	(2,282,772)	(1,900,021)
Impairment losses	(2,411,134)	(1,135,300)	112.4	(889,566)	(535,718)	(241,054)
Operating profit	4,654,602	4,267,110	9.1	3,788,269	3,056,010	2,516,221
Share of profit of associates	3,910	2,809	39.2	2,035	1,435	1,162
Profit before income tax	4,658,512	4,269,919	9.1	3,790,304	3,057,445	2,517,383
Income tax	(1,156,345)	(1,099,858)	5.1	(963,161)	(728,179)	(592,578)
Net profit	3,502,167	3,170,061	10.5	2,827,143	2,329,266	1,924,805
Net profit attributable to shareholders of the Bank	3,502,167	3,170,061	10.5	2,827,143	2,329,266	1,924,805
<b>Calculated on a per share basis (RMB)</b>			<b>Change</b>			
Net assets per share attributable to shareholders of the Bank	7.61	6.81	0.80	5.88	4.98	4.09
Basic earnings per share	1.12	1.17	(0.05)	1.05	1.10	0.95
Dividend per share	0.291	0.264	0.027	0.272	0.224	0.07
<b>Major indicators of assets/liabilities</b>			<b>Change (%)</b>			
Total assets	373,103,734	319,807,987	16.7	274,531,145	206,787,015	156,163,478
Of which: loans and advances to customers, net	146,789,046	121,816,452	20.5	104,114,756	88,637,824	75,256,873
Total liabilities	349,291,822	298,514,992	17.0	258,628,122	193,307,744	147,905,128
Of which: customer deposits	229,593,793	199,298,705	15.2	167,932,436	148,801,045	114,043,185
Share capital	3,127,055	3,127,055	–	2,705,228	2,705,228	2,020,619
Equity attributable to shareholders of the Bank	23,811,912	21,292,995	11.8	15,903,023	13,479,271	8,258,350
Total equity	23,811,912	21,292,995	11.8	15,903,023	13,479,271	8,258,350

## Financial Highlights

### 2.2 Financial Indicators

(All amounts expressed in percentage unless otherwise stated)	For the year ended December 31,					
	2016	2015	Year-on-year change between 2016 and 2015	2014	2013	2012
<b>Profitability indicators (%)</b>			<b>Change</b>			
Average return on assets <sup>(1)</sup>	<b>1.01</b>	1.07	(0.06)	1.17	1.28	1.36
Average return on equity <sup>(2)</sup>	<b>15.5</b>	17.0	(1.5)	19.2	21.4	26.2
Net interest spread <sup>(3)</sup>	<b>2.23</b>	2.29	(0.06)	2.56	2.61	2.66
Net interest margin <sup>(4)</sup>	<b>2.38</b>	2.52	(0.14)	2.81	2.81	2.85
Net fee and commission income to operating income	<b>20.06</b>	17.60	2.46	12.15	10.97	7.90
Cost-to-income ratio <sup>(5)</sup>	<b>23.72</b>	30.69	(6.97)	31.02	32.37	34.07
<b>Asset quality indicators (%)</b>			<b>Change</b>			
Non-performing loan ratio <sup>(6)</sup>	<b>0.96</b>	0.97	(0.01)	0.69	0.39	0.33
Provision for impairment to non-performing loans <sup>(7)</sup>	<b>293.35</b>	243.98	49.37	318.87	526.36	537.70
Provision for impairment to total loans <sup>(8)</sup>	<b>2.80</b>	2.37	0.43	2.19	2.06	1.80
<b>Indicators of capital adequacy ratio (%)</b>			<b>Change</b>			
Core capital adequacy ratio <sup>(9)</sup>	<b>9.82</b>	10.49	(0.67)	9.63	10.82	8.18
Capital adequacy ratio <sup>(9)</sup>	<b>11.79</b>	11.63	0.16	11.00	13.26	11.11
Total equity to total assets	<b>6.38</b>	6.66	(0.28)	5.79	6.52	5.29
<b>Other indicators (%)</b>			<b>Change</b>			
Loan-to-deposit ratio <sup>(10)</sup>	<b>65.78</b>	62.60	3.18	63.39	60.82	67.20
Liquidity ratio <sup>(11)</sup>	<b>60.05</b>	55.32	4.73	52.53	56.98	42.20
Percentage of loans to the single largest customer <sup>(12)</sup>	<b>4.52</b>	4.00	0.52	4.62	5.09	4.63
Percentage of loans to the top ten customers <sup>(13)</sup>	<b>29.24</b>	30.79	(1.55)	25.21	22.84	30.09

Notes:

- (1) *Calculated by dividing net profit by the average of total assets at the beginning and at the end of the period.*
- (2) *Represents net profit attributable to shareholders of the Bank as a percentage of the average balance of total equity at the beginning and at the end of the period.*
- (3) *Calculated by average return of interest-earning assets minus average interest rate of interest-bearing liabilities.*
- (4) *Calculated by dividing net interest income by average interest-earning assets.*
- (5) *Calculated by dividing operating expenses (less tax and surcharges) by operating income.*
- (6) *Calculated by dividing balance of non-performing loans by total balance of loans and advances to customers.*
- (7) *Calculated by dividing balance of provision for impairment on loans by balance of non-performing loans.*
- (8) *Calculated by dividing balance of provision for impairment on loans by total balance of loans and advances to customers.*
- (9) *Core capital adequacy ratio and capital adequacy ratio for 2016, 2015, 2014 and 2013 were calculated in accordance with the latest guidance promulgated by the China Banking Regulatory Commission (the "CBRC") (effective from January 1, 2013), while core capital adequacy ratio and capital adequacy ratio for 2012 were adjusted retroactively in accordance with the latest guidance effective from January 1, 2013.*
- (10) *Loan-to-deposit ratio is calculated by dividing total balance of loans and advances to customers by total customer deposits.*
- (11) *Liquidity ratio is calculated in accordance with the formula promulgated by the CBRC.*
- (12) *Calculated by dividing total loans to the single largest customer by net capital.*
- (13) *Calculated by dividing total loans to the top ten customers by net capital.*

# Chairman's Statement

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## Dear Shareholders,

In 2016, faced with various complex challenges, leveraging on the unified efforts of all Shareholders and employees of the Bank, all staff of the Bank stayed true to their mission, advanced despite difficulties, proactively devoted into the “second startup”, speeded up our transformation and development, fully implemented the five major development philosophies of the central government, promoted the supply-side structural reform, and initiated the 13th Five-Year strategic development planning of the Bank, achieving continuous growths in both scale of asset and operating results, continuous improvements in risk control and asset quality as well as social benefit and brand influence. The Bank was the first in China to launch a small and micro enterprise loan product featuring automatic approval namely “Hao Qi Dai (好企贷)”, was one of first batch included in the Chongqing-Singapore Industry Cooperation Development Program, and was successfully selected as one of the world's top 300 banks, and once again was selected into Hang Seng Corporate Sustainability Benchmark Index (HSSUSB), rated as the second-class bank by the CBRC for six consecutive years, awarded the one of top 10 typical organizations for National Corporate Culture Innovation in “the era of Internet +”, the Best Green Finance Award in China Banking Industry, the Best City Commercial Bank, the Bank with Most Valuable Brand and the Bank with Brand Influence for 2016 and etc., receiving high praise and recognition from competent authorities, regulatory authorities and a wide range of customers, writing a magnificent chapter for development and achieving a good start of the “13th Five-Year”.

As of the end of 2016, the Bank's total assets amounted to RMB373,103.73 million, representing an increase of 16.7% as compared with the end of last year; the balance of deposits amounted to RMB229,593.79 million, representing an increase of 15.2% as compared with the end of last year; the net loans amounted to RMB146,789.05 million, representing an increase of 20.5% as compared with the end of last year; the net profit amounted to RMB3,502.17 million, representing

an increase of 10.5% as compared with last year, and the non-performing loans provision coverage was 293.35%, realizing the preservation and appreciation of state-owned assets and shareholders' equity.

Faced with the new circumstances in the development of banking operations in 2017, the Bank will, under the leadership of the Board, fully and deeply implement the new development philosophy, and carry out in-depth “professionalism, comprehensive management and Internet financing” focusing on the main line of the supply-side structural reform. The staff of the Bank will proactively practice five core tenets of “having a dream, a spirit, a caring heart, principles and undertakings”, carry a dream, boost the spirit, stick to the principle, bear the responsibility, resolutely fight to win the battle of transformation and development and the “second startup”, and strive to deliver more exceptional performance in return for the support from our Shareholders, customers and society.

Finally, on behalf of more than 4,000 cadres and employees of Bank of Chongqing, I would like to express my sincere gratitude to relevant officials at all levels, Shareholders, customers and friends from all sectors of the society for their care, attention and support for the development of the Bank. In 2017, Bank of Chongqing will lead our staff, insist on the general tone of development to make progress while maintaining stability, keep the bottom line of risk, make innovations, seize the opportunity, and move forward, taking a more solid step to achieve the “second startup”, achieve the goal of “Leader in Western China; Benchmark of Listed Banks”, and continue to write a new chapter for the development of Bank of Chongqing.

**Gan Weimin**

*Chairman*

**Bank of Chongqing Co., Ltd.**

March 21, 2017





**GAN Weimin**  
*Chairman*

# President's Statement

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## Dear Shareholders,

The year of 2016 is the first year of the Bank to implement the 2016-2020 Development Strategic Planning. In face of continuous policy adjustment and complicated external situation, the Bank's management team, together with all the staff, stayed true to the mission, worked hard, fully implemented the work planning of Shareholders' meeting and the Board, proactively carried out the supervision of the board of Supervisors, strictly executed the regulatory requirements, practiced the five core tenets of the Bank in depth, and solidly promoted the transformation and development and the "second startup", achieving a good start. The overall development of the Bank was steady and improved, maintaining a double-digit growth in main business indicators. The "professionalism, comprehensive management and Internet financing" strategy was accelerated; the Bank successfully obtained the qualifications for direct financing for wealth management and the prospective underwriter; the financial leasing company was approved for operation; "Hao Qi Dai (好企贷)" financial product was launched successfully. There were significant improvements in the quality of development, further optimization of business structure and continuous decline in the cost income ratio. Risk management made remarkable progress, and the non-performing loan ratio, provision coverage and other risk indicators were superior to regulatory requirements.

As a result of the above performance, the Bank has been recognized and praised by all sectors of the society. The Bank was successfully selected into "HSSUSB" for the second consecutive year, became the first batch selected as the investment targets of "Shenzhen-Hong Kong Stock Connect", being one of the only three city commercial banks out of 417 selected enterprises. In the ranking from the Banker magazine of UK in 2016, the Bank ranked the 290th, up by 59 spots in one year, and by 400 spots in the past five years. None of these achievements would have been possible without the

support of the Shareholders, customers and people from all sectors of the society, as well as the hard work of the staff of the Bank. On behalf of the Bank, I would like to express my most heartfelt gratitude to all for their care and support for the development of the Bank.

The year of 2017 is an important year for the implementation of the "13th Five-Year" Plan, the year for deepening the supply-side structural reform, and also the critical year for our transformation and development and the "second startup". The Bank's management team will, under the strong leadership of the Shareholders' meeting and the Board and the strong support of the board of Supervisors, together with all staff, led by the 2016-2020 Development Strategic Planning of the Bank and taking the "professionalism, comprehensive management and Internet banking" strategy as the starting point, innovate the development philosophy, enhance the development momentum, strive to win the battle of transformation and development and the "second startup", to provide more powerful financial support for the real economy development and a better return for our Shareholders.

## **Ran Hailing**

*Executive Director and President*

**Bank of Chongqing Co., Ltd.**

March 21, 2017



**RAN Hailing**

*Executive Director  
and President*

# Recognitions and Awards

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- The Bank was honored by China Enterprise Confederation as the “Enterprise with AAA Rating of Credit”;
- The Bank was honored by China Banking Association as the “Top 50 Financial Products Serving for Small and Micro Enterprises for 2015”;
- The Bank was honored by China Banking Association as the “Best Social Contribution, Best Yield and Best Risk Control Award among the Wealth Management Institutions in China Banking Industry for 2015”;
- The Bank was selected in the first batch of the “Shenzhen-Hong Kong Stock Connect” list;
- The Bank was selected for the second time as “a constituent member of the Hang Seng Corporate Sustainability Benchmark Index”;
- The Bank ranked the 290th on the list of the top 1,000 global banks in 2016 published by The Banker, a British magazine, up by 59 spots from the previous year;
- The Head Office, Beibei Sub-branch, Longtousi Sub-branch, Business Department of Chengdu Branch, Zunyi Sub-branch of Guiyang Branch and Economic & Technological Development Zone Sub-branch of Xi’an Branch of the Bank were honored by China Banking Association as the “Top 1000 Demonstration Units of Civilized and Standardized Service in China Banking Industry in 2016”;
- Xi’an Branch of the Bank was awarded by the Finance Bureau of Shaanxi province and the Xi’an Branch of People’s Bank the 3rd Prize for the Increment of Bank Loans for Small and Micro Enterprises by Financial Institutions in Shaanxi Province in 2015;
- The Bank was honored by China Research Institute of Enterprise Culture as the top 10 demonstration organizations in enterprise culture innovation in “the era of Internet +”;
- The Bank was honored by Chinese Society of Ideological and Political Work in the Financial Industry as “an Outstanding Entity of the National Financial System on Ideological and Political Work”;
- The Bank was honored by the Communist Youth League of Chongqing Municipal Party Committee as “an Outstanding Entity in Chongqing Performing Works Related to the Communist Youth League in 2015”;
- The Bank was awarded by Chongqing Municipal Federation of Trade Unions with “May Day Labor Award in Chongqing”;
- The party committee of Liangjiang Branch of the Bank was honored by the Chinese Communist Party of Chongqing Municipal as the “Outstanding Grassroots Party Organization in Chongqing”.

# Management Discussions and Analysis

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## 6.1 Environment and Outlook

In 2016, the world economy was still undergoing major adjustments, with continuous decline in the growth of international trading, constantly intensifying global capital flow, significant fluctuations in bulk commodity prices, combined with the rise of the conceptions of anti-globalization and trade protectionism, constituting the important uncertainties for the global economic recovery. The major economies showed increasingly divergent trend in economic growth: the U.S. experienced a relatively faster recovery in its economy with key economic indicators performed better than expected; the economy of Japan remained sluggish, due to failure of main stimulus plan in relation to economy and policy to achieve the expected results; the Eurozone economy showed a positive sign of rebound and developed smoothly, while challenged by a number of political issues including presidential elections at Germany and France as well as Brexit; the economic growth of the emerging economies gradually stabilized while the interest rate hike of U.S. dollar was expected to increase pressures to the capital outflow and depreciation of currency. Thus, the global economic growth was still vulnerable.

In 2016, China's economy ran smoothly overall, contributing a lot to the steady growth of global economy. The government continued to deepen the economic structural adjustments coupled with prudent fiscal policies and flexible monetary policies. A series of policies and measures in connection with growth stabilization, as well as development strategies and major industrial initiatives including the "One Belt, One Road" strategy, "Internet +" action plan, "Entrepreneurship and Innovation by the General Public" and "Supply-side Structural Reform" were rolled out, creating new impetus for economic growth. China's GDP was RMB74.41 trillion in this year, up by 6.7%

year on year. The price level was maintained within a reasonable range, with consumer price index rising by 2.0% year on year. China's monetary, credit and financial markets operated smoothly as a whole: M2 increased by 11.3% to RMB155.01 trillion; the balance of M1 increased to RMB48.66 trillion with a year-on-year growth of 21.4%; the balance of M0 amounted to RMB6.83 trillion with a year-on-year growth of 8.1%. As at December 31, 2016, the RMB loan balance was RMB106.60 trillion with a year-on-year growth of 13.5%, among which the incremental RMB loans were RMB12.65 trillion, representing a year-on-year growth of RMB925.70 billion; and the RMB deposit balance was RMB150.59 trillion with a year-on-year growth of 11.0%, among which the incremental RMB deposits were RMB14.88 trillion, representing a year-on-year decrease of RMB92.40 billion. In the year, total imports and exports amounted to US\$3.68 trillion, representing a year-on-year decrease of 6.8%, among which total exports amounted to US\$2.09 trillion with a year-on-year decrease of 7.7% and total imports amounted to US\$1.59 trillion with a year-on-year decrease of 5.5%.

In 2016, Chongqing thoroughly promoted the supply-side structural reform and proactively cultivated new momentum for economic development. Therefore, the city achieved continuous improvement in its economic quality and efficiency, as well as continuing stabilization in its social development. Its regional gross domestic product reached RMB1,755.88 billion, representing a year-on-year growth of 10.7%, which was 4.0 percentage points higher than the national average and topped other provinces, municipalities and autonomous regions across the country. In particular, the primary, secondary and tertiary industries grew by 4.6%, 11.3% and 11.0% respectively year on year. The city's per capita disposable income for urban residents was RMB29,610, representing a year-on-year increase

## Management Discussions and Analysis

of 8.7%. The city's total retail sales of consumer goods reached RMB727.14 billion, representing a year-on-year increase of 13.2%. As at December 31, 2016, the RMB loan balance from financial institutions within the city was RMB2,478.52 billion with a year-on-year growth of 10.7%; the RMB deposit balance was RMB3,121.65 billion with a year-on-year growth of 11.1%. The total imports and exports of the city decreased by 15.7% year on year to US\$62.77 billion, among which the total exports amounted to US\$40.69 billion with a year-on-year decrease of 26.3%, and the total imports amounted to US\$22.08 billion with a year-on-year increase of 14.5%.

In 2017, the trend of the world's economic development will be continuously affected by the polarized macro environment, and the situation is complicated. China is experiencing sustainable and sound development of economy under the "New Normal", however, subject to weak external demand, China has a limited space for economic growth and employment driven by export. Meanwhile, the appreciation in exchange rate of US dollars resulted in capital outflow and depreciation of currency, which led to continuous pressure on economic growth.

The Chinese government insisted on proactive fiscal policies and accelerated the implementation of basic and critical reform of state-owned enterprise, fiscal, taxation, finance and social security by reducing the tax, lowering the fees, lowering the factor cost and other measures, to promote in-depth development of supply-side structural reform. The central bank continued to implement prudent and flexible monetary policies to properly manage the market and innovation of tools and flexibly employ various monetary policy tools including standing lending facilities and medium-term lending facilities to maintain moderate liquidity into the market, in order to achieve reasonable growth of credit and financing in the society.

With respect to financial reform and innovation, continuous enhancement in the financial regulation, accelerated pace of exchange rate reform, entering into new stage for interest rate and constantly enriching in internet financial business, the traditional banking industry shall face greater challenge. However, with vigorous implementation of the "supply-side structural reform" and emerging effects of the policy for reducing production capacity, the banking industry will obtain valuable opportunity for development therein. In addition, adjustment and optimization of industry regulatory policies and the gradual opening up of financial service qualification licenses will effectively enhance the autonomy and flexibility of the banking sector, creating a new source of growth.

As China's largest municipality, the most developed urban center in western China, the largest port city on the upper reaches of the Yangtze River and the operating center of China-Singapore interconnection construction, Chongqing is located in the intersection of "One Belt, One Road" strategy and Yangtze River Economic Zone and will encounter new opportunities of development under China's "New Normal" economy. In 2016, the regional gross domestic product of Chongqing recorded a growth of 10.7%, leading the nation's other provinces, municipalities and autonomous regions. In 2017, with the progress of China's major development strategies and plans as well as the implementation of policies and measures for stable growth and structural adjustment, Chongqing is expected to maintain a favourable momentum of rapid development in its economic growth.

In 2017, the Bank will continue to implement the restructuring and upgrading of various businesses. The Bank will further enhance its operational and

management, deepen its reform of internal governance, improve products and services, establish and optimize an efficient internet financial platform, so as to achieve continuous innovation and development and provide the Bank's customers with an even more comprehensive range of financial products and services.

The Bank will adhere to its strategic transformation target of “professionalism, comprehensive management and Internet financing” and strive to implement the upgrading of operation and customer structure, and constantly improve its ability of sustainable development. The Bank has a competitive advantage in small and micro business, corporate business, personal business, inter-bank financing and other services, and will improve its specialty management and service standards and actively expand its business scope, diversify business types and create a new source of growth to the extent permitted by national policies and regulations. By adopting an analytical approach to the regional and macro-economic financial situation, the forecast ability and initiative of operations management will be enhanced. By continuing to develop a comprehensive risk management system, and striving to realize healthy, rapid and sustainable development objectives, we aim at generating more returns for our shareholders and investors.

### 6.2 Development Strategy

In light of the new “13th Five-Year” Plan, the Bank will further adapt itself to the new normal economy and the transformation trend of financial institutions. With the support of “One Belt, One Road” strategy and under the operation philosophy of “scientific, harmonious and sustainable development”, the Bank will intensively explore regional features, transform traditional businesses, and initiate innovative businesses to achieve “bench-marking” profit, “first-class” management and “characteristic” businesses. Meanwhile, the Bank will also make constant efforts to realize the vision of becoming a “Leader in Western China and Benchmark of Listed Banks”.

On business development strategy, the Bank will embark on the strategy of “mixed operations with banking as a core business and supported by mergers and acquisitions” during the period of the “13th Five-Year” Plan, to enhance its operational capacity on a comprehensive basis. Firstly, the Bank will promote the transformation under the customer-oriented model, improve its professional services, and accelerate the development of the existing primary businesses with retailing, small and micro, and asset management businesses as strategic sources of growth; secondly, the Bank, by taking into consideration new trends of the financial industry and favorable policies, will select new businesses with development potential, proactively develop mixed operation, foster new businesses and launch new pilot projects; thirdly, the Bank will promptly fill in the gaps in its business layout and address the weaknesses in its current operation to bolster the rapid growth in its overall asset and profit scale through mergers and acquisitions.

On innovative development strategy, the Bank will strive to deploy Internet financial services. By proactively cooperating with enterprises of related fields, the Bank strives to improve its professional services. Based on big data, the Bank will focus on its capabilities of analysing and processing as well as external cooperation, so its Internet financial services will be able to penetrate into both traditional business lines (including retail and small and micro banking) and emerging businesses (including consumer finance). By integrating various Internet financial services through direct banking and multiple cooperative platforms, the Bank is gradually diversifying its Internet financial business. During the period of the “13th Five-Year” Plan, the Bank will promote its positioning on technology capability and promote its business development, model innovation and internal governance with technology.

## Management Discussions and Analysis

### 6.3 Financial Review

In 2016, driven by the solid domestic demand and supportive fiscal policies, China's economy maintained a stable momentum of development with accelerated transition of the new and old growth drivers as well as transformation and optimization in structure. Meanwhile, the growing complexity of external political and economic environment and the uncertainty and unstability of the global economic recovery led to huge challenges to the steady growth or positive development of China's economy. Faced with complex and challenging economic and financial circumstances, including the restructuring of the domestic economy, economic growth slowdown, intensified competition and higher non-performing loan ratio in the banking industry, the Bank proactively took various measures and committed itself to addressing the challenges in the changing micro and macro market environment arising from the accelerated marketization of interest rates, the implementation of the fiscal and taxation reform, the continuous improvement in financial regulation and the impact of online financial services on traditional banking industry. The Bank accelerated its transformation of development through integrating its operations and management to achieve strategic objectives. The Bank recorded a net profit of RMB3,502.17 million in 2016, representing a year-on-year increase of RMB332.11 million or 10.5%.

As at December 31, 2016, the total assets of the Bank amounted to RMB373,103.73 million, representing a year-on-year increase of 16.7% or RMB53,295.75 million. The Bank adhered to principles of prudent and sustainable credit management and risk control and rationally maintained a reasonable level of aggregate credit and lending pace and strictly controlled its business risks based on changes in the regional and macroeconomic environment and leveraged on the big data analysis tools. As a result, net loans and advances to customers grew by 20.5%, or RMB24,972.59 million,

to RMB146,789.05 million as compared to the end of the previous year, while the non-performing loan ratio decreased to 0.96%. While striving for stable growth in business volume and service networks, the Bank remained customer-oriented by actively exploring online banking, direct banking and other internet financial products and services and continuously accelerating its business transformation and upgrading to keep abreast of customers' increasing demand for diversification of asset allocation and professional management of deposits under the "New Normal" economy. The Bank adopted an innovative approach to deposit management and optimized its pricing management system of funding to meet the requirements for the marketization of interest rates. As at December 31, 2016, customer deposits of the Bank increased by RMB30,295.09 million to RMB229,593.79 million, representing a year-on-year increase of 15.2%, and provided a stable source of funding for the healthy development of the Bank's credit, inter-bank and other intermediary businesses. Alongside the increase in income from the main business operations, the Bank strictly controlled its expenses and realized a continuous decline in its cost-to-income ratio which recorded a year-on-year decrease of 6.97 percentage points to 23.72% in 2016, representing a persistent rise in operating efficiency of the Bank.

As at December 31, 2016, the Bank's capital adequacy ratio was 11.79%, representing an increase of 0.16 percentage point over the end of last year; while core capital adequacy ratio was 9.82%, representing a decrease of 0.67 percentage point over the end of last year, fully fulfilling the latest regulatory requirements on capital adequacy ratios applicable to the PRC banking industry.



## I. Analysis of the Income Statement

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2016	2015		
Interest income	16,226,274	15,507,610	718,664	4.6
Interest expense	(8,548,876)	(8,505,537)	(43,339)	0.5
<b>Net interest income</b>	<b>7,677,398</b>	7,002,073	675,325	9.6
Net fee and commission income	1,926,017	1,512,053	413,964	27.4
Net trading (losses)/gains	(50,666)	23,769	(74,435)	N/A
Net gains/(losses) on investment securities	348	(10,243)	10,591	N/A
Other operating income	49,937	64,929	(14,992)	(23.1)
Operating income	9,603,034	8,592,581	1,010,453	11.8
Operating expenses	(2,537,298)	(3,190,171)	652,873	(20.5)
Impairment losses	(2,411,134)	(1,135,300)	(1,275,834)	112.4
Share of profit of associates	3,910	2,809	1,101	39.2
Profit before income tax	4,658,512	4,269,919	388,593	9.1
Income tax expenses	(1,156,345)	(1,099,858)	(56,487)	5.1
<b>Net profit</b>	<b>3,502,167</b>	3,170,061	332,106	10.5

In 2016, the scale of our interest-earning assets grew steadily with net interest income achieving a year-on-year increase of RMB675.33 million or 9.6%; and our net fee and commission income recorded a fast year-on-year growth of RMB413.96 million or 27.4%. Operating expenses recorded a year-on-year decrease of RMB652.87 million or 20.5%; meanwhile, faced with non-performing loans pressure, impairment losses recorded a year-on-year increase of RMB1,275.83 million or 112.4%. As a result, our profit before income tax was RMB4,658.51 million in 2016, representing a year-on-year increase of RMB388.59 million or 9.1%; and net profit was RMB3,502.17 million, representing a year-on-year increase of RMB332.11 million or 10.5%.

### 1. Net interest income

In 2016, our net interest income amounted to RMB7,677.40 million, representing a year-on-year increase of RMB675.33 million or 9.6%. Net interest income accounted for 79.95% of total operating income.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2016	2015		
Interest income	16,226,274	15,507,610	718,664	4.6
Interest expense	(8,548,876)	(8,505,537)	(43,339)	0.5
<b>Net interest income</b>	<b>7,677,398</b>	7,002,073	675,325	9.6

## Management Discussions and Analysis

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2016			Year ended December 31, 2015		
	Average balance	Interest income/expense	Average yield/cost ratio (%)	Average balance	Interest income/expense	Average yield/cost ratio (%)
<b>ASSETS</b>						
Loans and advances to customers	141,793,221	8,256,513	5.82	115,689,037	7,545,665	6.52
Investment securities	94,283,651	5,852,130	6.21	83,080,518	5,561,218	6.69
Balances with central bank	36,019,704	543,694	1.51	32,120,986	494,110	1.54
Due from other banks and financial institutions	48,915,300	1,435,073	2.93	44,327,053	1,712,037	3.86
Financial assets at fair value through profit or loss	1,953,447	138,864	7.11	2,518,191	194,580	7.73
<b>Total interest-earning assets</b>	<b>322,965,323</b>	<b>16,226,274</b>	<b>5.02</b>	<b>277,735,785</b>	<b>15,507,610</b>	<b>5.58</b>
<b>LIABILITIES</b>						
Customer deposits	210,105,347	5,236,158	2.49	181,781,243	5,003,513	2.75
Due to other banks and financial institutions	58,299,500	1,975,392	3.39	68,062,327	3,139,322	4.61
Debt securities issued	37,835,574	1,337,326	3.53	8,066,795	362,702	4.50
<b>Total interest-bearing liabilities</b>	<b>306,240,421</b>	<b>8,548,876</b>	<b>2.79</b>	<b>257,910,365</b>	<b>8,505,537</b>	<b>3.29</b>
<b>Net interest income</b>		<b>7,677,398</b>			<b>7,002,073</b>	
<b>Net interest spread <sup>(1)</sup></b>			<b>2.23</b>			<b>2.29</b>
<b>Net interest margin <sup>(2)</sup></b>			<b>2.38</b>			<b>2.52</b>

Notes:

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

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

## Management Discussions and Analysis

In 2016, the average balance on interest-earning assets of the Bank increased by RMB45,229.54 million or 16.3% to RMB322,965.32 million as compared to the previous year, while the average yield on interest-earning assets decreased by 56 basis points to 5.02% as compared to the previous year.

In 2016, the average balance on interest-bearing liabilities increased by RMB48,330.06 million or 18.7% to RMB306,240.42 million as compared to the previous year; while the average cost ratio of interest-bearing liabilities decreased by 50 basis points to 2.79% as compared to the previous year.

As a result of the overall impact of the above-mentioned factors, net interest spread of the Bank decreased by 6 basis points to 2.23% as compared to the previous year, while net interest margin decreased by 14 basis points to 2.38% as compared to the previous year.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Due to changes in volume	Due to changes in interest rate	Changes in interest income and expense
<b>ASSETS</b>			
Loans and advances to customers	1,520,027	(809,179)	710,848
Investment securities	695,372	(404,460)	290,912
Balances with central bank	58,849	(9,265)	49,584
Due from other banks and financial institutions	134,610	(411,574)	(276,964)
Financial assets at fair value through profit or loss	(40,146)	(15,570)	(55,716)
<b>Change in interest income</b>	<b>2,368,712</b>	<b>(1,650,048)</b>	<b>718,664</b>
<b>LIABILITIES</b>			
Customer deposits	705,882	(473,237)	232,645
Due to other banks and financial institutions	(330,799)	(833,131)	(1,163,930)
Debt securities issued	1,052,199	(77,575)	974,624
<b>Change in interest expense</b>	<b>1,427,282</b>	<b>(1,383,943)</b>	<b>43,339</b>

## Management Discussions and Analysis

### 2. Interest income

In 2016, the Bank's interest income amounted to RMB16,226.27 million, representing a year-on-year increase of RMB718.66 million or 4.6%.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2016			Year ended December 31, 2015		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Loans and advances to customers	141,793,221	8,256,513	5.82	115,689,037	7,545,665	6.52
Investment securities	94,283,651	5,852,130	6.21	83,080,518	5,561,218	6.69
Balances with central bank	36,019,704	543,694	1.51	32,120,986	494,110	1.54
Due from other banks and financial institutions	48,915,300	1,435,073	2.93	44,327,053	1,712,037	3.86
Financial assets at fair value through profit or loss	1,953,447	138,864	7.11	2,518,191	194,580	7.73
<b>Total interest-earning assets</b>	<b>322,965,323</b>	<b>16,226,274</b>	<b>5.02</b>	<b>277,735,785</b>	<b>15,507,610</b>	<b>5.58</b>

#### 2.1 Interest income from loans and advances to customers

In 2016, the interest income from loans and advances to customers amounted to RMB8,256.51 million, representing a year-on-year increase of RMB710.85 million or 9.4%, primarily due to the increase in average balance on loans and advances to customers by 22.6% offset by the decrease in average yield by 70 basis points as compared to that of the previous year.

#### 2.2 Interest income from investment securities

In 2016, the Bank's interest income from investment securities amounted to RMB5,852.13 million, representing a slight year-on-year increase of RMB290.91 million or 5.2%, primarily due to the increase of 13.5% in average balance offset by the decrease of 48 basis points in average yield on investment securities as compared to those of the previous year.

### 2.3 Interest income from balances with central bank

In 2016, the Bank's interest income from balances with central bank amounted to RMB543.69 million, representing a year-on-year increase of RMB49.58 million or 10.0%, primarily due to the year-on-year increase of 12.1% in average balance offset by the decrease of 3 basis points in average yield of balances with central bank.

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

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2016			Year ended December 31, 2015		
	Average balance	Interest income	Average yield(%)	Average balance	Interest income	Average yield (%)
Deposits and placements with other banks and financial institutions	12,450,601	331,138	2.66	6,800,796	223,691	3.29
Financial assets held under resale agreements	36,464,699	1,103,935	3.03	37,526,257	1,488,346	3.97
<b>Total amounts due from other banks and financial institutions</b>	<b>48,915,300</b>	<b>1,435,073</b>	<b>2.93</b>	44,327,053	1,712,037	3.86

In 2016, interest income from the Bank's deposits and placements with other banks and financial institutions amounted to RMB331.14 million, representing a significant year-on-year increase of RMB107.45 million or 48.0%, primarily due to the significant increase of 83.1% in average balance offset by the decrease in average yield by 63 basis points on deposits and placements with other banks and financial institutions as compared to that of the previous year.

In 2016, the interest income from the Bank's financial assets held under resale agreements amounted to RMB1,103.94 million, representing a year-on-year decrease of RMB384.41 million or 25.8%, primarily attributable to the year-on-year decrease in average balance on financial assets held under resale agreements by 2.8%, and the significant decrease in average yield by 94 basis points as compared to that of the previous year.

As a result of the foregoing factors, the Bank's total interest income due from other banks and financial institutions in 2016 decreased by RMB276.96 million or 16.2% to RMB1,435.07 million as compared to that of the previous year.

## Management Discussions and Analysis

### 2.5 Financial assets at fair value through profit or loss

In 2016, the Bank's interest income from financial assets at fair value through profit or loss amounted to RMB138.86 million, representing a year-on-year decrease of RMB55.72 million or 28.6%, primarily due to the decrease in average balance on financial assets at fair value through profit or loss by 22.4%, and the decrease in average yield by 62 basis points as compared to that of the previous year.

### 3 Interest expense

In 2016, the Bank's total interest expense amounted to RMB8,548.88 million, representing a year-on-year increase of RMB43.34 million or 0.5%.

#### 3.1 Interest expense on customer deposits

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2016			Year ended December 31, 2015		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
<b>Corporate deposits</b>						
Demand	61,166,803	496,131	0.81	51,605,262	470,616	0.91
Time	83,052,220	2,829,726	3.41	71,118,303	2,925,820	4.11
<b>Subtotal</b>	<b>144,219,023</b>	<b>3,325,857</b>	<b>2.31</b>	122,723,565	3,396,436	2.77
<b>Retail deposits</b>						
Demand	9,805,786	38,344	0.39	8,368,605	36,924	0.44
Time	42,991,302	1,683,123	3.92	27,550,934	1,050,616	3.81
<b>Subtotal</b>	<b>52,797,088</b>	<b>1,721,467</b>	<b>3.26</b>	35,919,539	1,087,540	3.03
<b>Other deposits</b>	<b>13,089,236</b>	<b>188,834</b>	<b>1.44</b>	23,138,139	519,537	2.25
<b>Total customer deposits</b>	<b>210,105,347</b>	<b>5,236,158</b>	<b>2.49</b>	181,781,243	5,003,513	2.75

In 2016, the Bank's interest expense on customer deposits was RMB5,236.16 million, representing a year-on-year increase of RMB232.65 million or 4.6%, primarily due to an increase in the average balance of customer deposits by 15.6% year on year, offset by a decrease in average cost ratio of customer deposits by 26 basis points as compared to that of the previous year.

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

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2016			Year ended December 31, 2015		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Due to other banks	38,060,488	1,402,753	3.69	43,899,128	2,255,780	5.14
Borrowings from central bank	2,762,620	80,502	2.91	3,343,796	98,581	2.95
Financial assets sold under repurchase agreements	17,476,392	492,137	2.82	20,819,403	784,961	3.77
<b>Total borrowings from financial institutions</b>	<b>58,299,500</b>	<b>1,975,392</b>	<b>3.39</b>	<b>68,062,327</b>	<b>3,139,322</b>	<b>4.61</b>

In 2016, the Bank's total interest expense on borrowings from financial institutions was RMB1,975.39 million, representing a year-on-year decrease of RMB1,163.93 million or 37.1%, primarily due to the decrease in average balance of the amount payable to other banks and financial institutions by 14.3% year on year, as well as the significant decrease in average cost ratio by 122 basis points as compared to that of the previous year.

### 3.3 Interest expense on issuance of bonds

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2016			Year ended December 31, 2015		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Subordinated bonds	2,086,885	111,890	5.36	794,758	54,918	6.91
Financial bonds for small and micro enterprises	3,000,000	146,820	4.89	2,991,033	146,266	4.89
Inter-bank certificates of deposit	32,748,689	1,078,616	3.29	4,281,004	161,518	3.77
<b>Subtotal</b>	<b>37,835,574</b>	<b>1,337,326</b>	<b>3.53</b>	<b>8,066,795</b>	<b>362,702</b>	<b>4.50</b>

In 2016, the Bank's interest expense on issuance of bonds amounted to RMB1,337.33 million, representing a year-on-year increase of RMB974.62 million or 268.7%, primarily due to the following reasons:

- (1) In February 2016, the Bank issued Tier 2 Capital bonds of RMB1.50 billion within China's inter-bank bond market;
- (2) In 2016, the Bank issued a total of 71 inter-bank certificates of deposit by discounting. As at December 31, 2016, 59 inter-bank certificates of deposit issued were outstanding with a total nominal value of RMB50 billion.

## Management Discussions and Analysis

### 4. Net interest spread and net interest margin

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

In 2016, the Bank's net interest spread was 2.23%, representing a year-on-year decrease of 6 basis points. The decrease in net interest spread was primarily due to the decrease in average yield of interest-earning assets exceeding the decrease in average cost ratio of interest-bearing liabilities.

In 2016, the Bank's net interest margin was 2.38%, representing a decrease of 14 basis points as compared to that of the previous year, primarily due to the increase of RMB675.33 million or 9.6% in net interest income year on year; the year-on-year increase of RMB45,229.54 million or 16.3% in average balance on interest-earning assets; and the increase in net interest income less than the increase in average balance on interest-earning assets, resulting in a decrease in the net interest margin.

### 5. Non-interest income

#### 5.1 Net fee and commission income

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2016	2015		
<b>Fee and commission income</b>	<b>2,021,337</b>	1,589,399	431,938	27.2
Commission from financial advisory and consulting services	<b>66,103</b>	249,944	(183,841)	(73.6)
Commission from wealth management agency service	<b>854,787</b>	436,537	418,250	95.8
Commission from custodian service	<b>671,746</b>	613,009	58,737	9.6
Annual fees and commission from bank card services	<b>206,940</b>	171,072	35,868	21.0
Commission from guarantee and commitment services	<b>149,599</b>	54,251	95,348	175.8
Commission from settlement and agency services	<b>72,162</b>	64,586	7,576	11.7
<b>Fee and commission expense</b>	<b>(95,320)</b>	(77,346)	(17,974)	23.2
<b>Net fee and commission income</b>	<b>1,926,017</b>	1,512,053	413,964	27.4



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In 2016, the Bank's net fee and commission income amounted to RMB1,926.02 million, representing a significant increase of RMB413.96 million or 27.4% as compared to the previous year and accounting for 20.06% of operating income, up by 2.46 percentage points as compared to that in the previous year, primarily due to the Bank's proactive adjustment of income structure, adoption of measures to expand the sources of non-interest income and increase in income from intermediary banking services, with a significant year-on-year increase of RMB95.35 million or 175.8% in commission from guarantee and commitment service, a significant year-on-year increase of RMB418.25 million or 95.8% in commission from wealth management agency service, a rapid year-on-year increase of RMB35.87 million or 21.0% in annual fees and commission from bank card services.

Commission income from financial advisory and consulting services amounted to RMB66.10 million, representing a year-on-year decrease of RMB183.84 million or 73.6%, mainly due to the decline in overall demand for such services under the dynamic macroeconomic condition.

Commission income from wealth management agency service amounted to RMB854.79 million, representing a year-on-year increase of RMB418.25 million or 95.8%, primarily due to the rapid growth and scale expansion in wealth management services.

Commission income from custodian service amounted to RMB671.75 million, representing a year-on-year increase of RMB58.74 million or 9.6%, primarily due to the stable growth in such services.

Annual fees and commission income from bank card services amounted to RMB206.94 million, representing a year-on-year increase of RMB35.87 million or 21.0%, primarily due to the rapid increase in number of issued bank cards and volume of settled transactions.

Commission income from guarantee and commitment services amounted to RMB149.60 million, representing a year-on-year increase of RMB95.35 million or 175.8%, primarily due to the rapid development of trading finance business.

Commission income from settlement and agency services amounted to RMB72.16 million, representing a year-on-year increase of RMB7.58 million or 11.7%, primarily due to a faster growth in entrusted business.

## Management Discussions and Analysis

### 5.2 Net trading gains/(losses)

The net trading gains/(losses) mainly consists of exchange gains/(losses) and net gains/(losses) from interest rate products. Exchange gains/(losses) includes gains and losses generated from foreign exchange spot transactions and gains and losses generated from the translation of foreign currency monetary assets and liabilities into Renminbi. In 2016, the Bank's exchange gains amounted to RMB10.90 million, mainly due to the increase in market value of the major currencies such as US dollars and Hong Kong dollars held by the Bank. Net gains/(losses) from interest rate products held for trading mainly includes gains or losses generated from the changes in fair value of the trading securities. In 2016, the Bank's net losses from interest rate products amounted to RMB61.57 million, mainly due to losses arising from the fluctuation in interest rates due to adjustment of bond-securities investment portfolio. As a result of the above factors, in 2016, the Bank's net trading losses amounted to RMB50.67 million.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2016	2015		
Exchange gains	10,904	23,901	(12,997)	(54.4)
Net losses from interest rate products	(61,570)	(132)	(61,438)	46,543.9
<b>Total</b>	<b>(50,666)</b>	23,769	(74,435)	N/A

### 5.3 Net gains/(losses) on investment securities

In 2016, the Bank's net gains on investment securities amounted to RMB0.35 million, representing an increase as compared with net losses on investment securities of RMB10.24 million over the same period in the previous year.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2016	2015		
Net gains/(losses) arising from de-recognition of held-for-trading financial assets	12,082	(11,591)	23,673	N/A
Net (losses)/gains arising from de-recognition of available-for-sale financial assets	(11,734)	1,348	(13,082)	N/A
<b>Total</b>	<b>348</b>	(10,243)	10,591	N/A

## 6 Operating expenses

In 2016, the Bank's operating expenses was RMB2,537.30 million, representing a year-on-year decrease of RMB652.87 million or 20.5%.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2016	2015		
Staff costs	<b>1,162,439</b>	1,626,120	(463,681)	(28.5)
Taxes and surcharges	<b>259,774</b>	553,110	(293,336)	(53.0)
Depreciation and amortization	<b>170,804</b>	153,333	17,471	11.4
General and administrative expense	<b>800,819</b>	731,577	69,242	9.5
Others	<b>143,462</b>	126,031	17,431	13.8
<b>Total operating expenses</b>	<b>2,537,298</b>	3,190,171	(652,873)	(20.5)

### 6.1 Staff costs

Staff costs constitute the largest component of the Bank's operating expenses, accounting for 45.81% and 50.97% of its total operating expenses for 2016 and 2015 respectively.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2016	2015		
Salaries and bonuses	<b>743,419</b>	1,223,219	(479,800)	(39.2)
Pension costs	<b>152,021</b>	140,690	11,331	8.1
Housing benefits and subsidies	<b>77,853</b>	77,524	329	0.4
Union and employee education fees	<b>22,615</b>	32,128	(9,513)	(29.6)
Other social security and welfare expenses	<b>166,531</b>	152,559	13,972	9.2
<b>Total staff costs</b>	<b>1,162,439</b>	1,626,120	(463,681)	(28.5)

In 2016, the Bank's total staff costs amounted to RMB1,162.44 million, representing a year-on-year decrease of RMB463.68 million or 28.5%, primarily due to the Bank's adoption of a more prudential approach in respect of the assessment and payment of performance-based remunerations, whereby the pace of accruals for performance-based remunerations slowed down to actively cope with risks raised by the economic dynamics, while the payment of fixed remuneration went on steadily. As at December 31, 2016, the Bank had 4,023 full-time employees, representing an increase of 243 employees or 6.4% as compared to the previous year.

### 6.2 Taxes and surcharges

Taxes and surcharges mainly relate to revenue generated from our financial products and services with respect to lending (interest income), transfer of securities and other financial businesses. In 2016, taxes and surcharges were RMB259.77 million, representing a year-on-year decrease of RMB293.34 million or 53.0%.

## Management Discussions and Analysis

### 6.3 Depreciation and amortization

The depreciation and amortization for 2016 increased by RMB17.47 million or 11.4% to RMB170.80 million from the previous year as the growth of our property and equipment remained stable during the Reporting Period.

### 6.4 General and administrative expense

In 2016, the general and administrative expense increased by RMB69.24 million or 9.5% to RMB800.82 million.

### 7 Impairment losses on assets

In 2016, the provisions for impairment losses recorded RMB2,411.13 million, representing a year-on-year increase of RMB1,275.83 million or 112.4%. The increase in provisions for impairment was primarily due to the continuous growth of the volume of loans and the migration ratio of risk classification of loans, etc.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2016	2015		
Loans to customers	1,881,063	1,013,419	867,644	85.6
– Collectively assessed	1,008,258	420,012	588,246	140.1
– Individually assessed	872,805	593,407	279,398	47.1
Loans and receivables	528,545	117,114	411,431	351.3
Others	1,526	4,767	(3,241)	(68.0)
<b>Impairment losses on assets</b>	<b>2,411,134</b>	<b>1,135,300</b>	<b>1,275,834</b>	<b>112.4</b>

### 8. Investment in associates

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2016	December 31, 2015
Balance at the beginning of the year	29,214	26,405
New investment in associates	205,270	–
Share of profit after tax	3,910	2,809
<b>Balance at the end of the year</b>	<b>238,394</b>	<b>29,214</b>

On May 5, 2011, the Bank invested RMB22.00 million in the establishment of Xingyi Wanfeng Village Bank Co., Ltd. (興義萬豐村鎮銀行有限責任公司), accounting for 20% of the registered capital of RMB110.00 million.

On June 15, 2015, the Bank invested RMB205.27 million in the establishment of Mashang Consumer Finance Co., Ltd. (馬上消費金融股份有限公司), accounting for 15.79% of the registered capital.

### 9 Income tax expense

The income tax rate applicable to the Bank was 25%. The effective tax rates of the Bank in 2016 and 2015 were 24.82% and 25.76% respectively.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2016	2015		
Profit before income tax	4,658,512	4,269,919	388,593	9.1
Tax calculated at a tax rate of 25%	1,164,628	1,067,480	97,148	9.1
Tax effect arising from income not subject to tax	(106,387)	(57,049)	(49,338)	86.5
Tax effect of expenses that are not deductible for tax purposes	98,811	91,014	7,797	8.6
Tax filing differences for previous years	(707)	(1,587)	880	(55.5)
<b>Income tax expense</b>	<b>1,156,345</b>	<b>1,099,858</b>	<b>56,487</b>	<b>5.1</b>

## Management Discussions and Analysis

### II Analysis of the Statement of Financial Position

#### 1. Assets

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	151,020,641	40.5	124,769,386	39.0
Provision for impairment losses on loans and advances to customers	(4,231,595)	(1.2)	(2,952,934)	(0.9)
Net loans and advances to customers	146,789,046	39.3	121,816,452	38.1
Investment securities <sup>(1)</sup>	119,430,754	32.0	105,795,905	33.1
Investments in associates	238,394	0.1	29,214	0.0
Cash and balances with central bank	42,813,488	11.5	38,201,369	12.0
Due from other banks and financial institutions	55,706,352	14.9	45,856,556	14.3
Financial assets at fair value through profit or loss	881,977	0.2	2,312,586	0.7
Fixed assets	2,691,236	0.7	2,627,007	0.8
Deferred income tax assets	1,005,271	0.3	505,920	0.2
Other assets	3,547,216	1.0	2,662,978	0.8
<b>Total assets</b>	<b>373,103,734</b>	<b>100.0</b>	<b>319,807,987</b>	<b>100.0</b>

Note:

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

As at December 31, 2016, the Bank's total assets amounted to RMB373,103.73 million, representing an increase of RMB53,295.75 million or 16.7% as compared to the end of the previous year. An analysis of the breakdown of the Bank's total assets as at December 31, 2016 is as follows:

Total loans and advances to customers increased by RMB26,251.26 million or 21.0% to RMB151,020.64 million as compared to the end of the previous year. This was primarily because the Bank increased loans to prime projects and key customers under effective risk control, whilst extending its support for loans to SMEs and small and micro enterprises with good market potential and robust customer demand in line with the characteristics of the economic development and the industrial structure of Chongqing.

Investment securities increased by RMB13,634.85 million or 12.9% to RMB119,430.75 million as compared to the end of the previous year, primarily due to the Bank's increased holdings of treasury bonds and policy bank financial bonds with steady yields as well as entrusted investment with controllable risk exposures and higher yield.

Cash and balances with central bank increased by RMB4,612.12 million or 12.1% to RMB42,813.49 million as compared to the end of the previous year, primarily due to the increase of RMB3,797.29 million or 13.2% as compared to the end of the previous year in statutory deposit reserves as a result of the rapid increased customer deposits.

Total amount due from other banks and financial institutions increased by RMB9,849.80 million or 21.5% to RMB55,706.35 million as compared to the end of the previous year, primarily due to (1) the increase of net amounts due from other banks and financial assets by RMB8,267.24 million or 83.3%, and (2) the increase of RMB1,582.55 million or 4.4% in financial assets held under resale agreements.

### 1.1 Loans and advances to customers

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Loans to corporate entities				
– Corporate loans	105,349,815	69.8	84,276,669	67.6
– Discounted bills	4,839,011	3.2	4,120,780	3.3
Retail loans				
– Mortgage loans	18,331,192	12.1	18,012,580	14.4
– Personal consumer loans	7,161,329	4.8	3,848,972	3.1
– Credit card overdraft	3,395,551	2.2	2,924,258	2.3
– Personal business loans	11,943,743	7.9	11,586,127	9.3
<b>Total loans and advances to customers</b>	<b>151,020,641</b>	<b>100.0</b>	124,769,386	100.0

As at December 31, 2016, the Bank's total loans and advances to customers amounted to RMB151,020.64 million, representing an increase of RMB26,251.26 million or 21.0% as compared to the end of the previous year.

Loans to corporate entities (excluding discounted bills) amounted to RMB105,349.82 million, representing an increase of RMB21,073.15 million or 25.0% as compared to that at the end of the previous year, and accounting for 69.8% of total loans and advances to customers, up by 2.2 percentage points from the end of the previous year. During the Reporting Period, the Bank actively adjusted the credit structure in response to the state's industrial policy and focused on the real economy. During the Reporting Period, additional loans to water conservancy, environment and public facility management industry, lease and business service industry, manufacturing industry, real estate industry, household services and other services amounted to RMB7,729.84 million, RMB6,354.02 million, RMB2,103.00 million, RMB2,086.10 million and RMB1,204.05 million respectively.

Discounted bills amounted to RMB4,839.01 million, representing an increase of RMB718.23 million or 17.4% as compared to the end of the previous year, primarily due to the increased market demand.

## Management Discussions and Analysis

Retail loans amounted to RMB40,831.82 million, representing an increase of RMB4,459.88 million or 12.3% as compared to the end of the previous year, and accounting for 27.0% of total loans and advances to customers, down by 2.1 percentage points from the end of the previous year. Specifically, mortgage loans, mainly for financing residential home purchases, increased by RMB318.61 million or 1.8% as compared to the end of the previous year; personal consumer loans significantly increased by RMB3,312.36 million or 86.1% as compared to the end of the previous year, mainly because the Bank optimized the product structure of individual consumer loans, actively explored Internet online loans, cooperated with third-parties to launch products such as “Wei Li Dai (微粒貸)” and “Kuai E Dai (快E貸)” to realize the rapid growth of loan balance; credit card overdraft represented an increase of RMB471.29 million or 16.1% as compared to the end of the previous year; personal business loans represented an increase of RMB357.62 million or 3.1% as compared to the end of the previous year. During the Reporting Period, the Bank took active measures to manage credit risk, actively adjusted the credit structure, favored credit needs of premium personal customers and made more efforts to expand personal consumption loans and credit card business in view of complex market changes.

### Distribution of loans by type of collateral

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2016		As at December 31, 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateral loans	78,018,314	51.7	70,150,924	56.2
Pledged loans	16,179,930	10.7	12,562,758	10.1
Guaranteed loans	48,515,413	32.1	35,291,775	28.3
Unsecured loans	8,306,984	5.5	6,763,929	5.4
<b>Total loans to customers</b>	<b>151,020,641</b>	<b>100.0</b>	<b>124,769,386</b>	<b>100.0</b>



## Management Discussions and Analysis

### Movements on provision for impairment on loans to Customers

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Collective impairment	Individual impairment	Collective impairment	Individual impairment
<b>Balance at beginning of the year</b>	<b>2,492,792</b>	<b>460,142</b>	2,072,780	261,315
Impairment for loans				
charged to profit or loss	<b>1,344,786</b>	<b>1,320,137</b>	847,547	668,672
Reversal of impairment for loans	<b>(336,528)</b>	<b>(447,332)</b>	(427,535)	(75,265)
Net impairment for loans				
charged to profit or loss	<b>1,008,258</b>	<b>872,805</b>	420,012	593,407
Unwinding discount on allowances				
during the year	–	<b>(112,399)</b>	–	(59,493)
Loans written off during the year	–	<b>(548,287)</b>	–	(345,552)
Recoveries of doubtful debts written				
off in prior years	–	<b>58,284</b>	–	10,465
<b>Balance at the end of the year</b>	<b>3,501,050</b>	<b>730,545</b>	2,492,792	460,142

In 2016, in strict accordance with the relevant requirements of accounting standards and the regulatory authorities, the Bank took into account of external economic dynamics and macro control policies and strived to increase provision for impairment on loans and advances. As at December 31, 2016, the balance of provisions for impairment losses on loans and advances to customers was RMB4,231.60 million, representing an increase of RMB1,278.66 million or 43.3% as compared to the end of the previous year; and the provision for impairment to non-performing loans ratio increased by 49.37 percentage points to 293.35% from that as of the end of the previous year.

## Management Discussions and Analysis

### 1.2 Investment securities

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

(All amounts expressed in thousands of RMB unless otherwise stated)	At as December 31, 2016		At as December 31, 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Financial assets at fair value through profit or loss</b>				
– Corporate bonds	881,977	0.7	2,312,586	2.1
<b>Subtotal</b>	<b>881,977</b>	<b>0.7</b>	<b>2,312,586</b>	<b>2.1</b>
<b>Investment securities – loans and receivables</b>				
– Trust companies	35,237,101	29.3	50,188,787	46.4
– Security companies	14,455,970	12.0	13,411,717	12.4
– Fund companies	151,023	0.1	–	–
– Commercial banks	8,423,514	7.0	8,615,127	8.0
– Assets management companies	14,186,078	11.8	104,969	0.1
– Local government	4,096,900	3.5	958,900	0.9
Impairment allowance	(799,831)	(0.7)	(271,286)	(0.3)
<b>Subtotal</b>	<b>75,750,755</b>	<b>63.0</b>	<b>73,008,214</b>	<b>67.5</b>
<b>Investment securities – available-for-sale</b>				
– Policy banks	3,581,372	3.0	3,079,089	2.8
– Enterprises	16,570,761	13.8	15,140,594	14.0
– Commercial banks	50,564	0.0	70,611	0.1
– Trust companies	311,354	0.2	188,243	0.2
– Fund companies	2,600,000	2.2	–	–
– Government	194,728	0.2	–	–
– Equity investment at fair value	576,664	0.5	492,416	0.5
– Others	14	0.0	14	0.0
<b>Subtotal</b>	<b>23,885,457</b>	<b>19.9</b>	<b>18,970,967</b>	<b>17.6</b>
<b>Investment securities – held-to-maturity</b>				
– Government	16,167,633	13.4	10,515,099	9.7
– Policy banks	3,176,909	2.7	2,835,625	2.6
– Commercial banks	420,000	0.3	420,000	0.4
– Enterprises	30,000	0.0	46,000	0.1
<b>Subtotal</b>	<b>19,794,542</b>	<b>16.4</b>	<b>13,816,724</b>	<b>12.8</b>
<b>Total</b>	<b>120,312,731</b>	<b>100.0</b>	<b>108,108,491</b>	<b>100.0</b>

As at December 31, 2016, the Bank's total financial assets at fair value through profit or loss and other investment securities amounted to RMB120,312.73 million, representing an increase of RMB12,204.24 million or 11.3% as compared to the end of the previous year. Financial assets at fair value through profit or loss was RMB881.98 million, representing a decrease of RMB1,430.61 million or 61.9% as compared to the end of the previous year, primarily due to the adjustment of the structure of trading debt securities by the Bank to adapt to the market. Available-for-sale financial assets was RMB23,885.46 million, representing an increase of RMB4,914.49 million or 25.9% as compared to the end of the previous year, primarily due to the additional holding of monetary funds and other bonds to increase the Bank's return on investment. Investment securities-loans and receivables was RMB75,750.76 million, representing a stable increase of RMB2,742.54 million or 3.8% as compared to the end of the previous year. Investment securities-held-to-maturity increased by RMB5,977.82 million or 43.3% as compared to the end of the previous year to RMB19,794.54 million, primarily due to the increase of the Bank's holdings of treasury bonds and policy bank financial bonds with low risks and stable income.

### 2. Liabilities

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2016		As at December 31, 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Due to other banks and financial institutions	60,350,785	17.3	73,235,555	24.5
Customer deposits	229,593,793	65.7	199,298,705	66.8
Other liabilities	4,453,933	1.3	7,218,001	2.4
Taxes payable	295,059	0.1	271,989	0.1
Bonds issued	54,598,252	15.6	18,490,742	6.2
<b>Total liabilities</b>	<b>349,291,822</b>	<b>100.0</b>	298,514,992	100.0

As at December 31, 2016, total liabilities amounted to RMB349,291.82 million, representing an increase of RMB50,776.83 million or 17.0% as compared to the end of the previous year. Customer deposits are the Bank's largest source of capital, which increased by RMB30,295.09 million or 15.2% as compared to the end of the previous year; amounts due to other banks and financial institutions decreased by RMB12,884.77 million or 17.6% as compared to the end of the previous year; bonds issued significantly increased by RMB36,107.51 million or 195.3% as compared to the end of the previous year, primarily because: (1) in February 2016, the Bank issued RMB1,500.00 million fixed rate Tier 2 Capital bonds within China's inter-bank bond market; (2) the Bank issued a total of 71 interbank certificates of deposit in 2016 and 59 inter-bank certificates of deposit issued were outstanding as at December 31, 2016 with a nominal value of RMB50,000.00 million in aggregate.

## Management Discussions and Analysis

### 2.1 Customer deposits

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2016		As at December 31, 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate demand deposits	68,206,142	29.7	57,102,294	28.7
Corporate time deposits	86,326,675	37.6	77,426,011	38.8
Individual demand deposits	9,681,691	4.2	8,979,971	4.5
Individual time deposits	49,013,416	21.4	31,197,219	15.7
Other deposits	16,365,869	7.1	24,593,210	12.3
<b>Total customer deposits</b>	<b>229,593,793</b>	<b>100.0</b>	199,298,705	100.0
Of which: Pledged deposits held as collateral	11,115,432	4.8	16,619,121	8.3

As at December 31, 2016, customer deposits amounted to RMB229,593.79 million, representing an increase of RMB30,295.09 million or 15.2% as compared to the end of the previous year. Corporate deposits balance was RMB154,532.82 million, representing an increase of RMB20,004.51 million or 14.9% as compared to the end of the previous year; individual deposits balance was RMB58,695.11 million, representing an increase of RMB18,517.92 million or 46.1% as compared to the end of the previous year; corporate and individual demand deposits balance amounted to RMB77,887.83 million, representing an increase of RMB11,805.57 million or 17.9% as compared to the end of the previous year; corporate and individual time deposits balance amounted to RMB135,340.09 million, representing an increase by RMB26,716.86 million or 24.6% as compared to the end of the previous year.

### 2.2 Bonds issued

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2016		As at December 31, 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Subordinated bonds</b>				
Fixed rate subordinated debt – 2022	796,523	1.5	795,902	4.3
Fixed rate Tier 2 Capital bonds – 2026	1,497,168	2.7	–	–
<b>Financial bonds</b>				
Fixed rate financial bonds – 2018	2,995,894	5.5	2,992,474	16.2
Inter-bank certificates of deposit	49,308,667	90.3	14,702,366	79.5
<b>Total</b>	<b>54,598,252</b>	<b>100.0</b>	18,490,742	100.0

Pursuant to a resolution of the extraordinary general meeting passed on August 12, 2011 and the Approval for Bank of Chongqing to Issue Subordinated Bonds (《關於重慶銀行發行次級債券的批覆》) (Yin Jian Fu [2011] No. 511) by the CBRC on November 18, 2011, the Bank issued the RMB800.00 million subordinated bonds within the domestic inter-bank bond market of China in March 2012. Such subordinated bonds have a maturity of 10 years, with a fixed coupon rate of 6.80% per annum before maturity, payable annually. The Bank has redeemed the above said bonds on March 21, 2017.

Pursuant to a resolution of the extraordinary general meeting passed on May 16, 2014 and the Approval for Bank of Chongqing Co., Ltd. to Issue Tier 2 Capital Bonds (《關於重慶銀行股份有限公司發行二級資本債券的批覆》) (Yu Yin Jian Fu [2015] No. 107) by the CBRC on September 21, 2015, the Bank issued the RMB1,500.00 million Tier 2 Capital bonds within the domestic inter-bank bond market of China in February 2016. Such Tier 2 Capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.40% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on February 22, 2021. The bonds have the write-down feature of a Tier 2 Capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable. These Tier 2 Capital bonds are qualified as Tier 2 Capital Instruments in accordance with the CBRC requirements.

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

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

In 2016, the Bank issued a total of 71 inter-bank certificates of deposit by discounting with a tenor of one month to one year. As at December 31, 2016, 59 inter-bank certificates of deposit issued were outstanding with a total nominal value of RMB50,000.00 million.

As of December 31, 2016, there were no defaults of principal and interest or other breaches with respect to these bonds since their issuances.

### 2.3 Due to other banks and financial institutions

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2016		As at December 31, 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Due to central bank	1,957,148	3.2	3,586,768	4.9
Deposits from banks	28,190,198	46.7	28,777,759	39.3
Deposits from other financial institutions	12,126,278	20.1	12,682,929	17.3
Placements from banks and other financial institutions	2,585,950	4.3	3,000,000	4.1
Notes sold under repurchase agreements	12,506,491	20.7	25,188,099	34.4
Securities sold under repurchase agreements	2,984,720	5.0	-	-
<b>Total</b>	<b>60,350,785</b>	<b>100.0</b>	73,235,555	100.0

As of December 31, 2016, the Bank's balance due to other banks and financial institutions amounted to RMB60,350.79 million, representing a decrease of RMB12,884.77 million or 17.6% as compared to the end of the previous year. The Bank's balance due to central bank decreased by RMB1,629.62 million or 45.4% as compared to the end of the previous year; its deposits from banks decreased by RMB587.56 million or 2.0% as compared to the end of the previous year; deposits from other financial institutions decreased by RMB556.65 million or 4.4% as compared to the end of the previous year; the Bank's placements from banks and other financial institutions decreased by RMB414.05 million or 13.8%; notes sold under repurchase agreements decreased by RMB12,681.61 million or 50.3%; and securities sold under repurchase agreements increased by RMB2,984.72 million in 2016.

## Management Discussions and Analysis

### 3. Shareholders' equity

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2016		As at December 31, 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	3,127,055	13.1	3,127,055	14.7
Capital reserve	4,680,638	19.7	4,680,638	22.0
Other reserves	6,145,647	25.8	5,337,299	25.0
Retained earnings	9,858,572	41.4	8,148,003	38.3
<b>Total equity</b>	<b>23,811,912</b>	<b>100.0</b>	21,292,995	100.0

As at December 31, 2016, the Bank had paid-in capital of RMB3,127.06 million, capital reserve of RMB4,680.64 million, other reserves of RMB6,145.65 million, and retained earnings of RMB9,858.57 million. Among other reserves, (1) surplus reserve increased by RMB350.22 million as compared to the end of the previous year, primarily due to the provisions made for statutory surplus reserve; and (2) general reserve increased by RMB615.84 million as compared to the end of the previous year, as an additional reserve was provided to ensure that the general reserve was not less than 1.5% of the balance of risk assets as at the end of the previous year.

### III. Loan quality analysis

#### 1. Breakdown of Loans by the five-category classification

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2016		As at December 31, 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Pass	143,592,658	95.08	118,258,244	94.78
Special mention	5,985,484	3.96	5,300,814	4.25
Substandard	780,628	0.52	726,416	0.58
Doubtful	590,655	0.39	444,294	0.36
Loss	71,216	0.05	39,618	0.03
<b>Total loans and advances to customers</b>	<b>151,020,641</b>	<b>100.00</b>	124,769,386	100.00
Amount of non-performing loans	1,442,499	0.96	1,210,328	0.97

In 2016, facing the complex macro-economic dynamics, the Bank accelerated the construction of a comprehensive risk management system, continued to strengthen the prevention and control of credit risk, conducted a throughout risk review of credit assets, actively prevented and mitigated risks, strengthened early risk warning, tracking and after-lending monitoring management, hence the quality of the Bank's credit assets remained stable. As at December 31, 2016, the balance of non-performing loans was RMB1,442.50 million, representing an increase of RMB232.17 million as compared to the end of the previous year; non-performing loan ratio was 0.96%, representing a decrease of 0.01 percentage point as compared to the end of the previous year. The amount of loans under special mention category accounted for 3.96% of total loans, representing a decrease of 0.29 percentage point as compared to that of the end of the previous year.

## Management Discussions and Analysis

### 2. Concentration of loans

#### 2.1 Concentration by industry and non-performing loan

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2016				As at December 31, 2015			
	Loan amount	Percentage of total (%)	Non-performing loans amount	Non-performing loan ratio (%)	Loan amount	Percentage of total (%)	Non-performing loans amount	Non-performing loan ratio (%)
Manufacturing	18,591,598	12.3	451,802	2.43	16,488,594	13.2	243,215	1.48
Wholesale and retail	15,955,891	10.6	253,255	1.59	16,105,150	12.9	369,116	2.29
Construction	9,067,295	6.0	168,222	1.86	8,109,478	6.5	72,721	0.90
Real estate	17,168,657	11.4	35,000	0.20	15,082,562	12.1	-	-
Leasing and commercial services	13,353,418	8.8	13,333	0.10	6,999,400	5.6	11,283	0.16
Water conservation, environment and public facility administration	14,326,733	9.5	6,016	0.04	6,596,889	5.3	-	-
Transportation, warehousing and postal service	2,035,713	1.3	11,780	0.58	2,013,142	1.6	-	-
Mining	3,117,867	2.0	61,517	1.97	2,666,412	2.1	139,000	5.21
Electricity, gas and water production and supply	2,136,919	1.4	-	-	2,021,638	1.6	5,000	0.25
Agriculture, forestry, animal husbandry and fishery	1,613,366	1.1	26,247	1.63	1,424,851	1.1	29,563	2.07
Household services and other services	1,933,136	1.3	2,705	0.14	729,088	0.6	1,000	0.14
Education	783,484	0.5	-	-	643,890	0.5	-	-
Financing	238,061	0.2	-	-	362,129	0.3	-	-
Scientific research and technology services	393,669	0.3	-	-	311,783	0.3	7,500	2.41
Information transmission, software and information technology services	609,579	0.4	3,880	0.64	321,001	0.3	-	-
Accommodation and catering	572,051	0.4	11,465	2.00	383,344	0.3	-	-
Culture, sports and entertainment	261,315	0.2	-	-	369,788	0.3	-	-
Public administration, social security and social organizations	2,365,000	1.6	-	-	3,147,630	2.5	-	-
Health and social welfare	826,063	0.5	3,000	0.36	499,900	0.4	4,840	0.97
Discounted bills	4,839,011	3.2	-	-	4,120,780	3.3	-	-
Retail loans	40,831,815	27.0	394,277	0.97	36,371,937	29.2	327,090	0.90
<b>Total</b>	<b>151,020,641</b>	<b>100.0</b>	<b>1,442,499</b>	<b>0.96</b>	<b>124,769,386</b>	<b>100.0</b>	<b>1,210,328</b>	<b>0.97</b>

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



## Management Discussions and Analysis

In 2016, in response to the macro conditions of slower economic growth, the Bank continued to optimize its industry-specific credit entry and exit criteria for customers and further refined the management of industry quotas.

Influenced and impacted by economic growth, adjustment on growth structure and drivers and other factors, the non-performing loans amount in the banking industry has sustained its growth momentum since 2014. The Bank's non-performing loan ratio declined in 2016 as compared to the end of the previous year due to the measures adopted by the Bank such as strengthening credit risk management and accelerating the disposal of non-performing loans. Major industries experienced the following changes:

The amount of non-performing loans in the manufacturing industry increased by RMB208.59 million as compared to the end of the previous year, and the non-performing loan ratio increased by 0.95 percentage point, mainly because the iron and steel industry was greatly impacted by the market, thus leading to the increase in non-performing loan ratio in such industry;

The amount of non-performing loans in the wholesale and retail industry decreased by RMB115.86 million as compared to the end of the previous year, and the non-performing loan ratio decreased by 0.70 percentage point, mainly because the Bank put more efforts on the collection, recovery and disposal of non-performing loans in the industry;

The amount of non-performing loans in the construction industry increased by RMB95.50 million as compared to the end of the previous year, and the non-performing loan ratio increased by 0.96 percentage point, mainly because customers in this industry, affected by downstream enterprises, suffered difficulties in collecting account receivables;

The amount of non-performing loans in the transportation, warehousing and postal industries increased by RMB11.78 million as compared to the end of the previous year, and the non-performing loan ratio increased by 0.58 percentage point, mainly because the Bank suffered difficulties in collecting account receivables from a logistics company, the market competitiveness of which declined due to the increase in its transportation cost. The Bank currently plans to bring a lawsuit against this company;

The amount of non-performing loans in the accommodation and catering industries increased by RMB11.47 million as compared to the end of the previous year, and the non-performing loan ratio increased by 2.00 percentage points; and

The non-performing retail loans increased by RMB67.19 million as compared to the end of the previous year, and the non-performing loan ratio increased by 0.07 percentage point, mainly due to the failure in repayment of personal business loans and commercial mortgage loans by owners of some small and micro enterprises which were under bad management.

Moreover, as a result of our prudent credit entry criteria for customers and sound risk management, through our active management and collection of non-performing loans, the non-performing loan ratio in the mining industry dropped to 1.97% from 5.21% at the end of the previous year, the non-performing loan ratio in the agriculture, forestry, animal husbandry and fishery industries also dropped to 1.63% from 2.07% at the end of the previous year, the non-performing loan ratio in the health and social welfare dropped to 0.36% from 0.97% at the end of the previous year and the non-performing loan ratio in scientific research and technology services dropped to 0% from 2.41% at the end of the previous year.

## Management Discussions and Analysis

### 2.2 Concentration of borrowers

In 2016, the Bank's total loans to its largest single borrower accounted for 4.52% of its net capital while total loans to its top ten customers accounted for 29.24% of its net capital, which were in compliance with regulatory requirements. As at December 31, 2016, all of the Bank's loans to top ten single borrowers were loans under pass category.

#### (1) Indicators of concentration

Major regulatory indicators	Regulatory standard	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
Loan concentration ratio for the largest single customer (%)	<=10	4.52	4.00	4.62
Loan concentration ratio for the top ten customers (%)	<=50	29.24	30.79	25.21

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

#### (2) Loans to top ten single borrowers

(All amounts expressed in thousands of RMB unless otherwise stated)	Industry	As at December 31, 2016	
		Amount	Percentage (%)
Customer A	Manufacturing	1,286,061	0.85
Customer B	Public administration, social security and social organizations	940,000	0.62
Customer C	Water conservation, environment and public facility administration	900,000	0.60
Customer D	Manufacturing	834,000	0.55
Customer E	Leasing and commercial services	790,000	0.52
Customer F	Real estate	780,000	0.52
Customer G	Manufacturing	714,600	0.47
Customer H	Real estate	700,000	0.46
Customer I	Leasing and commercial services	690,000	0.46
Customer J	Real estate	690,000	0.46

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

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2016			As at December 31, 2015		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
<b>Corporate loans</b>	<b>105,349,815</b>	<b>1,048,222</b>	<b>0.99</b>	84,276,669	883,238	1.05
Short-term loans	40,877,943	868,726	2.13	47,125,070	778,238	1.65
Medium- and long-term loans	64,471,872	179,496	0.28	37,151,599	105,000	0.28
<b>Retail loans</b>	<b>40,831,815</b>	<b>394,277</b>	<b>0.97</b>	36,371,937	327,090	0.90
Residential mortgage and personal commercial property loans <sup>(1)</sup>	18,296,295	76,677	0.42	17,880,109	63,893	0.36
Personal business and re-employment loans	11,943,743	213,577	1.79	11,586,127	205,062	1.77
Others <sup>(2)</sup>	10,591,777	104,023	0.98	6,905,701	58,135	0.84
<b>Discounted bills</b>	<b>4,839,011</b>	–	–	4,120,780	–	–
<b>Total</b>	<b>151,020,641</b>	<b>1,442,499</b>	<b>0.96</b>	124,769,386	1,210,328	0.97

Notes:

- (1) Personal commercial property loans only include mortgage loans and exclude other consumer loans which is used to purchase commercial properties.
- (2) Other loans include Yangtze Card revolving credit loans, Yangtze Quick and Easy Loan (長江快易貸), personal consumer automobile mortgage loans (indirect type), personal consumer automobile mortgage loans (direct type), other personal loans for general consumption needs, Xing Fu Dai (幸福貸), Jie Li Dai (接利貸), Shun Di Dai (順抵貸), Xin Jin Dai (薪金貸), Wei Li Dai (微粒貸) and Kuai E Dai (快E貸).

As at December 31, 2016, the balance of non-performing corporate loans amounted to RMB1,048.22 million, representing an increase of RMB164.98 million as compared to the end of the previous year, and the non-performing loan ratio of corporate loans decreased by 0.06 percentage point to 0.99% as compared to the end of the previous year; the balance of non-performing retail loans amounted to RMB394.28 million, representing an increase of RMB67.19 million as compared to the end of the previous year, the non-performing loan ratio of retail loans increased by 0.07 percentage point to 0.97% as compared to the end of the previous year.

## Management Discussions and Analysis

### 2.4 Overdue loans and advances to customers

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2016		As at December 31, 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Past due within 90 days	3,310,940	59.22	1,911,506	54.56
Past due 90 days to 1 year	1,662,321	29.73	1,079,629	30.82
Past due over 1 year and within 3 years	567,092	10.14	413,682	11.81
Past due over 3 years	50,520	0.91	98,486	2.81
<b>Total overdue loans and advances to customers</b>	<b>5,590,873</b>	<b>100.00</b>	3,503,303	100.00

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

As at December 31, 2016, the total overdue loans amounted to RMB5,590.87 million, representing an increase of RMB2,087.57 million as compared to the end of the previous year. Overdue loans accounted for 3.70% of total loans, representing an increase of 0.89 percentage point as compared to the end of the previous year.

## IV. Segment information

### 1. Summary of geographical segment

(Expressed in percentage)	As at December 31,							
	2016		2015		2014		2013	
	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Deposits	81.55	18.45	81.19	18.81	77.49	22.51	77.81	22.19
Loans	74.93	25.07	75.82	24.18	74.00	26.00	73.83	26.17
Assets	85.88	14.12	83.37	16.63	81.40	18.60	77.72	22.28
Loan to deposit ratio	58.73	86.84	56.99	78.43	59.21	71.60	57.71	71.74
Non-performing loan ratio	0.76	1.64	0.65	2.02	0.31	1.80	0.26	0.75
Provision for impairment to non-performing loans	372.68	183.92	347.34	136.75	704.36	128.30	787.84	268.30

(Expressed in percentage)	For the year ended December 31,							
	2016		2015		2014		2013	
	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Return on average total assets	1.07	0.63	1.27	0.05	1.24	0.94	1.47	0.58
Net fee and commission income to operating income	21.53	13.02	19.34	14.14	13.25	7.65	10.88	11.48
Cost-to-income ratio	22.85	30.11	29.58	40.47	30.60	31.85	30.51	42.15

Note: Other areas refer to the Bank's operations outside Chongqing, which include the Chengdu Branch, Guiyang Branch and Xi'an Branch.

## 2. Summary of business segment

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2016				
	Corporate banking	Retail banking	Treasury	Unallocated	Total
Net interest income/(expense) from external customers	3,318,446	(558,257)	4,917,209	–	7,677,398
Inter-segment net interest income/(expense)	1,758,464	1,321,079	(3,079,543)	–	–
<b>Net interest income</b>	<b>5,076,910</b>	<b>762,822</b>	<b>1,837,666</b>	<b>–</b>	<b>7,677,398</b>
<b>Net fee and commission income</b>	<b>154,327</b>	<b>217,398</b>	<b>1,554,292</b>	<b>–</b>	<b>1,926,017</b>

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2015				
	Corporate banking	Retail banking	Treasury	Unallocated	Total
Net interest income from external customers	2,242,000	300,151	4,459,922	–	7,002,073
Inter-segment net interest income/(expense)	2,029,518	527,638	(2,557,156)	–	–
<b>Net interest income</b>	<b>4,271,518</b>	<b>827,789</b>	<b>1,902,766</b>	<b>–</b>	<b>7,002,073</b>
<b>Net fee and commission income</b>	<b>346,874</b>	<b>176,931</b>	<b>988,248</b>	<b>–</b>	<b>1,512,053</b>

## V. Analysis of off-balance-sheet items

Off-balance-sheet items of the Bank mainly include contingent liabilities and commitments, such as the credit commitments, capital expenditure commitments and operating lease commitments. Credit commitments, the major component of off-balance-sheet items, comprise bank acceptances, credit card commitments, issuance of letters of credit and issuance of letters of guarantee, among which credit card commitments, bank acceptances, and issuance of letters of credit are the major components. As at December 31, 2016, the balance of unused credit card limits was RMB2,566.18 million, representing an increase of RMB449.30 million or 21.2% as compared to the end of the previous year; the balance of guarantees, commitments and letters of credit was RMB28,155.56 million, representing a decrease of RMB5,427.30 million or 16.2% as compared to the end of the previous year; the balance of operating lease commitments was RMB171.29 million, representing a decrease of RMB23.89 million or 12.2% as compared to the end of the previous year; the balance of capital expenditure commitments was RMB444.74 million, representing an increase of RMB64.48 million or 17.0% as compared to the end of the previous year.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2016			
	Within 1 year	1 to 5 years	Over 5 years	Total
Unused credit card limits	2,566,179	–	–	2,566,179
Guarantees, acceptances and letters of credit	24,831,532	3,323,130	899	28,155,561
Operating lease commitments	51,925	94,905	24,459	171,289
Capital expenditure commitments	389,238	55,503	–	444,741
<b>Total</b>	<b>27,838,874</b>	<b>3,473,538</b>	<b>25,358</b>	<b>31,337,770</b>

## Management Discussions and Analysis

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2015			
	Within 1 year	1 to 5 years	Over 5 years	Total
Unused credit card limits	2,116,877	–	–	2,116,877
Guarantees, acceptances and letters of credit	32,982,580	600,279	–	33,582,859
Operating lease commitments	60,066	110,211	24,901	195,178
Capital expenditure commitments	345,898	34,365	–	380,263
<b>Total</b>	<b>35,505,421</b>	<b>744,855</b>	<b>24,901</b>	<b>36,275,177</b>

### 6.4 Business Overview

#### 6.4.1 Corporate Banking Business

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

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2016	December 31, 2015	Change (%)
Net interest income from external customers	<b>3,318,446</b>	2,242,000	48.0
Inter-segment net interest income	<b>1,758,464</b>	2,029,518	(13.4)
<b>Net interest income</b>	<b>5,076,910</b>	4,271,518	18.9
<b>Net fee and commission income</b>	<b>154,327</b>	346,874	(55.5)
Net trading gains	<b>10,904</b>	–	–
Other operating income	<b>1,405</b>	655	114.5
Impairment losses on assets	<b>(1,830,803)</b>	(920,274)	98.9
Operating expenses	<b>(1,457,721)</b>	(1,713,171)	(14.9)
– Depreciation and amortization	<b>(98,130)</b>	(82,342)	19.2
– Others	<b>(1,359,591)</b>	(1,630,829)	(16.6)
<b>Profit before income tax</b>	<b>1,955,022</b>	1,985,602	(1.5)
<b>Capital expenditure</b>	<b>90,118</b>	148,122	(39.2)
<b>Segment assets</b>	<b>149,108,552</b>	119,491,853	24.8
<b>Segment liabilities</b>	<b>(175,015,654)</b>	(165,895,183)	5.5

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

### *(I) Corporate Deposits*

Corporate deposits maintained a steady growth. We proactively developed the corporate deposit market by enhancing our marketing efforts. As at December 31, 2016, the balance of our corporate deposits (excluding security deposits) amounted to RMB154.53 billion, accounting for 67.3% of the balance of total deposits and representing a growth of RMB20.01 billion or 14.9% as compared with the end of previous year. The balance of our corporate deposits (including security deposits) amounted to RMB165.65 billion, accounting for 72.1% of the balance of total deposits and representing a growth of RMB14.50 billion or 9.6% as compared with the end of previous year.

According to Chongqing Administration of the PBOC, as at December 31, 2016, the balance of our RMB corporate deposits (including security deposits) in Chongqing amounted to RMB117.71 billion, accounting for a market share of 7.7% in RMB corporate deposit in Chongqing, ranking the fourth in Chongqing, following the Chongqing branch of Industrial and Commercial Bank of China, the Chongqing branch of China Construction Bank and Chongqing Rural Commercial Bank Co., Ltd.

### *(II) Corporate Loans*

Our corporate lending business continued to maintain a high growth rate. The Bank accelerated the promotion of its corporate lending business with combination of national macro control policies by proactively grasp the opportunities in line with the economic conditions and industry trend of the region where our customers operate. As at December 31, 2016, the balance of our corporate loans (excluding discounted bills) amounted to RMB105.35 billion, representing a growth of RMB21.07 billion or 25.0% as compared to the end of previous year.

The Bank proactively support the precise poverty alleviation and precise poverty removal works of the country. In 2016, it invested a credit fund of RMB28.0 billion to 18 poor counties including Pengshui, Shizhu and Qianjiang, representing 26.2% of total loans to Chongqing by the Bank. The loans for precise poverty alleviation accumulated to RMB750 million, representing an increase of RMB540 million as compared with previous year.

### *(III) Corporate Banking Products*

Our corporate banking product portfolio achieved further improvement. Firstly, the Bank strove to carry out bond issuing and asset monitoring businesses and proactively explored new source for deposits based on the bond issuing and financing needs of large enterprise customers. The bonds issued amounted to RMB8.0 billion in 2016, in aggregate. Secondly, the Bank launched Innovative and Entrepreneurial Fund (雙創基金) products, for the purpose of catering to the needs of the governments at the district and county level for new urbanization and industry upgrading, as well as creating an innovative model for cooperation among banks, governments and enterprises. RMB4.5 billion was spent for this purpose in 2016. Thirdly, the Bank heavily involved in the strategic China-Singapore (Chongqing) interconnection construction program to promote the cross-border financing, and strengthened the synergy between domestic and foreign currency businesses and products to improve its ability in integrated operation. In 2016, the Bank successfully implemented 9 China-Singapore programs amounted to RMB3.8 billion, accounting for 13% in Chongqing market, among which 2 programs of RMB1.8 billion for participation in overseas issuance of bonds as a senior lead manager, accounting for a market share of 7.8%; 7 programs of RMB2.0 billion for international-oriented commercial loans, accounting for a market share of 35%. The Bank also assisted in securing overseas debts of US\$600 million from Development and Reform Commission for enterprises (of which US\$42 million was from the National Development and Reform Commission) in 2016, representing nearly 20%, ranking the top in Chinese banks.

## Management Discussions and Analysis

### 6.4.2 Small and Micro Enterprise Banking Business

#### *(I) Overview of Small and Micro Enterprise Banking Business as at December 31, 2016*

As at December 31, 2016, according to the statistics of the four national ministries, the balance of our small and micro enterprise loans amounted to RMB59.03 billion, representing an increase of RMB11.45 billion (accounting for 43.4% of our total newly-raised loans) or 24.1% as compared with the end of the previous year, which was 2.8 percentage points higher than the average increase in all of our loans. The number of loan customers was 21,122, increasing by 1,072 as compared with the end of the previous year. The approval rate for small and micro enterprises loans was 86.45%, representing an increase of 0.34 percentage point as compared with the end of the previous year, in full compliance with the “three minimums” regulatory goals for small and micro enterprise banking business.

As regards to the customer structure, the Bank explored to develop a further business model of small, micro and grass-root enterprises. The small and micro enterprise loans with an individual lending amount of below RMB5 million recorded a balance of RMB22.2 billion, accounting for 37.6% of the total small and micro enterprise loans; and the number of customers reached 18,073, accounting for 85.6% of the total number of small and micro enterprise customers.

As regards to the risk management, the Bank constantly strengthened its ability in risk mitigation for small and micro enterprise banking business. The collateral loans for small and micro enterprises accounted for 50%, representing an increase of 1.67 percentage points as compared with 48.33% at the end of the previous year; the guaranteed loans accounted for 37.95%, representing a decrease of 3.80 percentage points as compared with 41.75% at the end of the previous year.

As regards to the business innovation, the Bank cracked the financing problem encountered by small and micro enterprises through driven development. By taking advantage of the Internet and big data tools, the Bank firstly launched the innovative product named “Hao Qi Dai (好企貸)” in the industry, the first pure online and credit scene marketing product of the Bank, and achieved “Immediate Approval (秒批)” of loans.

#### *(II) Initiatives to Develop Small and Micro Enterprise Banking Business*

##### *(1) Upgrading Traditional Businesses by Improving Quantity and Efficiency*

Firstly, the Bank strengthened, optimized and enlarged its bulk business. Taking into account the characteristics of local small and micro enterprises, the Bank actively implemented the goal of “risk-controllable, business innovation, customer subdivision and frontline-oriented service” and put great efforts to promote the development of bulk business. By adopting the “1+N” marketing model and developing industrial clusters, the Bank subdivided the market for small and micro enterprise customers and provide the small and micro enterprise clusters within the industrial park, business circle, agricultural industry chain and supply chain with bulk financial services, in order to create a bulk-oriented business model within the “circle, park, zone, chain and society” with its own features. Secondly, the Bank strengthened the existing traditional businesses and did specialize in fine. It made various efforts to the marketing of existing products, improved working efficiency and reduced financing cost. In addition, it also increased proportion of collateral loans in the new loans and strengthened measures in relation to risk mitigation. Thirdly, the Bank adjusted and optimized the traditional business structure under the principle of assisting some business sectors while suppressing others and supporting some business sectors while curbing others. The Bank will decrease leverage on invalid supply and increase leverage on effective needs. On the one hand, it continuously reduced the loans to overcapacity industries, strengthened management over the list system and adopted strict approval in respect of the usage of loans. On the other hand, the Bank enhanced efforts to its product research and development, model building and marketing in weak cyclical and non-cyclical industries, made great efforts to promote the development of green credit and support modern agriculture with distinctive features and efficiency. The Bank also proactively involved in major development strategies including “One Belt, One Road” strategy, Yangtze River Economy Zone, Free Trade Zone, National Innovation Demonstration Zone, Five Major Functional Regions, China-Singapore demonstration projects and Innovation-driven Development, striving to provide perfect, special and professional services to small and micro enterprises and Sannong (三農).



### *(2) Increasing Effective Supply of Financial Services through Innovation-Driven Development*

Firstly, the Bank continued to create the innovative model of “data is business” to expand its cooperative platforms. By strengthening, optimizing and enlarging “Hao Qi Dai (好企貸)”, a product self-developed by the Bank, it has achieved “Immediate Approval (秒批)” to “Immediate Lending (秒放)” of loans. The Bank explored to build cooperative platforms and initiated cooperative alliance within financial regions. By taking advantages of scenario, big data risk control and marketing channel, the Bank built an O2O synergetic model, promoted the offline business driven by online scenario marketing, and established a good image and brand effect of leading innovation in Internet finance and providing financial services to benefit the general public. Secondly, the Bank proactively explored and boosted the investment and loan linkage. By preparing well for the construction of pilot branch specialized in technology and fully utilizing the regional advantage of Chongqing as a national innovative demonstration zone as well as the comparative advantage of the Bank ranking top in city commercial banks, the Bank developed scientific innovative programs and provided, with equity and debts, professional financial services for the financing, strategic consultation and commercial advisory and guide on equity investment to technology-oriented enterprises. In addition, the Bank explored the investment-loan linkage through various methods including “following loan lending (跟貸)” and loans for options (認股權貸款) to construct an ecosystem for technology and finance in coordination with the government and scientific innovative enterprises.

### *(3) Enhancing Ability and Level in Professional Management with the Spirit of Craftsmen*

The Bank strove to improve the core competitiveness of small and micro enterprise banking business by cultivating the spirit of craftsmen and strengthening its brand building. It also led and supported the transformation from small and micro enterprise banking business to innovation-driven development through innovating the mechanism for information and technology construction. The Bank continued to promote professionalization construction on staffs, organization, product, workflow and assessment. Through strengthening the training on business skills of the client management teams, the Bank worked hard to enhance itself, vigorously promoted team building, unceasingly promoted their professional level and improved their professional competence, so as to provide a human resource guarantee for opening up the business marketing channels and effective prevention and control of business risks. At the same time, the Bank had organization, product, workflow and assessment working in a coordinated manner, in a bid to improve the internal professional operation environment of the small and micro business and enhance the professional level of the small and micro business of the Bank, so as to provide a mechanism guarantee for sustainably supporting the development of the small and micro business.

### *(4) Responding Positively to the Optimization of Asset Quality of Small and Micro Enterprises*

The Bank constantly optimizes and adjusts the structure of its existing businesses, in an effort to implement risk prevention and control in a proactive manner. By constantly adjusting and optimizing the structure of its existing customers, the Bank aims at proactively eliminating customers engaged in industries with obsolete production capacity and excessive production capacity, and giving priority to supporting enterprises engaged in non-cyclical industries, enterprises with upgraded industrial technologies and innovative enterprises with advanced technologies. The Bank takes the initiative in solving and transforming the existing questionable credits, in order to control risks effectively, and also, it strengthens the collection of non-performing loans, to reduce the balance of non-performing loans unceasingly and improve the quality of its assets in general.

### *(5) Strengthening Risk Control Capability by Taking Enforcement Actions*

The Bank deepened the knowledge among operating institutions and customer managers of the principle of “understanding your customers, the businesses of your customers and the risks your customers faced with”, developed a clear picture of the customers’ production and operation status and the actual uses of their funds, to provide good decision-making basis for credit granting. At the same time, the Bank enhanced its business assessment processes, took the initiative to reduce the authorization levels of small and micro loans of operating institutions, and unceasingly implemented customer miniaturization, with a view to actively carrying out our business development strategy for small and micro loans of “one big and one small”, i.e. developing a big customer base with small individual lending amounts, and to effectively decentralizing business risks.

## Management Discussions and Analysis

### 6.4.3 Retail Banking Business

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

<b>(All amounts expressed in thousands of RMB unless otherwise stated)</b>	<b>December 31, 2016</b>	December 31, 2015	Change (%)
Net interest (expense)/income from external customers	<b>(558,257)</b>	300,151	N/A
Inter-segment net interest income	<b>1,321,079</b>	527,638	150.4
<b>Net interest income</b>	<b>762,822</b>	827,789	(7.8)
<b>Net fee and commission income</b>	<b>217,398</b>	176,931	22.9
Other operating income	<b>2,567</b>	7,505	(65.8)
Impairment losses on assets	<b>(45,510)</b>	(93,145)	(51.1)
Operating expenses	<b>(707,983)</b>	(898,535)	(21.2)
– Depreciation and amortization	<b>(47,659)</b>	(43,187)	10.4
– Others	<b>(660,324)</b>	(855,348)	(22.8)
<b>Profit before income tax</b>	<b>229,294</b>	20,545	1,016.1
<b>Capital expenditure</b>	<b>24,837</b>	55,097	(54.9)
<b>Segment assets</b>	<b>41,093,619</b>	44,447,139	(7.5)
<b>Segment liabilities</b>	<b>(59,698,940)</b>	(42,314,118)	41.1

#### (I) Personal Deposits

Benefiting from the continued and rapid economic growth in Chongqing and full utilization of its regional brand advantages, the Bank adhered to integrating its brand value in services with key account sales under the guidance of “finance beneficial for general public”, constantly improved our special time deposit products “Xing Fu Cun (幸福存)” and successively issued large-amount deposit certificates to individual customers to continue to upgrade our deposit products. The balance of personal deposits increased by RMB18.52 billion or 46.1% as compared with the end of the previous year to RMB58.70 billion, continuing to maintain a relatively high growth rate. The local market share steadily increased.

#### (II) Personal Loans

It excluded personal business loans and credit card overdrafts.

Our personal consumer loans continued to grow steadily. The balance of personal consumer loans increased by RMB3.63 billion or 16.6% to RMB25.49 billion as compared with the end of the previous year. In order to optimize the product structure of our personal consumer loans, the Bank proactively explored online lending channels and recently launched personal loan products including “Wei Li Dai (微粒贷)” and “Kuai E Dai (快E贷)”, as a new source of growth of our personal consumer loans.

### (III) Bank Cards

It excluded credit cards.

New bank card issuance and transaction volume of our bank card business recorded continuous growths. As at December 31, 2016, we had issued a total of 3,048,090 debit cards and the transaction volume during the year amounted to RMB10.54 billion. The Bank has been committed to the expansion of functions such as consumption and settlement, improvement of the channels and enhancement of security. We began to issue debit IC cards with more security throughout the Bank and ceased issuing new debit magnetic stripe cards. In order to keep abreast of development in the mobile payment business, and to provide our bank card customers with more convenient, efficient and secured experience for mobile payment, the Bank, as the first bank in the south west of China, has introduced the payment service of “Quick Pass (雲閃付)” issued by China UnionPay.

### 6.4.4 Treasury Operations

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

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2016	December 31, 2015	Change (%)
Net interest income from external customers	4,917,209	4,459,922	10.3
Inter-segment net interest expense	(3,079,543)	(2,557,156)	20.4
<b>Net interest income</b>	<b>1,837,666</b>	1,902,766	(3.4)
<b>Net fee and commission income</b>	<b>1,554,292</b>	988,248	57.3
Net trading (losses)/gains	(61,570)	23,769	N/A
Net gains/(losses) on investment securities	348	(10,243)	N/A
Share of profits of an associate	3,910	2,809	39.2
Other operating income	21,193	14,809	43.1
Impairment losses on assets	(523,795)	(117,114)	347.3
Operating expense	(349,150)	(566,389)	(38.4)
– Depreciation and amortization	(23,505)	(27,223)	(13.7)
– Others	(325,645)	(539,166)	(39.6)
<b>Profit before income tax</b>	<b>2,482,894</b>	2,238,655	10.9
<b>Capital expenditure</b>	<b>109,932</b>	192,582	(42.9)
<b>Segment assets</b>	<b>181,891,889</b>	155,358,361	17.1
<b>Segment liabilities</b>	<b>(114,578,169)</b>	(90,304,091)	26.9

In 2016, addressing the increasingly stringent regulatory environment and complex economic situation, the Bank continued to strengthen risk management of its treasury operations under the principle of compliance in business operations. While ensuring adequate liquidity, the Bank steadily pushed forward its treasury operations with an investment focus on trust beneficiary rights, asset management plans, bonds and wealth management products in 2016.

Thanks to the efforts through the year, our treasury operations made sound and healthy progress, posting a profit before income tax of RMB2.48 billion for the year ended 2016, and increased by RMB244.24 million or 10.9% as compared to the previous year.

## Management Discussions and Analysis

### (I) Breakdown of Securities Investment by Holding Purpose

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2016		December 31, 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Held-to-maturity	19,794,542	16.53	13,816,724	12.84
Loans and receivables	75,750,755	63.26	73,008,214	67.84
Held for trading	881,977	0.74	2,312,586	2.15
Available-for-sale	23,308,779	19.47	18,478,537	17.17
<b>Total</b>	<b>119,736,053</b>	<b>100.00</b>	107,616,061	100.00

As at December 31, 2016, the Bank's held-to-maturity securities increased by RMB5.98 billion from the end of the previous year, with the proportion increasing by 3.69 percentage points; loans and receivables increased by RMB2.74 billion from the end of the previous year, with the proportion decreasing by 4.58 percentage points; held-for-trading securities decreased by RMB1.43 billion from the end of the previous year, with the proportion decreasing by 1.41 percentage points; and available-for-sale securities increased by RMB4.83 billion from the end of the previous year, with the proportion increasing by 2.30 percentage point.

### (II) Breakdown of Securities Investment by Credit Rating

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2016		December 31, 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
AAA	1,005,210	0.84	1,699,466	1.58
AA- to AA+	7,286,986	6.09	12,128,583	11.27
A-1	149,906	0.12	–	–
Unrated	111,293,951	92.95	93,788,012	87.15
<b>Total</b>	<b>119,736,053</b>	<b>100.00</b>	107,616,061	100.00

Taking into account the market liquidity, the Bank increased the holdings of highly liquid book-entry government bonds and non-commercial bank bonds in 2016. As at December 31, 2016, the Bank's unrated securities investment increased by RMB17.51 billion from the end of the previous year, with the proportion increasing by 5.80 percentage points. The unrated securities investment mainly comprised loans and receivables, government bonds and monetary fund.

### (III) Breakdown of Securities Investment by Remaining Maturity

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2016		December 31, 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Up to 3 months	26,000,508	21.71	16,956,151	15.76
3 to 12 months	25,177,274	21.03	30,555,294	28.39
1 to 5 years	52,439,645	43.80	47,001,022	43.67
Over 5 years	16,118,626	13.46	13,103,594	12.18
<b>Total</b>	<b>119,736,053</b>	<b>100.00</b>	107,616,061	100.00

As at December 31, 2016, the Bank's securities investment with remaining maturity within 12 months increased by RMB3.67 billion from the end of the previous year, with the proportion decreasing by 1.41 percentage points.

### (IV) Holdings of Financial Bonds

Financial bonds are marketable securities issued by policy banks and other financial institutions with a debt service term as agreed upon. As at December 31, 2016, the balance of our financial bonds was RMB7.7 billion in nominal value, mainly comprising financial bonds issued by policy banks. Set out below are the top 10 financial bonds in terms of nominal value held by the Bank as at the dates indicated.

Name of bond	Par Value in RMB	Annual Interest rate (%)	Maturity date
2015 Policy Bank Financial Bond	1,100,000	2.98%	November 4, 2018
2016 Policy Bank Financial Bond	1,000,000	3.18%	April 5, 2026
2016 Policy Bank Financial Bond	500,000	3.18%	September 5, 2026
2015 Policy Bank Financial Bond	500,000	3.54%	June 18, 2018
2012 Policy Bank Financial Bond	500,000	3.87%	June 28, 2019
2012 Policy Bank Financial Bond	500,000	4.21%	June 29, 2019
2012 Policy Bank Financial Bond	500,000	4.11%	April 23, 2017
2015 Policy Bank Financial Bond	500,000	3.59%	July 17, 2018
2013 Policy Bank Financial Bond	460,000	5.04%	October 24, 2023
2006 Policy Bank Financial Bond	380,000	3.79%	June 28, 2021

## 6.4.5 Distribution Channels

### (I) Physical Outlets

As at December 31, 2016, we operated our business and marketed our retail banking products and services through 136 sub-units, including the business department of our Head Office, our small enterprise loan center, four primary branches, and 95 offsite self-service banking centers, and through our extensive distribution channels, such as telephone banking, mobile banking, online banking and direct banking, which cover all 38 districts and counties of Chongqing as well as three provinces in western China namely Sichuan Province, Shaanxi Province and Guizhou Province.

## Management Discussions and Analysis

### *(II) Self-Service Banking Centers*

Our offsite self-service banking centers and self-service terminals provide safe and convenient services to our customers, and also enhance our input-output ratio. As at December 31, 2016, we had 95 offsite self-service banking centers, 121 onsite self-service banking centers and 791 self-service terminals, including 261 ATMs, 349 self-service deposit and withdrawal machines and 181 multi-media self-service terminals that offer withdrawal, account inquiry, bill payment, deposit, passcode changing and/or fund transfer services. In 2016, we processed approximately 7.03 million self-service banking transactions, with a total transaction volume of RMB13.45 billion.

### *(III) Electronic Banking*

#### *(1) Online Banking*

##### Corporate Online Banking

As at December 31, 2016, we had 14,122 corporate online banking customers in aggregate, representing an increase of 2,297 or 19.4% as compared with the end of the previous year. The total number of transactions increased by 78.0% as compared with the previous year to 2.69 million, and the total transaction volume increased significantly by 107.5% as compared with the end of the previous year to RMB526.13 billion.

##### Personal Online Banking

As at December 31, 2016, we had 377,059 personal online banking customers in aggregate, representing an increase of 99,535 or 35.9% as compared with the end of the previous year. The total number of transactions amounted to 1.68 million, representing a year-on-year increase of 99.8%. The total transaction volume amounted to RMB94.90 billion, representing an increase of 57.5% as compared with the end of the previous year.

##### Small and Micro Enterprises Online Banking

As at December 31, 2016, we had 4,042 small and micro enterprise online banking customers in aggregate, representing a year-on-year increase of 1,594. The total number of transactions amounted to 102.20 thousand and the total transaction volume amounted to RMB11.82 billion.

#### *(2) Mobile Banking*

##### Personal Mobile Banking

As at December 31, 2016, we had 358,241 mobile banking customers in aggregate, representing an increase of 137,914 or 62.6% as compared with the end of the previous year. The number of transactions amounted to 11.22 million (comprising 3.01 million transactions with account movement and 8.21 million inquiry transactions), representing a year-on-year increase of 42.4%. The total transaction volume amounted to RMB52.92 billion, representing an increase of 50.6% as compared with the end of the previous year.

##### Small and Micro Enterprises Mobile Banking

As at December 31, 2016, we had 659 small and micro enterprise mobile banking customers in aggregate, representing a year-on-year increase of 117. The total number of transactions amounted to 141 and the total transaction volume amounted to RMB7.48 million.

### *(3) Direct Banking*

In an effort to proactively arrange in the development of Internet finance and establish Internet-based direct sales channel to overcome geographic restrictions, the Bank successfully took the first-mover advantage to launch its direct banking business on July 24, 2014 and gathered a certain scale of online direct banking customer groups in a short time. Direct banking has become an important online brand and business access of the Bank, which enabled the Bank to realize cross-regional business expansion initially. As at December 31, 2016, the direct banking business recorded a total of 113,313 contracted electronic account customers, representing a year-on-year increase of 9,082 and originating from 32 provinces, municipalities and autonomous regions in China. In respect of the scales of financial assets, the holding volume of Ju Li Bao (聚利寶) was RMB288 million, the holding volume of Le Hui Cun (樂惠存) was RMB3.82 million and the balance of the electronic current accounts amounted to RMB14.70 million.

### *Information Technology*

In 2016, the Bank promoted the information technology construction in an orderly manner and reached the annual objective successfully, laying a good foundation for the operation of the Bank.

We continued to strengthen internal control on information technology to enhance risk prevention and control capability based on information technology. Firstly, we continued our work on establishment of IT internal control system, and five IT internal control systems were newly established, four were modified and two were declared not applicable in 2016. In addition, we have also set 11 technical standards covering areas such as infrastructure, network, system and development and testing, to improve the standardized construction and maintenance and operation of information technology. Secondly, we proactively conducted classified information technology security protection. During the year, we classified the security level of seven new information systems, filed five information systems with security level of Class II or above, and completed the onsite assessments and correction of eight information systems with security level of Class III. Thirdly, we staged IT risk screening campaign to identify and eliminate risks in such areas as the server room facilities, network, servers and storage devices in both our head office and branch outlets, with proper corrective measures. Fourthly, we deployed a virtual desktop system in development and testing environment, which effectively controlled the copying in development and testing environment via USB drives and screen capture, preventing outsourcing personnel from taking the Bank's sensitive data away. Fifthly, we deployed a data desensitization management system in development and testing environment to desensitize the production data used in development and testing environment, with a view to prevent sensitive data leaks while meeting the logic needs of development and testing business. Sixthly, we deployed a database auditing system to monitor the use of database in the front, middle and back office, which provides an effective way to audit and analyze successive events.

With the stable operation of our information systems, we strengthened our efforts on the establishment and improvement of production environment and actively carried out the construction of key projects. Firstly, with a view to achieving "Intra-city Dual-active Data Centers and Remote Disaster Backup", we improved and optimized our local high utilization structure and business backup structure through upgrading our integrated business system to achieve higher utilization, the planning and design of the "Two Sites and Three Centers" continuance backup system, and developing plan for establishing Intra-city dual-active data center network. Secondly, we developed a digital system for server room management to maintain, operate and manage hardware and network systems in a visualized and simple way, thus improving the maintenance, operation and management levels of the server room of data center and reducing operational risk. Thirdly, we carried out about 30 information system responsive drills as planned during the year, and conducted various kinds of technical trainings to improve the expertise levels of our technical personnel and reduce the time required for trouble shooting, which laid a solid foundation for safeguarding the safe operation of our information system.

## Management Discussions and Analysis

We accelerated the innovation and integration of technology and business, facilitated the application of new technologies and promoted the upgrading and updating of information system. (1) Leveraging the development of online financial services, we used technologies such as big data and mobile internet to develop our online financial business: firstly, we launched “Wei Li Dai (微粒貸)”, an online retailing credit product, which played a leading and demonstration role in our business development under the new “Internet +” environment; secondly, “Holo Credit”, a big data risk control platform, was debuted and we launched one of the “Shu e Rong (數e融)” product “Hao Qi Dai (好企貸)” which is a credit granting product targeting small and micro enterprises based on the platform, starting a “big data era” for small and micro enterprise loans; thirdly, we successfully launched mobile banking 3.0 to provide more life-based and scenario-based financial services to customers based on a brand new mobile internet financial service concept. (2) We continued to promote the upgrading and updating of information system for traditional business to improve the operational efficiency of our business and reduce our operational cost: firstly, we completed the construction of process bank (phase I), with some of our business achieving centralized operation; secondly, we completed the construction of open wealth management product sales and asset management systems (phase I), which improved the wealth management product structure of the Bank and reduced the service cost, and as a result, our market competitiveness was effectively enhanced; thirdly, we completed the construction of electronic commercial draft system (phase II), and its integration with core, credit, online banking and payment systems, our four main systems, constituted a complete electronic commercial draft business flow; fourthly, we improved our payment system and intra-city centralized receive and payment system to integrate the systems with our uniform payment platform, making the real time clearing business between the Bank and nearly 100 of its member banks faster and more stable and further realizing our application integration structure based on big platforms and multi-businesses. (3) We strengthened the construction of our management system and improved the efficiency of our internal management: firstly, we completed the construction of our internal retailing rating system (phase I), realizing the controllable, assessable and measurable transformation of our retailing credit granting business risks; secondly, we completed the construction of our centralized data management platform (phase I), which established a basic framework for the integration of our data resources and laid a solid foundation for the further expansion of our big data analytical applications; thirdly, we were the first to replace business tax with value-added tax among domestic peers, which was conducive to reducing our operational cost; fourthly, we established a new statistic management system, realizing the centralized management of the data used for the statistic analysis of the Bank’s business and regulatory reporting.

### 6.4.6 Particulars of Principal Associates

On May 5, 2011, the Bank invested RMB22 million for the establishment of Xingyi Wanfeng Village Bank Co., Ltd., accounting for 20% of its registered capital of RMB110 million.

On June 15, 2015, the Bank invested RMB205.27 million for the establishment of Mashang Consumer Finance Co., Ltd., accounting for 15.79% of its registered capital.

Set out below are the profits of the associates attributable to the Bank as at December 31, 2016 and December 31, 2015:

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2016	December 31, 2015
Balance at the beginning of the year	29,214	26,405
New investment in associates	205,270	–
Share of profit after tax of the associates	3,910	2,809
<b>Balance at the end of the year</b>	<b>238,394</b>	29,214



### 6.5 Employees and Human Resources Management

#### 6.5.1 Details of the employees

##### *(1) Composition of employees*

As at December 31, 2016, there were 4,023 employees on-duty, of which 741 or 18.42% were management personnel while 110 or 2.74% were marketing personnel, both worked at the Head Office, and 2,323 or 57.74% worked at branch outlets in Chongqing while 849 or 21.10% worked at branches in other cities.

##### *(2) Range of their ages*

The average age of the employees of the Bank was 33 years old. 368 or 9.15% of them were up to 25 years old while 1,402 or 34.85% aged between 26 to 30 years old. 942 or 23.42% of them aged between 31 to 35 years old while 395 or 9.82% of them aged between 36 to 40 years old. 539 or 13.39% of them aged between 41 to 45 years old while 268 or 6.66% of them aged between 46 to 50 years old and 109 or 2.71% of them aged above 50 years old.

##### *(3) Educational background*

429 or 10.66% of the employees of the Bank possessed a post-graduate qualification or above, and 4 of which were doctors. 2,866 or 71.24% of them were educated to undergraduate degree level while 728 or 18.10% of them received junior college degrees or below.

##### *(4) Composition of gender*

The Bank had 1,757 male employees and 2,266 female employees, with the proportion of 43.67% and 56.33% respectively.

#### 6.5.2 Overall management of human resources

The Bank proactively improved its relationship with employees to reduce the exposure to labour employment risks. With a view to establish a more harmonious employment relationship, the Bank constantly enhanced its benefit and insurance coverage measures and incentives and restraints mechanism to motivate its employees and protect their interests in a proactive way. Meanwhile, the Bank stick to the principle of fixed position, fixed schedule, fixed staff, strengthened the employment and deployment of employees and optimized the functions of departments and offices and position responsibility to enhance its human resources structure. The Bank developed innovative talent cultivation programs to improve the standard of the employees, the working atmosphere and their service quality and management standard. By focusing on constructing a modern human resources management mechanism, the Bank successfully fulfilled its objectives of promoting its management through reforms and enhancement through management.

#### 6.5.3 Remuneration policy of the employees

The Bank has established its wide-range remuneration system based on market rates. It determined the remuneration and performance allocations of the employees based on their value of positions, individual ability, categories of positions and performance results. The Bank also varied the remuneration reasonably based on their respective duties and contributions of different positions, so as to ensure the competitiveness of our remuneration and retain the existing talents in the Bank. Meanwhile, with a view to further improve the incentive and restraint mechanism, the Bank has formulated a policy to defer payment of performance-based remunerations to the management and backbone employees, and has made an innovation to allow some employees to use such remunerations to buy our shares on a voluntary basis for the organic unification of the medium- and long-term incentives and restraints.

## Management Discussions and Analysis

### 6.5.4 Training and development of the employees

Centering on the “professionalism, comprehensive management and Internet banking” strategy and targets set in the “13th Five-year Plan” of the Bank, the Bank strove to implement its “3A” talent strategy through conducting talent review, and improved the quality and efficiency of its talent cultivation and employee training focusing on key positions and core talents, so as to establish a talent team which approves the five core tenets and meets the requirements of its strategic development. The Bank has preliminarily set up a multiple dimension and level-and-category based employee training system, and established a qualification and training credit system which is linked with the career development of the employees through building the E-learning and M-learning training platforms. A variety of mixed training techniques were introduced and innovative training mechanisms, measures and methods were continuously provided to keep promoting the overall standard of all the employees, thus building the Bank’s advantages in talent competition.

## 6.6 Risk Management

### 6.6.1 Credit risk

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

Promoting the optimization and adjustment on its credit structure continuously. The Bank conducted an in-depth study on macroeconomic and industry policies, based on which to optimize and adjust its credit structure through setting up risk limits and implementing differentiated assessment and incentive policies. Support will be focused on the financing demands of industries such as education, culture, medical treatment and health, modern logistics and environmental protection and enterprises engaged in such industries, and the credit allocation of the Bank will be optimized through increasing loans and improving the loans lent. At the same time, the Bank steadily tightened the credit granting to steel, cement, coal, polysilicon, plate glass, ship building industries and other industries with overcapacity and credit guaranteed by private enterprises, so as to ensure that the risk thereof was generally controllable.

Strictly preventing the risks arising from the newly arising credit granting business. The Bank focused on, inter alia, shell-based financing, affiliated enterprise financing and industrial chain financing, and maintained strict management over granting credit to non-resident clients. The Bank promulgated the Administrative Measures for Group Customers of Bank of Chongqing to improve its customer credit mechanism, further strengthen the identification, management and control of the credit risks in relation to group customers, and determine the credit limits reasonably, thus preventing the occurrence of lending to the same customer by several branches and excessive credit in essence.

Establishing a sound credit risk resolution management mechanism. The management structure and roles and responsibilities were clearly defined, and under this structure, the departments and offices of the Head Office were responsible for overall planning and guidance, and branch outlets assumed primary responsibilities. The Bank strengthened its planning and management, made innovation on performance appraisal, balanced incentives and restraints. More efforts were put on the collection of non-performing loans and external asset recovery institutions were introduced. The Bank developed more ways of collecting non-performing loans, during which professional law firms were engaged to participate in the collection of non-performing loans.

Promoting the establishment and application of management tools of credit risk. In respect of the non-retail internal rating system, the Bank focused on establishing a rating application system and initially established the core rating applications including access administration, approval authorization and credit limit for a single customer while continued to conduct model monitoring and optimization. The retail internal rating system has initially formed a risk measurement system centered on card A, card B and risk assignment model and its supporting rating system (phase I) was also put online and rated applications submitted by the retail business.

### 6.6.2 Operational risk

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

During the Reporting Period, the Bank further improved operational risk management system and continued to promote the implementation and application of the three management tools for operational risk. The Bank improved its operational risk policies and systems and introduced the Administrative Measures for the Operational Risk Reporting of Bank of Chongqing which developed the report template and determined the reporting process. With the support of risk management systems, the Bank summarised and assessed the reporting process, monitored key risk indicators and collected loss data. More efforts were put on supervision and inspection; problems discovered during the special inspection named “two enhancements and two containments” were rectified; and the primary responsibility of security work was determined. The Bank continued to strengthen its business continuity management, promoted the construction of three business centers in two places and upgraded its system backup equipment to ensure the business continuity.

### 6.6.3 Market risk

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

#### 6.6.3.1 Interest rate risk of trading accounts

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

In 2016, the Bank paid close attention to movements in financial markets and continued to improve the market risk management and the risk exposure limit system. The Value at Risk (VaR) method was put in place to identify, monitor and control market risks.

## Management Discussions and Analysis

### 6.6.3.2 Exchange rate risk

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

### 6.6.4 Liquidity risk management

The liquidity risk management of the Bank aims to fully identify, effectively measure, constantly monitor and properly control the overall liquidity risk of the Bank and the liquidity risk within its products, business lines, business stages, and branches, keep the liquidity risk affordable, make sure the Bank has sufficient fund for assets growth and repayment of debts due under both normal and stressful operational circumstances, and coordinate and standardize security, liquidity and profitability of our operation and development by establishing and constantly optimizing liquidity risk management strategies, policies and procedures, clearly defining the responsibilities of related departments and establishing a liquidity risk management system.

The Board of the Bank reviews and approves policies, strategies, procedures, liquidity risk limitation and contingency plans related to overall management of liquidity risk in line with its risk preference. The senior management or its Assets and Liabilities Management Committee takes charge of implementing the risk preference, strategies, policies and procedures for liquidity risk management. The Assets and Liabilities Management Department takes charge of the day-to-day management of liquidity risk. Other operational departments and offices, each having distinct responsibilities, work closely with each other to develop a well-organized and fully functional organization structure of the liquidity risk management system.

The Bank continues to improve liquidity risk management framework by streamlining the policy system for liquidity risk management, and upgrade our liquidity risk management capability by continuously implementing the coordination meeting mechanism for assets and liabilities, position management, quota management for liquidity indexes, duration mismatch management, management of liquidity reserve assets, dynamic management of liquidity risk and improving our capability in liquidity risk measurement and forecast. Meanwhile, the Bank also promotes the accuracy and automation in liquidity risk monitoring and measurement by continuously improving the ability to apply information system of liquidity risk management through system construction and active application of scientific and technological means.

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

In addition, the Bank continuously carried out liquidity risk stress tests (at least once a quarter) so that it can discover the weakness in the procedure of its liquidity risk management in advance through such stress tests and adopt relevant measures to constantly improve its liquidity risk control capability. The results of the quarterly stress tests in 2016 indicated that the liquidity risk remained within an acceptable range even under stressful conditions. Meanwhile, the Bank established contingency plan for liquidity risk, standardized the contingency measures in emergency circumstances so as to improve the efficiency of reaction in emergency circumstances.

As at the end of 2016, all of the major indicators of the Bank's liquidity position met the regulatory requirements.

The Bank uses liquidity gap analysis to assess liquidity risk. As at the end of 2016, the liquidity gap of the Bank calculated from our undiscounted contractual cash flows categorized by contractual maturities was as follows:

### *Undiscounted contractual cash flows categorized by contractual maturities*

(All amounts expressed in thousands of RMB unless otherwise stated)	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	In perpetuity	Overdue	Total
<b>December 31, 2016</b>									
Net Liquidity gap	(75,590,728)	(3,627,295)	8,249,810	(18,182,322)	42,404,174	64,219,178	36,647,709	4,983,504	59,104,030
<b>December 31, 2015</b>									
Net Liquidity gap	(65,332,161)	8,425,035	(7,076,621)	(18,139,998)	46,748,249	48,274,503	30,277,998	2,883,877	46,060,882

In 2016, the Bank's cumulative gap for all maturities was RMB59,104.03 million, an increase of RMB13,043.15 million over the previous year-end. Although there was a shortfall in on-demand repayment of RMB75,590.73 million, the Bank's deposit base is extensive and solid. Current deposit settlement rates were higher and funding sources were stable, so the impact of the shortfall on the Bank's real liquidity was not significant.

## Management Discussions and Analysis

### *Liquidity coverage ratio of the Bank*

<b>(All amounts expressed in thousands of RMB unless otherwise stated)</b>	<b>December 31, 2016</b>	December 31, 2015
<b>Qualified high-quality liquid assets</b>	<b>54,146,110</b>	42,132,802
Net cash outflow in the next 30 days	<b>56,680,289</b>	41,906,971
Liquidity coverage ratio (%)	<b>95.53</b>	100.54

The latest Administrative Measures for Liquidity Risk Management of Commercial Banks of the CBRC requires that commercial banks' liquidity coverage ratio must reach 100% by the end of 2018. During the transition period, the liquidity coverage ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017 respectively.

The Bank measures its liquidity coverage ratio according to the latest Administrative Measures for Liquidity Risk Management of Commercial Banks issued by the CBRC which came into effect as of October 1, 2015. As at December 31, 2016, the Bank's liquidity coverage ratio was 95.53%, representing a decrease of 5.01 percentage points as compared to the end of the previous year, which was in compliance with the regulatory requirements of the CBRC.

### 6.6.5 Market risk management

#### 6.6.5.1 Analysis of interest rate risk

Interest rate risk refers to the risk of losses suffering by the commercial banks arising from the uncertain fluctuation of market interest rate, namely, the possibility of losses suffered by commercial banks resulting from the divergence between effective yield and the expected yield or the real cost and the expected cost of commercial banks because of the changes in interest rate, which results in the effective yield being lower than the expected yield or the real cost being higher than the expected cost. The main interest rate risk the Bank faced with is re-pricing risk, which arises from the mismatch between the Bank's assets or liabilities at the re-pricing date and that at the maturity date.

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

The interest rate marketization in China continued with increasing frequency and range of interest rate fluctuation from 2016. Market supervision was strengthened, which narrowed the interest spreads among commercial banks. Facing the interest rate marketization and intensified competition in the financial market, the Bank constantly improved the management of interest pricing and the interest rate risk management of bank accounts, adjusted the pricing strategies and the interest rate risk management strategies of bank accounts in due time and effectively guided the structure adjustment on re-pricing term and enhanced the perspective in interest rate risk management by the implementation of the pricing policy of interest rate and appraisal and proper use of the FTP and other tools, to ensure that the Bank's revenue and market value were maintained at a relatively stable level.

## Management Discussions and Analysis

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>December 31, 2016</b>							
<b>Assets</b>							
Cash and balances with central bank	42,175,420	-	-	-	-	638,068	42,813,488
Due from other banks and financial institutions	25,339,217	15,282,140	14,431,665	653,330	-	-	55,706,352
Financial assets at fair value through profit or loss	5,003	30,090	-	649,637	197,247	-	881,977
Loans and advances to customers	58,066,663	13,669,250	40,142,175	33,132,633	1,778,325	-	146,789,046
Investment securities							
- Loans and receivables	5,606,339	14,857,784	20,214,483	30,310,437	4,761,712	-	75,750,755
- Available-for-sale	3,816,583	1,264,724	4,532,791	12,126,913	1,567,782	576,664	23,885,457
- Held-to-maturity	-	419,985	430,000	9,352,658	9,591,899	-	19,794,542
Investment in associates	-	-	-	-	-	238,394	238,394
Other financial assets	-	-	-	-	-	3,408,140	3,408,140
<b>Total assets</b>	<b>135,009,225</b>	<b>45,523,973</b>	<b>79,751,114</b>	<b>86,225,608</b>	<b>17,896,965</b>	<b>4,861,266</b>	<b>369,268,151</b>
<b>Liabilities</b>							
Due to other banks and financial institutions	(37,357,565)	(7,543,096)	(15,368,931)	-	(81,193)	-	(60,350,785)
Customer deposits	(91,971,381)	(12,739,587)	(53,443,380)	(71,397,462)	(41,983)	-	(229,593,793)
Debt securities issued	(5,092,875)	(10,144,666)	(34,071,126)	(2,995,894)	(2,293,691)	-	(54,598,252)
Other financial liabilities	-	-	-	-	-	(3,778,250)	(3,778,250)
<b>Total liabilities</b>	<b>(134,421,821)</b>	<b>(30,427,349)</b>	<b>(102,883,437)</b>	<b>(74,393,356)</b>	<b>(2,416,867)</b>	<b>(3,778,250)</b>	<b>(348,321,080)</b>
<b>Total interest rate sensitivity gap</b>	<b>587,404</b>	<b>15,096,624</b>	<b>(23,132,323)</b>	<b>11,832,252</b>	<b>15,480,098</b>	<b>1,083,016</b>	<b>20,947,071</b>

## Management Discussions and Analysis

(All amounts expressed in thousands of RMB unless otherwise stated)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>December 31, 2015</b>							
<b>Assets</b>							
Cash and balances with central bank	37,587,207	-	-	-	-	614,162	38,201,369
Due from other banks and financial institutions	26,414,111	12,291,487	6,824,663	326,295	-	-	45,856,556
Financial assets at fair value through profit or loss	229,901	50,070	118,368	1,145,624	768,623	-	2,312,586
Loans and advances to customers	57,135,847	11,490,085	37,199,912	15,129,020	861,588	-	121,816,452
Investment securities							
- Loans and receivables	4,816,563	7,137,716	26,412,164	33,812,501	829,270	-	73,008,214
- Available-for-sale	1,476,120	3,050,782	3,473,817	7,243,881	3,233,951	492,416	18,970,967
- Held-to-maturity	75,000	119,999	550,945	4,799,016	8,271,764	-	13,816,724
Investment in associates	-	-	-	-	-	29,214	29,214
Other financial assets	-	-	-	-	-	2,025,860	2,025,860
<b>Total assets</b>	<b>127,734,749</b>	<b>34,140,139</b>	<b>74,579,869</b>	<b>62,456,337</b>	<b>13,965,196</b>	<b>3,161,652</b>	<b>316,037,942</b>
<b>Liabilities</b>							
Due to other banks and financial institutions	(26,485,049)	(16,852,628)	(29,303,271)	(500,000)	(94,607)	-	(73,235,555)
Customer deposits	(80,049,717)	(17,292,181)	(67,048,222)	(34,903,451)	(5,134)	-	(199,298,705)
Debt securities issued	-	(5,145,828)	(9,556,538)	(2,992,474)	(795,902)	-	(18,490,742)
Other financial liabilities	-	-	-	-	-	(5,927,271)	(5,927,271)
<b>Total liabilities</b>	<b>(106,534,766)</b>	<b>(39,290,637)</b>	<b>(105,908,031)</b>	<b>(38,395,925)</b>	<b>(895,643)</b>	<b>(5,927,271)</b>	<b>(296,952,273)</b>
<b>Total interest rate sensitivity gap</b>	<b>21,199,983</b>	<b>(5,150,498)</b>	<b>(31,328,162)</b>	<b>24,060,412</b>	<b>13,069,553</b>	<b>(2,765,619)</b>	<b>19,085,669</b>

At the end of 2016, the Bank's accumulated gap for all maturities amounted to RMB20,947.07 million, representing an increase of RMB1,861.40 million as compared to the end of the previous year.



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

### 6.6.5.2 Interest rate sensitivity analysis

(All amounts expressed in thousands of RMB unless otherwise stated)	Estimated changes of net interest income	
	December 31, 2016	December 31, 2015
+ 100 basis points parallel move in all yield curves	44,645	42,712
- 100 basis points parallel move in all yield curves	(44,645)	(42,712)

(All amounts expressed in thousands of RMB unless otherwise stated)	Change of other comprehensive income	
	December 31, 2016	December 31, 2015
+ 100 basis points parallel move in all yield curves	(570,673)	(370,886)
- 100 basis points parallel move in all yield curves	602,614	332,421

### 6.6.5.3 Exchange rate sensitivity analysis

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Estimated pre-tax profit/(loss) change	
	December 31, 2016	December 31, 2015
+ 1% upward change of foreign exchange rate	1,444	27,975
- 1% downward change of foreign exchange rate	(1,444)	(27,975)

## 6.7 Capital Management

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

In order to facilitate the Bank's sustainable development, transformation of growth modes, development of its capital operations that are in line with the principle of capital preservation, and to further enhance capital preservation awareness among operating institutions, the Bank has recently paid attention to the capital consumption and earnings of various institutions in performance appraisal, and further improved its risk adjustment methods to refine the performance appraisal, and provided guidance to branches and management to focus on capital preservation operations and high capital yield operations. At the same time, the capital budget management has been implemented, with proper capital distribution introduced and a sound balancing mechanism between capital occupancy and risk assets was established to ensure continuous compliance for capital adequacy.

## Management Discussions and Analysis

### 6.7.1 Capital adequacy ratio

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

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

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2016	December 31, 2015
<b>Core capital:</b>		
Share capital	3,127,055	3,127,055
Counted part of capital surplus	4,911,433	5,069,141
Surplus reserve and general risk reserves	5,914,852	4,948,796
Counted part of retained earnings	9,858,572	8,148,003
<b>Core Tier 1 Capital deductibles items:</b>		
Full deductibles items	(96,014)	(91,429)
Threshold deduction items	-	-
<b>Core Tier 1 Capital, net</b>	<b>23,715,898</b>	21,201,566
<b>Other Tier 1 Capital, net</b>	<b>-</b>	-
<b>Tier 2 Capital, net</b>	<b>4,752,209</b>	2,302,606
<b>Net capital</b>	<b>28,468,107</b>	23,504,172
On-balance sheet risk-weighted assets	214,620,993	175,521,618
Off-balance sheet risk-weighted assets	9,927,931	10,258,298
Risk-weighted assets for exposure to counterparty credit risk	-	-
<b>Total credit risk-weighted assets</b>	<b>224,548,924</b>	185,779,916
<b>Total market risk-weighted assets</b>	<b>905,495</b>	2,737,443
<b>Total operational risk-weighted assets</b>	<b>15,946,736</b>	13,594,516
Total risk-weighted assets before applying capital base	241,401,155	202,111,875
Total risk-weighted assets after applying capital base	241,401,155	202,111,875
<b>Core Tier 1 Capital adequacy ratio</b> (Expressed in percentage)	<b>9.82</b>	10.49
<b>Tier 1 Capital adequacy ratio</b> (Expressed in percentage)	<b>9.82</b>	10.49
<b>Capital adequacy ratio</b> (Expressed in percentage)	<b>11.79</b>	11.63

As at the end of the Reporting Period, the Bank's capital adequacy ratio was 11.79%, representing a 0.16 percentage point increase as compared to the end of the previous year; Core Tier 1 Capital adequacy ratio was 9.82%, representing a decrease of 0.67 percentage point as compared to the end of the previous year. The change in capital adequacy ratio during the Reporting Period was mainly due to: (1) the increase in capital adequacy as a result of the successful issuance of RMB1,500 million Tier 2 Capital debt in February 2016; and (2) a decline in capital adequacy to certain extent as a result of sound development of various operations and growth of total risk-weighted risk assets on and off balance sheet.

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

### 6.7.2 Leverage ratio

As at the end of the Reporting Period, the Bank's leverage ratio was 5.93%, above the regulatory requirement of the CBRC.

<b>(All amounts expressed in thousands of RMB unless otherwise stated)</b>	<b>December 31, 2016</b>	December 31, 2015
Leverage ratio (%)	<b>5.93</b>	5.99
Tier 1 Capital	<b>23,811,912</b>	21,292,995
Deductions from Tier 1 Capital	<b>96,014</b>	91,429
Tier 1 Capital, net	<b>23,715,898</b>	21,201,566
On-balance sheet assets after adjustment	<b>373,007,720</b>	319,776,188
Off-balance sheet assets after adjustment	<b>26,634,099</b>	34,390,698
On- and off-balance sheet assets after adjustment	<b>399,641,819</b>	354,166,886

The leverage ratio is calculated in accordance with relevant regulatory requirements. Tier 1 Capital, net is consistent with that used in the calculation of capital adequacy ratio by the Bank.

On-balance sheet assets after adjustment include derivatives calculated by using the current risk exposure approach and other on-balance sheet assets. Off-balance sheet assets after adjustment include unconditionally cancellable commitments with a conversion factor of 10% and other off-balance sheet items.

On- and off-balance sheet assets after adjustment equal to on-balance sheet assets after adjustment plus off-balance sheet items after adjustment.

# Significant Events

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## **Related Party Transactions**

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

## **Material Litigation and Arbitration**

During the Reporting Period, the Bank was not involved in any litigation or arbitration that has a material adverse impact on its operating activities. As at December 31, 2016, there were legal litigations occurred during the normal business operation in which the Bank was a defendant. Currently, these litigations and arbitrations would have no material impact on the Bank's financial position or operating results.

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

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

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

At the end of the Reporting Period, the Bank or its shareholders holding over 5% of the Shares was not involved in any undertaking.

## **Material Contracts and their Performance**

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

## **Acquisition and Disposal of Assets and Business Merger**

During the Reporting Period, the Bank did not conduct any major asset purchases, sales or mergers that were not in its ordinary course of business.

### Subsequent Events

#### Establishment of a financial leasing company

The Bank, as the principal promoter, together with Qidi Holding Co., Ltd., Longkou Tianshun Wall Material Co., Ltd. and Chongqing Yijin Aluminum Co., Ltd., prepared to establish Chongqing Xinyu Financial Leasing Co., Ltd. (“**Financial Leasing Company**”) with the registered capital of RMB3,000,000,000, among which, the Bank made capital contribution of RMB1,530,000,000, representing a shareholding of 51%. The Bank has received the Approval on Establishment of Chongqing Xinyu Financial Leasing Co., Ltd. (《關於籌建重慶鈹渝金融租賃股份有限公司的批覆》) issued by the CBRC and the Approval for the Commencement of Operation of Chongqing Xinyu Financial Leasing Co., Ltd. (《關於重慶鈹渝金融租賃股份有限公司開業的批覆》) and the financial permit issued by the CBRC Chongqing Bureau, the Financial Leasing Company obtained business license on March 23, 2017 and commenced operation thereby. The business scope of Financial Leasing Company includes financial leasing, transferring financial leasing assets, investing in fixed income securities, taking lessees’ leasing deposits, accepting non-bank shareholders’ fixed term deposits (with terms of no less than three months), interbank lending, borrowings from financial institutions, overseas borrowings, financial leasing assets disposals, provision of economic consulting services and other businesses as permitted by the CBRC.

#### Proposed non-public issuance of Offshore Preference Shares

In order to improve the overall competitiveness of the Bank and to ensure continuous business development of the Bank, the Bank plans to conduct a non-public issuance of not more than 50 million offshore preference shares (“**Offshore Preference Shares**”) to raise proceeds not exceeding RMB5 billion or its equivalent to replenish the Bank’s Additional Tier 1 Capital. The Bank has disclosed the matters relevant to the proposed issuance of Offshore Preference Shares in the announcement dated March 21, 2017 and the circular dated April 11, 2017. On March 21, 2017, the Board held a meeting to consider and approve this proposed issuance of Offshore Preference Shares, and agreed and resolved to submit this proposal to the Shareholders for consideration and approval. Separate disclosure will be made by the Bank in due course in relation to the further details and progress of the issuance of Offshore Preference Shares.

#### Publication of Annual Report

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

# Change in Share Capital and Shareholders

At the end of the Reporting Period, the Bank had a total of 3,127,054,805 Shares, comprising 1,548,033,993 Domestic Shares and 1,579,020,812 H Shares.

	As at December 31, 2015		Changes during the Reporting Period			As at December 31, 2016	
	Number	Percentage	Issue of new shares	Others	Sub-total	Number	Percentage
1. Shareholding of Domestic Shares							
legal persons	1,491,146,246	47.68%	-	-	-	1,491,146,246	47.68%
Of which: Shareholding of state-owned legal persons <sup>(1)</sup>	1,023,415,941	32.73%	-	8,445,530	8,445,530	1,031,861,471	33.00%
Shareholding of private legal persons	467,730,305	14.95%	-	(8,445,530)	(8,445,530)	459,284,775	14.68%
2. Shareholding of Domestic Shares							
natural persons	56,887,747	1.82%	-	-	-	56,887,747	1.82%
Of which: Shareholding of employee natural persons	34,779,409	1.11%	-	93,643	93,643	34,873,052	1.12%
Shareholding of natural persons other than employees	22,108,338	0.71%	-	(93,643)	(93,643)	22,014,695	0.70%
3. H Shares	1,579,020,812	50.50%	-	-	-	1,579,020,812	50.50%
Total	3,127,054,805	100.00%	-	-	-	3,127,054,805	100.00%

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

## Change in Share Capital and Shareholders

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

Name of shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage	Number of shares pledged
Chongqing Yufu Assets Management Group Co., Ltd.	State-owned	407,010,187	13.02%	0
Chongqing Road & Bridge Co., Ltd.	Private	171,339,698	5.48%	0
Chongqing Land Group	State-owned	139,838,675	4.47%	0
Chongqing Water Conservancy Investment Group Co., Ltd.	State-owned	139,838,675	4.47%	0
Lifan Industry (Group) Co., Ltd.	Private	129,564,932	4.14%	0
Peking University Founder Group Co., Ltd.	State-owned	94,506,878	3.02%	0
Chongqing South Group Limited	Private	68,602,362	2.19%	68,600,000
Chongqing Transport and Travel Investment Group Limited	State-owned	37,456,522	1.20%	0
Chongqing Expressway Co., Ltd.	State-owned	29,942,325	0.96%	0
Minsheng Industrial (Group) Co., Ltd.	State-owned	24,191,310	0.77%	0
<b>Total</b>		<b>1,242,291,564</b>	<b>39.73%</b>	<b>68,600,000</b>

### Interests and Short Positions of Substantial Shareholders and Other Persons

As at December 31, 2016, the interests of substantial shareholders (as defined under the SFO), other than Directors and Supervisors of the Bank, in H Shares and the underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO and to the best knowledge of the Bank were as follows:

Name of shareholder	Capacity	Number of H Shares held	Percentage of the total number of H Shares of the Bank (%)	Percentage of the total share capital of the Bank (%)
Dah Sing Bank, Limited <sup>(1)</sup>	Beneficial owner	458,574,853 (long position)	29.04	14.66
Dah Sing Banking Group Limited <sup>(1)</sup>	Interest of a controlled corporation	458,574,853 (long position)	29.04	14.66
Dah Sing Financial Holdings Limited <sup>(1)</sup>	Interest of a controlled corporation	458,574,853 (long position)	29.04	14.66
HSBC International Trustee Limited <sup>(5)</sup>	Interest of a trustee	458,574,853 (long position)	29.04	14.66
David Shou-Yeh WONG <sup>(1)</sup>	Settlor of a discretionary trust/ interest of the beneficiary of a trust	458,574,853 (long position)	29.04	14.66

## Change in Share Capital and Shareholders

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of H Shares held</b>	<b>Percentage of the total number of H Shares of the Bank (%)</b>	<b>Percentage of the total share capital of the Bank (%)</b>
Christine Yen WONG <sup>(1)</sup>	Interest of spouse	458,574,853 (long position)	29.04	14.66
SAIC Motor HK Investment Limited <sup>(2)</sup>	Beneficial owner	240,463,650 (long position)	15.23	7.69
SAIC Motor Corporation Limited <sup>(2)</sup>	Interest of a controlled corporation	240,463,650 (long position)	15.23	7.69
Lifan International (Holdings) Limited (力帆國際(控股)有限公司) <sup>(3)</sup>	Beneficial owner	172,417,500 (long position)	10.92	5.51
Chongqing Lifan Industry (Group) Import and Export Co., Ltd. (重慶力帆實業(集團)進出口有限公司) <sup>(3)</sup>	Interest of a controlled corporation	172,417,500 (long position)	10.92	5.51
Lifan Industry (Group) Co., Ltd. <sup>(3)</sup>	Interest of a controlled corporation	172,417,500 (long position)	10.92	5.51
Chongqing Lifan Holdings Co., Ltd. <sup>(3)</sup>	Interest of a controlled corporation	172,417,500 (long position)	10.92	5.51
Chongqing Huiyang Holdings Co., Ltd. <sup>(3)</sup>	Interest of a controlled corporation	172,417,500 (long position)	10.92	5.51
YIN Mingshan <sup>(3)</sup>	Interest of a controlled corporation	172,417,500 (long position)	10.92	5.51
CHEN Qiaofeng <sup>(3)</sup>	Interest of spouse	172,417,500 (long position)	10.92	5.51
Funde Sino Life Insurance Co., Ltd. <sup>(4)</sup>	Beneficial owner	150,000,000 (long position)	9.50	4.80
	Interest of a controlled corporation	67,570,150 (long position)	4.28	2.16
Chongqing Beiheng Investment & Development Limited	Beneficial owner	84,823,500 (long position)	5.37	2.71
Fund Resources Investment Holding Group Company Limited <sup>(4)</sup>	Beneficial owner	67,570,150 (long position)	4.28	2.16



## Change in Share Capital and Shareholders

### Notes:

- (1) *Dah Sing Bank, Limited held 458,574,853 H Shares of the Bank. Dah Sing Bank, Limited is wholly owned by Dah Sing Banking Group Limited, which is in turn owned as to approximately 74.49% by Dah Sing Financial Holdings Limited. Mr. David Shou-Yeh WONG is the beneficial owner of approximately 40.97% of the issued share capital of Dah Sing Financial Holdings Limited and Ms. Christine Yen WONG is the spouse of Mr. David Shou-Yeh WONG. For the purpose of the SFO, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Mr. David Shou-Yeh WONG and Ms. Christine Yen WONG are deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited.*
- (2) *SAIC Motor HK Investment Limited held 240,463,650 H Shares of the Bank. SAIC Motor HK Investment Limited is wholly owned by SAIC Motor Corporation Limited. For the purpose of the SFO, SAIC Motor Corporation Limited is deemed to be interested in the Shares of the Bank held by SAIC Motor HK Investment Limited.*
- (3) *As confirmed by Chongqing Lifan Industrial (Group) Import and Export Co., Ltd., Lifan Industry (Group) Co., Ltd., Chongqing Lifan Holdings Co., Ltd., Chongqing Huiyang Holdings Co., Ltd., Mr. YIN Mingshan and Ms. CHEN Qiaofeng, as at December 31, 2016, Lifan International (Holdings) Limited held 172,417,500 H Shares of the Bank. Lifan International (Holdings) Limited is wholly owned by Chongqing Lifan Industry (Group) Import and Export Co., Ltd. which is wholly owned by Lifan Industry (Group) Co., Ltd. Lifan Industry (Group) Co., Ltd. is owned as to 49.40% by Chongqing Lifan Holdings Co., Ltd., which is in turn owned as to 72% by Chongqing Huiyang Holdings Co., Ltd. Mr. YIN Mingshan is the beneficial owner of approximately 51% of the interests of Chongqing Huiyang Holdings Co., Ltd. and Ms. CHEN Qiaofeng is the spouse of Mr. YIN Mingshan. For the purpose of the SFO, Chongqing Lifan Industrial (Group) Import and Export Co., Ltd., Lifan Industry (Group) Co., Ltd., Chongqing Lifan Holdings Co., Ltd., Chongqing Huiyang Holdings Co., Ltd., Mr. YIN Mingshan and Ms. CHEN Qiaofeng are deemed to be interested in the Shares of the Bank held by Lifan International (Holdings) Limited.*
- (4) *Funde Sino Life Insurance Co., Ltd. held 150,000,000 H Shares of the Bank and Fund Resources Investment Holding Group Company Limited held 67,570,150 H Shares of the Bank. Fund Resources Investment Holding Group Company Limited is wholly owned by Funde Sino Life Insurance Co., Ltd. For the purpose of the SFO, Funde Sino Life Insurance Co., Ltd. is deemed to be interested in the Shares of the Bank held by Fund Resources Investment Holding Group Company Limited.*
- (5) *HSBC International Trustee Limited, the trustee of a discretionary trust established for the benefit of Mr. David Shou-Yeh Wong and his family members, held 37.66% interests in Dah Sing Financial Holdings Limited indirectly. For the purpose of the SFO, HSBC International Trustee Limited is deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited (see note (1) above).*

### Shareholders Holding over 5% of the Total Share Capital

At the end of the Reporting Period, Chongqing Yufu Assets Management Group Co., Ltd., Dah Sing Bank, Limited, Lifan Industry (Group) Co., Ltd., SAIC Motor Corporation Limited, Funde Sino Life Insurance Co., Ltd. and Chongqing Road & Bridge Co., Ltd. held 461,260,187 Shares, 458,574,853 Shares, 301,982,432 Shares, 240,463,650 Shares, 217,570,150 Shares and 171,339,698 Shares of the Bank respectively, representing 14.75%, 14.66%, 9.66%, 7.69%, 6.96% and 5.48% of the Bank's total share capital respectively, and are substantial shareholders (as defined under the SFO) of the Bank. Except for the aforesaid shareholders, there were no other legal person shareholders holding 5% or more of total share capital of the Bank, nor were there any other employees or natural persons (other than employees) holding 5% or more of Shares of the Bank.

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

### Proposed Issuance of A Shares

On June 17, 2016, the Bank held the 2015 annual general meeting and the class meetings to consider and approve the proposal relating to an initial public issuance of A shares not more than 781,000,000 shares (including the A shares to be issued under the over-allotment option) ("**Issuance of A Shares**"). The Bank has disclosed the matters relevant to the Issuance of A Shares in the announcement dated April 22, 2016 and the circular dated May 31, 2016, and separate disclosure will be made in due course in relation to the further details and progress of the Issuance of A Shares.

# Directors, Supervisors and Senior Management

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

Name	Position	Gender	Age
GAN Weimin	Chairman and Executive Director	Male	49
RAN Hailing	Executive Director and President	Male	53
LIU Jianhua	Executive Director and Vice President	Male	51
WONG Wah Sing	Executive Director, Joint Company Secretary and Acting Secretary to the Board	Male	56
WONG Hon Hing	Non-executive Director and Vice Chairman	Male	64
DENG Yong	Non-executive Director	Male	57
LV Wei	Non-executive Director	Female	45
YANG Jun	Non-executive Director	Male	56
LI He	Independent Non-executive Director	Male	63
TO Koon Man Henry	Independent Non-executive Director	Male	64
KONG Xiangbin	Independent Non-executive Director	Male	47
WANG Pengguo	Independent Non-executive Director	Male	45
JIN Jingyu	Independent Non-executive Director	Male	51
YANG Xiaotao	Employee Supervisor and Chairperson of the Board of Supervisor	Male	53
HUANG Changsheng	Employee Supervisor	Male	53
LIN Min	Employee Supervisor	Male	46
ZHOU Xiaohong	Employee Supervisor	Male	50
CHEN Yan	Shareholder Supervisor	Male	53
WU Bing	Shareholder Supervisor	Male	53
CHEN Zhong	External Supervisor	Male	61
CHEN Zhengsheng	External Supervisor	Male	66
YIN Xianglong	External Supervisor	Male	54
YANG Shiyin	Vice President	Female	51
ZHOU Guohua	Vice President	Male	51
PENG Yanxi	Vice President	Female	41
HUANG Ning	Vice President	Male	42

### Changes in Directors, Supervisors and Senior Management

1. On March 18, 2016, the Board approved Mr. QIN Wei's resignation as a non-executive Director of the Bank and member of the Strategic Committee under the Board due to work re-designation with effect from the same date.
2. On March 21, 2016, Mr. ZHOU Yongkang resigned from the position as an external Supervisor of the Bank due to work re-designation with effect from June 17, 2016.
3. On April 22, 2016, Mr. LI He and Mr. KONG Xiangbin, independent non-executive Directors of the Bank, were respectively appointed as a member of the Strategic Committee and the Information Technology Guidance Committee under the Board with effect from the same date. On the same day, the Board approved the nomination of Mr. SUI Jun as a vice president of the Bank. The appointment of Mr. SUI Jun will take effect upon the approval of his qualification by CBRC Chongqing Bureau.
4. On May 31, 2016, the Board approved Mr. ZHAN Wanghua's resignation as an executive Director, a member of the Information Technology Guidance Committee of the Board, a member of the Risk Management Committee of the Board and the chief risk officer of the Bank due to work re-designation with effect from the same date.
5. On June 17, 2016, the 2015 annual general meeting of the Bank approved the appointments of Mr. LIU Jianhua and Mr. WONG Wah Sing as executive Directors, Mr. YANG Yusong as a non-executive Director, and Mr. CHEN Zhong as an external Supervisor, respectively. The appointments of Mr. LIU Jianhua, Mr. WONG Wah Sing and Mr. YANG Yusong will take effect upon the approval of their directorship qualification by CBRC Chongqing Bureau. Mr. CHEN Zhong began to serve as an external Supervisor of the Bank since June 17, 2016 and on the same day, Mr. ZHOU Yongkang ceased to serve as an external Supervisor of the Bank.
6. On August 1, 2016, the CBRC Chongqing Bureau approved the qualification of Mr. LIU Jianhua for serving as an executive Director of the Bank. The term of office of Mr. LIU Jianhua as an executive Director has become effective from the date of approval, and shall end upon the expiry of the fifth session of the Board.
7. On September 13, 2016, the CBRC Chongqing Bureau approved the qualification of Mr. WONG Wah Sing for serving as an executive Director and the chief risk officer of the Bank. The term of office of Mr. WONG Wah Sing as an executive Director has become effective from the date of approval, and shall end upon the expiry of the fifth session of the Board.
8. On February 3, 2017, Mr. CHEN Zhengsheng resigned from the position as an external Supervisor of the Bank due to work re-designation. The resignation of Mr. CHEN Zhengsheng will not come into effect until a new Supervisor is elected at the Bank's general meeting to fill the vacancy.
9. On March 21, 2017, the Board approved Mr. ZHOU Wenfeng's resignation from the position as a company secretary, an acting secretary to the Board and an authorized representative of the Bank due to work re-designation with effect from March 21, 2017. On the same day, the Board considered and approved to appoint Mr. WONG Wah Sing as a company secretary, an acting secretary to the Board and the authorized representative of the Bank with effect from March 21, 2017.

## Directors, Supervisors and Senior Management

### Biographies of Directors, Supervisors and Senior Management

#### 1. Biographies of Directors

##### *Executive Directors*

**Mr. GAN Weimin (甘為民)**, aged 49, has been an executive Director since June 26, 2007 and chairman of the Bank since December 28, 2012. Mr. GAN is also an authorized representative, the chairman of the Strategic Committee and the Information Technology Guidance Committee, and a member of the Risk Management Committee of the Bank.

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

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

**Mr. RAN Hailing (冉海陵)**, aged 53, has been an executive Director since February 18, 2011 and president of the Bank since April 9, 2013. Mr. RAN is also a member of the Strategic Committee, Information Technology Guidance Committee and Risk Management Committee of the Bank.

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

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

As of the Latest Practicable Date, Mr. RAN Hailing held 45,374 Domestic Shares of the Bank, representing 0.001% of the issued share capital of the Bank.

## Directors, Supervisors and Senior Management

**Mr. LIU Jianhua (劉建華)**, aged 51, has been the vice president and a member of the party committee of the Bank since October 2014 and an executive Director since August 1, 2016. Mr. LIU was appointed as the chief anti-money laundering officer on May 31, 2016, and he is also a member of the Consumer Protection Committee of the Bank.

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

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

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

As of the Latest Practicable Date, Mr. LIU Jianhua held 167,975 Domestic Shares of the Bank, representing 0.005% of the issued share capital of the Bank.

**Mr. WONG Wah Sing (黃華盛)**, aged 56, has been an executive Director and the chief risk officer since September 13, 2016. Mr. WONG is also a member of the Information Technology Guidance Committee, Risk Management Committee and Consumer Protection Committee of the Bank.

Mr. WONG has served as chief risk supervisor and vice president of Dah Sing Bank (China) Limited from June 2014 to May 2016. Mr. WONG began his career in 1982 and served successively as staff of the credit department, remittance department and export department, deputy manager of the special asset management department, and manager and senior manager of the credit risk department of The Hong Kong and Shanghai Banking Corporation Limited, senior vice president of the special asset management (Greater China region) department of DBS Bank (Hong Kong) Limited, chief supervisor of the special asset management department, chief credit supervisor of the corporate business (East China) department and retail business (North China) department of Standard Chartered Bank (China) Limited, and chief credit officer of Dah Sing Bank (China) Limited.

Mr. WONG obtained membership of The Hong Kong Institute of Bankers in October 2003 and a master degree of Business Administration from the Open University of Hong Kong in June 2011 and completed an advanced course for senior management regarding the bond market in March 2016.

## Directors, Supervisors and Senior Management

### *Non-executive Directors*

**Mr. WONG Hon Hing (黃漢興)**, aged 64, nominated by Dah Sing Bank, one of our substantial Shareholders, has been a non-executive Director and vice chairman of the Bank since July 25, 2007. Mr. WONG is also the chairman of the Consumer Protection Committee and a member of the Strategic Committee of the Bank.

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

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

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

**Mr. DENG Yong (鄧勇)**, aged 57, nominated by Yufu, one of our substantial Shareholders, has been a non-executive Director of the Bank since February 1, 2013. Mr. DENG is also a member of the Audit Committee of the Bank.

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

Mr. DENG has been a non-executive director of Chongqing Machinery & Electric Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 2722) since April 2013 and a director of Chongqing Chuanyi Automation Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 603100) since April 2013.

Mr. DENG obtained a graduation certificate from the Applied Mathematics Department of Chongqing University in July 1982 and obtained a postgraduate certificate from the Applied Mathematics Department of Chongqing University in 1988.

## Directors, Supervisors and Senior Management

**Ms. LV Wei (呂維)**, aged 45, nominated by Chongqing Road & Bridge, has been a non-executive Director of the Bank since June 3, 2009. Ms. LV is also a member of the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Consumer Protection Committee of the Bank.

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

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

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

**Mr. YANG Jun (楊駿)**, aged 56, nominated by Lifan Industrial (Group) Co., Ltd., one of our substantial Shareholders, has been a non-executive Director of the Bank since April 28, 2014. Mr. YANG is also a member of the Remuneration and Appraisal Committee, Nomination Committee and Strategic Committee of the Bank.

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

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

## Directors, Supervisors and Senior Management

### *Independent Non-executive Directors*

**Mr. LI He (李和)**, aged 63, was appointed as an independent non-executive Director of the Bank on September 4, 2013. Mr. LI is also the chairman of the Risk Management Committee and a member of the Connected Transactions Control Committee, Audit Committee and Strategic Committee of the Bank.

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

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

**Mr. TO Koon Man Henry (杜冠文)**, aged 64, was appointed as an independent non-executive Director of the Bank on September 4, 2013. Mr. TO is also a member of the Audit Committee, Connected Transactions Control Committee and Risk Management Committee of the Bank.

Mr. TO was a senior advisor of banking industry in Hong Kong office of KPMG from October 2013 to September 2016. Prior to that, Mr. TO served as the chief financial officer of Shanghai Commercial Bank Ltd. (上海商業銀行有限公司) from 1988 to November 2012, a senior manager in Hong Kong office of PricewaterhouseCoopers from 1980 to 1988, and a senior accountant of the auditing department in Toronto office of Deloitte & Touche from 1976 to 1980. Mr. TO is currently a Canada certified public accountant, a Hong Kong certified public accountant, a certificated tax advisor and a fellow member of Hong Kong Institute of Directors. He used to be a member of Financial Services Group Committee of the Hong Kong Institute of Certified Public Accountants (香港會計師公會金融服務利益集團委員會) and a member of the Expert Panel on Listing of the Hong Kong Institute of Certified Public Accountants (香港會計師公會上市專家評審委員會委員).

Mr. TO obtained a bachelor's degree in arts from University of Toronto in 1975, and qualified as a Chartered Accountant and a Certified Management Accountant of Canada in 1979 and 1980, respectively.

**Mr. KONG Xiangbin (孔祥彬)**, aged 47, has been an independent non-executive Director of the Bank since April 28, 2014. Mr. KONG is also the chairman of the Connected Transactions Control Committee and a member of the Remuneration and Appraisal Committee, Nomination Committee, Information Technology Guidance Committee and Consumer Protection Committee of the Bank.



## Directors, Supervisors and Senior Management

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

Mr. KONG obtained a bachelor of laws degree from the Southwest University of Political Science and Law (西南政法大學) in July 1992. He was accredited as the "Top 100 Excellent Lawyers of Honest Practice in Chongqing" (重慶市誠信執業百優律師) by the Judiciary of Chongqing and Chongqing Law Society in January 2003. He was awarded the "Chongqing Youth May Fourth Medal

of the 12th Session" (第十二屆重慶青年五四獎章) by the Chongqing Committee of the Chinese Communist Party and the Chongqing People's Government in May 2008, and was accredited as the "Top 10 Best Lawyers in Chongqing of the 4th Session" (重慶市第四屆十佳律師) by the Judiciary of Chongqing and Chongqing Law Society in July 2011.

**Mr. WANG Pengguo (王彭果)**, aged 45, has been an independent non-executive Director of the Bank since April 28, 2014. Mr. WANG is also the chairman of the Audit Committee and a member of the Remuneration and Appraisal Committee, Nomination Committee and Connected Transactions Control Committee of the Bank.

Mr. WANG has been the chief accountant and chairman of Chongqing Zhongding Certified Public Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司) since March 2001, chairman of Chongqing Zhongding Certified Tax Agents Co., Ltd. (重慶中鼎稅務師事務所有限責任公司) since December 2005, chairman of Chongqing Zhongding Asset Appraisal and Real Estate Valuation Co., Ltd. (重慶中鼎資產評估土地房地產估價有限責任公司) since March 2007, an independent director and a member of the audit committee of CPI Yuanda Environmental-Protection (Group) Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600292) since May 2015 as well as an independent director of China Jialing Industrial Co., Ltd. (Group) (listed on Shanghai Stock Exchange, stock code: 600877) since April 2016.

Mr. WANG served as deputy chief accountant of Chongqing Zhongding Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司) from August 1999 to February 2001, deputy chief accountant of Chongqing Zhongding Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司) from December 1996 to July 1999, as well as the financial director

## Directors, Supervisors and Senior Management

and deputy head of the finance department of Chongqing Machine Tools Industry Company (重慶機床工具工業公司) from December 1992 to November 1996.

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

**Dr. JIN Jingyu (靳景玉)**, aged 51, has been an independent non-executive Director of the Bank since April 28, 2014. Dr. JIN is also the chairman of the Remuneration and Appraisal Committee and Nomination Committee and a member of the Information Technology Guidance Committee and Connected Transactions Control Committee of the Bank. Dr. JIN is the chairman of the Academic Council, a professor in finance and tutor of doctorate and master degree postgraduate students of the School of Finance of Chongqing Technology and Business University (重慶工商大學).

Dr. JIN has served in the Chongqing Technology and Business University (重慶工商大學) (formerly known as Chongqing College of Commerce (重慶商學院) in 2003 and before) since May 1997, where he has served successively as associate professor, professor and deputy director of the Department of Finance and Investment. Dr. JIN also served concurrently as the chairman of Chongqing Tandy Pharmaceutical Industry Co., Ltd. (重慶天地藥業有限公司) from June 2005 to February 2010, and served concurrently as a director and secretary to the board of directors of Chongqing Wanli Storage Battery Co., Ltd. (重慶萬里蓄電池股份有限公司) (now known as Chongqing Wanli New Energy Co., Ltd. (重慶萬里新能源股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600847)), from January 2006 to March 2010, served as a director and secretary to the board of directors of Southwest Synthetic Pharmaceutical Co., Ltd. (西南合成製藥股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000788), from July 2002 to June 2003, and a business director of the Financing Service Company (融資服務公司) and general manager of the 1st business division of Dapeng Securities Company Limited (大鵬證券有限責任公司) from September 1997 to September 2002. Dr. JIN is currently an independent non-executive director of Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 2722) and an independent director of Chongqing Financial Products Exchange Co., Ltd. (重慶金融產品交易所有限責任公司).

Dr. JIN graduated with a bachelor's degree from the department of mathematics of Henan University (河南大學) in 1991, studied in the University of

## Directors, Supervisors and Senior Management

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

### 2. Biographies of Supervisors *Employee Supervisors*

**Mr. YANG Xiaotao (楊小濤)**, aged 53, has been appointed as an employee Supervisor since March 2015 and is currently the chairperson of the board of Supervisors of the Bank.

Mr. YANG Xiaotao joined the Bank in March 2015. He is currently a party committee member of the Bank. Mr. YANG Xiaotao worked at Wulong sub-branch of Agricultural Bank of China since November 1979 and held a number of positions including officer and director at Huolu Office and Xiangkou Office, chief of industrial and commercial credit section, vice president, president and party committee secretary of the sub-branch. He served as vice president, party committee member and union chairman at Chongqing Fuling Branch of Agricultural Bank of China from August 1998 to July 2003. He was in charge of the overall operations of Chongqing Changshou District Rural Credit Cooperative from July 2003 to April 2004, and served as chairman and party committee secretary of Chongqing Changshou

District Rural Credit Cooperative from April 2004 to November 2006. He was a deputy director and party committee member of Chongqing Rural Credit Cooperative from November 2006 to June 2008, and vice president and party committee member of Chongqing Rural Commercial Bank Co., Ltd. from June 2008 to February 2015. Mr. YANG did not hold any directorship in any other listed companies in the last three years.

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

**Mr. HUANG Changsheng (黃常勝)**, aged 53, was appointed as an employee Supervisor in April 2013.

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

## Directors, Supervisors and Senior Management

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

Mr. HUANG obtained an executive master in business administration degree from Chongqing University in December 2012. Mr. HUANG is an economist and a senior political engineer.

**Mr. LIN Min (林敏)**, aged 46, was appointed as an employee Supervisor in April 2013. Mr. LIN joined the Bank in December 1999. Mr. LIN is currently general manager of the human resources department of the Bank. Mr. LIN previously served as assistant to manager of Linjiangmen sub-branch, deputy manager of Fuling sub-branch, deputy general manager of the marketing department (in charge), manager of Nanping sub-branch, manager of Banan sub-branch, a member of the preparation group of Xi'an Branch and party committee secretary and manager of Xi'an Branch of the Bank.

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

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

**Mr. ZHOU Xiaohong (周曉紅)**, aged 50, has been appointed as an employee Supervisor since March 2015. Mr. ZHOU joined the Bank in April 1995. He is currently the general manager and party committee secretary of the management department of Yuzhong District of the Bank. Mr. ZHOU previously served as administrator of credit department of the Bank, the assistant to president, deputy president (in charge) and president of Jianxindong Road sub-branch of the Bank and president of Jianxinbei Road sub-branch of the Bank.

Prior to joining the Bank, Mr. ZHOU worked in the finance department of The First Affiliated Hospital of Chongqing Medical University from July 1985 to March 1993 and served in the economic coordination office of Chongqing government from April 1993 to April 1995. Mr. ZHOU did not hold any directorship in any other listed companies in the last three years.

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

### *Shareholder Supervisors*

**Mr. CHEN Yan (陳焰)**, aged 53, was appointed as a shareholder Supervisor of the Bank in March 2014.

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

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Mr. CHEN currently serves as an executive director and general manager of Chongqing Real Estate Equity Investment Fund Management Co., Ltd. Mr. CHEN served successively as an expert member of the asset appraisal and review committee, and manager of the appraisal and legal department, the debt management department, the operation management department and the investment business department of the Chongqing Representative Office of China Huarong Asset Management Corporation (中國華融資產管理公司) from 2001 to 2009. Prior to that, Mr. CHEN served as deputy general manager of Chongqing Huitong Land and Assets Appraisal Co., Ltd. (重慶匯通土地資產評估有限公司) from 1998 to 2001, director of the general office of Chongqing Zhongye Property Development Co., Ltd. under the MCC Group (中冶集團重慶中冶房地產開發有限公司) from 1997 to 1998, deputy director of the general office of Chongqing Xiexin Property Development Co., Ltd. (重慶協信房地產開發有限公司) from 1996 to 1997, deputy factory manager of Chengdu Feixiang Surveying Instrument Plant (成都飛翔測繪儀器廠) from 1992 to 1996, and a teacher at Chongqing Zishui Middle School (重慶市字水中學) from 1984 to 1992. Mr. CHEN did not hold any directorship in any other listed companies in the last three years.

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

**Mr. WU Bing (吳冰)**, aged 53, was appointed as a shareholder Supervisor of the Bank in August 2015.

Mr. WU has been the chairman of the board of supervisors of Chongqing Guangtai Industrial Investment Development Co., Ltd. (重慶廣泰產業投資發展有限公司) since October 2014. Prior to that, Mr. WU served as director of the Policy Development Research Office of the Chongqing New North Zone (重慶北部新區政策發展) from February 2010 to October 2014; director of Chongqing New North Zone No. 1 Investment Bureau (重慶北部新區招商一局) from April 2008 to February 2009; president of Economic and Trade Bureau of Chongqing Economic and Technological Development Zone (重慶經開區經貿局) from October 2003 to April 2008; head of Office, head of Policy Research Office and president of Legal Affairs Bureau of Chongqing Economic and Technological Development Zone from December 2000 to October 2003; and deputy director (in charge) of Policy Research Office and Social Development Office of the Chongqing People's Government from July 1997 to June 2000.

Mr. WU graduated from Yuzhou University (now renamed as Chongqing Technology and Business University) with a bachelor's degree of arts in January 1987, and graduated from Chongqing University with an executive MBA in June 2005.

### *External Supervisors*

**Mr. CHEN Zhong (陳重)**, aged 61, was appointed as an external Supervisor of the Bank in June 2016.

Mr. CHEN has been the chairman of New China Fund Management Co., Ltd since June 2008. Prior to that, Mr. CHEN served as deputy director and director of the research division of China Enterprise Management Association, vice president of China Commerce Association, deputy secretary general of Chongqing Municipal People's Government, and standing deputy president of China Commerce

## Directors, Supervisors and Senior Management

Association. He also served as general manager of China Enterprise News and secretary general of China Enterprise Management Foundation from December 1995 to July 2001.

Mr. CHEN graduated from Jilin University with a bachelor's degree of economics in August 1979, and a master's degree of economics in July 1985. He studied in the Japan-based Nomura Research Institute from May 1983 to May 1984, and graduated from Peking University with a doctoral degree of economics in June 2000.

**Mr. CHEN Zhengsheng (陳正生)**, aged 66, was appointed as an external Supervisor of the Bank in May 2013.

Mr. CHEN has over 39 years of experience in the banking industry. Mr. CHEN held a number of positions in the Chongqing Branch of Industrial and Commercial Bank of China between May 1984 and April 2011, including director of Jiefangbei Local Branch, deputy director of the office of Central City District (currently Yuzhong District), director of fund planning office, and vice president and counsel of Chongqing Branch. He was deputy head of the credit group and deputy director of the former Chongqing Qixinggang Local Branch of the People's Bank of China between April 1972 and May 1984. Mr. CHEN retired in April 2011. Mr. CHEN has been an independent non-executive director of Chongqing Rural Commercial Bank Co.,

Ltd. (listed on the Hong Kong Stock Exchange, stock code: 3618) from December 2011 to December 2014, an independent director of Chongqing Yukaifa Company Limited (重慶渝開發股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 000514) from August 2012 to December 2015, and an independent director of Loncin Motor Company Limited (隆鑫通用動力股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 603766) from November 2012 to August 2015.

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

**Mr. YIN Xianglong (殷翔龍)**, aged 54, was appointed as an external Supervisor of the Bank in March 2014.

Mr. YIN has been the deputy head of Kanghua Certified Public Accountants (康華會計師事務所) since November 2010. Mr. YIN served as deputy head of the Chongqing branch of RSM China Certified Public Accountants (中瑞岳華會計師事務所) from January 2010 to October 2010. Prior to this, Mr. YIN served as head of Fengdu branch and head of compliance, chief quality supervisor, deputy chief accountant at the head office of Chongqing Jinhui Certified Public Accountants (重慶金匯會計師事務所) from January 2001 to December 2009; chief accountant at Chongqing Fengrui Certified Public Accountants (重慶豐瑞會計師事務所) from November 1998 to December 2000, head of Fengdu branch of Fuling Certified Public Accountants (涪陵會計師事務所) from December

## Directors, Supervisors and Senior Management

1990 to October 1998. Mr. YIN worked at Fengdu County Finance Bureau from August 1986 to November 1990, from August 1983 to August 1984 and from December 1978 to August 1981, respectively. Mr. YIN did not hold any directorship in any other listed companies in the last three years.

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

### 3. Biographies of Senior Management

For the biographies of **Mr. RAN Hailing** (冉海陵), **Mr. LIU Jianhua** (劉建華) and **Mr. WONG Wah Sing** (黃華盛), please refer to the section headed "Biographies of Directors" in this annual report.

**Ms. YANG Shiyin** (楊世銀), aged 51, was appointed as vice president and party committee member of the Bank in August 2014. Ms. YANG joined the Bank in September 2001. She had served as manager of Yangjiaping Sub-branch and manager of Jiefangbei Sub-branch of the Bank. She served as the chief executive officer of the corporate business of the Bank from January 2011 to August 2014, responsible for the corporate, trade finance, real estate finance and other businesses. During such period, Ms. YANG worked on secondment as deputy director in the Market and Investment

Bureau of China Development Bank from March 2011 to December 2011. Ms. YANG is currently responsible for the financial management and credit review management.

Prior to joining the Bank, Ms. YANG served as deputy section chief of cashier and currency exchange section and director of banking department of Jiulongpo Sub-branch of Bank of China in Chongqing from May 1989 to September 2001. Ms. YANG did not hold any directorship in any other listed companies in the last three years.

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

**Mr. ZHOU Guohua** (周國華), aged 51, was appointed as vice president of the Bank in October 2014, and Mr. Zhou is a party committee member of the Bank. Mr. ZHOU joined the Bank in September 2003. He had served as chief and assistant to the director of the office of the board of Supervisors, deputy manager of Yubei Sub-branch (in charge), and manager of Chongqing Hi-tech Industrial Development Zone Branch, chief and manager of Great Hall Sub-branch and chief operations officer of the Bank. He is currently responsible for the management and development of the corporate, trade finance, real estate finance, and information technology businesses of the Bank.

## Directors, Supervisors and Senior Management

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

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

**Ms. PENG Yanxi (彭彦曦)**, aged 41, has been the vice president of the Bank since March 11, 2016. Ms. PENG is currently responsible for the management and development of the treasury management and wealth management businesses of the Bank.

Ms. PENG joined the Bank in November 2015 as a party committee member of the Bank. Prior to joining the Bank, Ms. PENG served successively as deputy general manager of the human resources department (in charge), general manager of the human resources department, head of the listing office, director of the general office, chief of the board of directors' office and the board of supervisors' office, secretary to the board of directors and party committee member of Chongqing Rural Commercial Bank Co., Ltd. (formerly known as Chongqing Rural Commercial Bank) from August 2008 to November 2015. Prior to that, Ms. PENG served successively as an officer in the human resources and education division and deputy division chief of retail banking department

of Chongqing Rural Credit Cooperative Union from January 2003 to August 2008. She worked as an accountant in business department and a staff in the general office of Chongqing Rural Credit Cooperative Union (Nan'an Branch) from July 1998 to January 2003.

Ms. PENG graduated from Southwest China Normal University with a bachelor's degree in economics in July 1998. Ms. PENG is a senior economist.

**Mr. HUANG Ning (黄宁)**, aged 42, has been vice president of the Bank since March 11, 2016. Mr. HUANG is currently responsible for the management of the personal business, the credit card business, and the institution development.

Mr. HUANG Ning joined the Bank in December 2007 and had successively held various positions, including director of the general office, manager of the Great Hall sub-branch, general manager of the organisation department of the CPC party committee and human resources department. He has been a party committee member of the Bank since October 2014. Prior to joining the Bank, Mr. HUANG served successively as an accountant, client manager of the business department, client manager and assistant to the director of the credit management department, and deputy director of the general office of the Daxigou Sub-branch of Chongqing Commercial Bank Co., Ltd. from July 1997 to December 2007.

Mr. HUANG obtained an executive master of business administration degree from Chongqing University in December 2014.



### Emolument of Directors, Supervisors and Senior Management of the Bank

For details of emolument of Directors, Supervisors and the five highest paid individuals of the Bank, please see note 12 and note 10 to the financial statements respectively. There is no arrangement in which Directors have waived or agreed to waive any emoluments.

The table below sets forth the remuneration of the senior management of the Bank by band:

Band (RMB)	Number of Senior Management	
	2016	2015
0-500,000	6	1
500,001-1,000,000	1	2
1,000,001-1,500,000	–	5
<b>Total</b>	<b>7</b>	<b>8</b>

# Corporate Governance Report

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

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

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

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

## General Meeting Information of General Meetings

During the year of 2016, the Bank held one general meeting, one domestic Shareholders' class meeting and one H Shareholders' class meeting, details of which are set out below:

The 2015 annual general meeting and the first class meetings of domestic Shareholders and H Shareholders respectively of the Bank were held on June 17, 2016. At the 2015 annual general meeting, 19 ordinary resolutions and eight special resolutions were considered and approved on the matters mainly including the payment method of variable remuneration for non-executive Directors and independent non-executive Directors of the Bank, the payment method of variable remuneration for external Supervisors and shareholder Supervisors of the Bank, the report of the Board of Directors for 2015, the report of the board of Supervisors for 2015, the 2015 final financial accounts, the 2015 profit distribution plan, the 2016 financial budget proposal, the 2015 annual report, the re-appointment of external auditors of the Bank for 2015, the authorization to the Board of the Bank to determine their remuneration, A share offering, the amendments to the Procedures for General Meetings and the general mandate relating to the issuance of H Shares. The first class meeting was divided into H Shareholders' class meeting and domestic Shareholders' class meeting, which considered and approved four ordinary resolutions and one special resolution on the matters concerning the A share offering and related matters, respectively.

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

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

During the Reporting Period, the Board of the Bank strictly implemented the resolutions passed at general meetings and the matters entrusted by general meetings, and earnestly implemented the proposals considered and approved at the general meeting regarding the 2015 profit distribution plan, the 2016 financial budget, the re-appointment of external auditors for the year of 2016, the A share offering, the amendments to the Articles of Association and the amendments to the Procedures for General Meetings.

### Composition of the Board

As at the end of the Reporting Period, the Board of the Bank comprised a total of 13 Directors, including four executive Directors, namely, Mr. GAN Weimin (Chairman), Mr. RAN Hailing (President), Mr. LIU Jianhua and Mr. WONG Wah Sing; four non-executive Directors, namely, Mr. WONG Hon Hing (Vice Chairman), Mr. DENG Yong, Ms. LV Wei and Mr. YANG Jun; and five independent non-executive Directors, namely, Mr. LI He, Mr. TO Koon Man Henry, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu.

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

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

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

### Changes in Directors

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

### Operation of the Board

The Board of the Bank convenes meetings on a regular basis, and regular Board meetings shall be convened at least once for every quarter. Board meetings may be convened by way of on-site meetings or written resolutions. Agenda for a regular meeting of the Board is prepared after consulting Directors and the Board paper and relevant materials for such meeting are usually circulated to all Directors and Supervisors 14 days prior to the date of such meeting. All Directors maintain communication with the secretary to the Board and the secretary to the Bank to ensure compliance with the procedures of Board and all applicable rules and regulations. Detailed minutes of Board meetings are maintained and are available for all Directors for their review, comments and signature after the conclusion of such meeting. The secretary to the Board will send the finalized minutes of Board meetings to all Directors as soon as possible. The minutes of Board meetings are kept by the secretary to the Board and are available for inspection by Directors at any time. A communication and reporting mechanism has been established among the Board, Directors and senior management of the Bank. The President reports regularly to and is overseen by the Board.

## Corporate Governance Report

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

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

### Duties and Powers of the Board

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

- (1) convening general meetings and reporting its performance to general meetings;
- (2) implementing the resolutions adopted at general meetings;
- (3) deciding on business plans, investment proposals and development strategy of the Bank;
- (4) formulating the annual financial budget and final accounts of the Bank;
- (5) formulating profit distribution plan and loss recovery plan of the Bank;
- (6) making proposals regarding increase or reduction of the Bank's registered capital, issue of bonds or other securities and listing plans;
- (7) formulating proposals on major acquisitions, share repurchases, mergers, separation, dissolution or change in corporate form of the Bank;
- (8) deciding on external investments, acquisition and disposal of assets, pledges of assets, trust asset management and major connected transactions of the Bank within the authorities authorized by the general meeting;
- (9) considering and approving any guarantee to be provided by the Bank when the total amount of external financing guarantees of the Bank has exceeded 10% (excluded) but not more than 30% (included) of the latest audited total assets of the Bank;
- (10) deciding on establishment, dissolution and merger of the Bank's internal management departments and branches;
- (11) appointing or removing the president and the secretary to the Board; to appoint or remove vice presidents, the chief financial officer, the chief executive officer and other senior management personnel based on the recommendations of the president, and to decide on matters relating to their emoluments and their rewards and punishments;
- (12) overseeing the senior management's performance of their duties to ensure that senior management has effectively performed its management duties;
- (13) establishing the Bank's basic management system, and conducting regular evaluations to improve corporate governance of the Bank;
- (14) determining the Bank's policies on risk management and internal control;
- (15) managing proposals for any amendments to the Articles of Association of the Bank;

- (16) handling information disclosure matters and assuming ultimate responsibility for completeness and accuracy of the accounting and financial reporting system of the Bank;
- (17) proposing appointment or change of auditors of the Bank at general meetings;
- (18) receiving the work report of the president and assessing his performance;
- (19) reviewing the Bank's development strategy on a regular basis and supervising its implementation, managing the Bank's capital base, and assuming ultimate responsibility for the capital adequacy ratio management; and
- (20) exercising other duties and powers prescribed by the laws, administrative regulations, department rules or the Articles of Association of the Bank or conferred by the general meetings.

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

### Appointment of Directors

The Directors (including non-executive Directors) are appointed for a term of three years, and are eligible for re-election upon expiry of their term of office. Independent non-executive Directors are appointed for a term of three years, and shall handle the service matters as advised by the relevant regulatory authorities upon expiry of terms. Independent Directors shall not serve at one commercial bank for over six years in aggregate.

### Board Meetings

Pursuant to the Code, regular meetings of the Board shall be convened at least once for every quarter. Such regular meetings do not include obtaining Board's consent through written resolutions.

During the Reporting Period, the Board convened eight meetings in total (including one written resolutions and seven on-site meetings), at which 81 proposals were considered and approved on the matters mainly including amendments to relevant corporate governance documents, financial reports, profit distribution and nomination of Director candidates. Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held in 2016 (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:

## Corporate Governance Report

Members of the Board	Attendance in person/by proxy/required (times)									
	The Board	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee	Strategic Committee	Risk Management Committee	Connected Transactions Control Committee	Information Technology Guidance Committee	Consumer Protection Committee	General Meeting
<b>Executive Directors</b>										
GAN Weimin	8/0/8				9/0/9	6/0/6		0/0/0		1/0/1
RAN Hailing	8/0/8				9/0/9	6/0/6		3/0/3		1/0/1
LIU Jianhua	4/0/4								1/0/1	0/0/0
WONG Wah Sing	3/0/3					1/0/1		0/0/0	1/0/1	0/0/0
ZHAN Wanghua (resigned on May 31, 2016)	2/0/2					2/0/2		1/0/1		
<b>Non-executive Directors</b>										
WONG Hon Hing	8/0/8				9/0/9			3/0/3	1/0/1	1/0/1
DENG Yong	7/1/8	9/0/10								0/0/1
LV Wei	8/0/8	10/0/10	7/0/7	2/0/2					1/0/1	0/0/1
YANG Jun	7/1/8		5/0/7	1/0/2	9/0/9					1/0/1
QIN Wei (resigned on March 18, 2016)	0/0/0				0/0/2					
<b>Independent non-executive Directors</b>										
LI He	8/0/8	10/0/10			6/0/6	6/0/6	6/0/6			1/0/1
TO Koon Man Henry	8/0/8	10/0/10				6/0/6	6/0/6			1/0/1
KONG Xiangbin	8/0/8		7/0/7	2/0/2			6/0/6	2/0/2	1/0/1	1/0/1
WANG Pengguo	8/0/8	10/0/10	7/0/7	2/0/2			6/0/6			1/0/1
JIN Jingyu	7/1/8		7/0/7	2/0/2			6/0/6	3/0/3		1/0/1

- Notes:
1. For details of changes in Directors, please refer to the paragraph above headed "Changes in Directors".
  2. Attendance in person include participation by way of on-site attendance as well as electronic means such as telephone and online video conference.

### Independent Non-executive Directors

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

The independent non-executive Directors of the Bank do not have any business or financial interests, nor hold any management positions, in the Bank. All the current independent non-executive Directors are elected and appointed for a term of three years, and shall handle the service matters as advised by the relevant regulatory authorities upon expiry of terms. Independent Directors shall not serve at one commercial bank for over six years in aggregate.

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

### Director's Responsibilities for the Preparation of Financial Statements

The Directors have acknowledged their responsibility for preparing the financial statements of the Bank for the year ended December 31, 2016.

The Directors are responsible for overseeing the preparation of financial statements for each accounting period to make sure that such financial statements give a true and fair view of the financial conditions, operating results and cash flows of the Bank. In preparing the financial statements for the year ended December 31, 2016, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.

### Continuous Professional Development Program for Directors

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

Training for the Directors shall be carried out on an ongoing basis. The Bank encourages all Directors to participate in continuous professional development, to develop and update their knowledge and skills. During the Reporting Period, all 15 Directors of the Bank (including executive Directors, Mr. GAN Weimin, Mr. RAN Hailing, Mr. LIU Jianhua, Mr. WONG Wah Sing and Mr. ZHAN Wanghua (resigned on May 31, 2016); non-executive Directors Mr. WONG Hon Hing, Mr. DENG Yong, Ms. LV Wei, Mr. YANG Jun and Mr. QIN Wei (resigned on March 18, 2016); and independent non-executive Directors Mr. LI He, Mr. TO Koon Man Henry, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu) participated in four trainings organized by the Bank. The Bank provided the Directors with updates on the Listing Rules and other applicable regulatory requirements from time to time, to ensure that the Directors will make their contribution to the Board with informed and relevant information, abide by the Code and enhance their awareness of sound corporate governance practices.

## Corporate Governance Report

In addition, certain Directors attended the seminars and training courses provided by professional institutions. For the year ended December 31, 2016, the trainings attended by the Directors covered the following topics:

Date	Topic	Name of Organizer	Training Hours
April 22, 2016	Training on the interpretation of the 13th Five Year Plan of Chongqing Municipality	Bank of Chongqing	Three Hours
May 31, 2016	Special training on transform from business tax into value-added tax	PwC	Two Hours
July 15, 2016	Pre-listing tutoring for directors, supervisors and senior management	Organized by China Merchants Securities, Fangda Partners, PwC	Four Hours
October 31, 2016	Special seminar on IFRS 9 of Bank of Chongqing Co., Ltd.	PwC	Two Hours

### Corporate Governance Functions of the Board

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

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

### Special Committees under the Board

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

#### (1) Audit Committee

As at December 31, 2016, the Bank's Audit Committee consisted of five Directors, including Mr. WANG Pengguo (independent non-executive Director) as chairman, and Mr. DENG Yong (non-executive Director), Ms. LV Wei (non-executive Director), Mr. LI He (independent non-executive Director) and Mr. TO Koon Man Henry (independent non-executive Director) as members. The establishment of the Audit Committee complies with Rules 3.10(2) and 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.



The primary duties of the Audit Committee include:

1. to conduct audit analysis and monitoring assessment on significant matters of the Bank including implementation of strategic planning, corporate governance, risk management, internal control, business development and information technology and the overall risks that may arise;
2. to provide guidance to special audits on risk management, connected transactions management, compliance management, financial management, treasury management, remuneration management, information technology management and other aspects;
3. with respect to external auditors:
  - (1) to make recommendations to the Board on appointment and removal of the external auditors (including any issues on resignation or dismissal of such auditors), and give opinions on the qualification, expenses and terms of engagement for such auditors;
  - (2) to review and monitor whether the external auditors are independent and objective and the audit procedures are effective in accordance with appropriate criteria, and discuss with the external auditors on the nature and scope of the audit and reporting obligations before the audit commences;
  - (3) to develop and implement policies on the engagement of an external auditor to provide non-audit services;
  - (4) to review the letter in respect of the auditing issued by the external auditor to the management, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and the management's response; and
- (5) to ensure that the Board will provide a timely response to the issues raised in the letter in respect of the auditing issued by the external auditor to the management;
4. to monitor accounting policies, financial position and financial reporting procedures, examine financial information and its disclosure including the integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports of the Bank, and to review significant financial reporting judgments contained therein. In this regard, in reviewing the relevant statements and reports before submission to the Board, the committee shall focus particularly on:
  - (1) any changes in the accounting policies and practices;
  - (2) areas involving major judgment calls;
  - (3) significant adjustments resulting from audit;
  - (4) the going concern assumptions and any qualified opinions;
  - (5) compliance with accounting standards; and
  - (6) compliance with the Listing Rules and other legal or regulatory requirements in relation to financial reporting;

With regard to the aforesaid duties, the Audit Committee must liaise with the Board and senior management, and must meet, at least

## Corporate Governance Report

- twice a year, with the auditors. The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting functions, compliance officer or auditors;
5. to be in charge of the Bank's annual audits, and supervise the senior management to remedy the problems identified in audit and implement the auditing recommendations;
  6. to act as the key representative body for overseeing the Bank's relation with the external auditor; and to serve as a bridge between the internal audit department and external auditors, and ensure coordination between the internal and external auditors; to decide on establishment of internal audit department, staffing, appointment and dismissal of the person in charge, audit project budget and remuneration of internal auditors, and ensure that the internal audit department is adequately resourced in the Bank;
  7. to approve the internal audit regulations such as internal audit rules, mid- to long-term audit plans and annual work plans, and monitor their implementation;
  8. to regularly examine the Bank's internal audit work and assess working procedures and results of the internal audit department, and report to the Board;
  9. with respect to internal control matters:
    - (1) to review and monitor financial control, internal control and risk management systems of the Bank, review relevant rules and regulations and their implementation, and examine and evaluate the compliance and effectiveness of major business activities of the Bank;
    - (2) to discuss with the management on the internal control system, and conduct continuous inspection and supervision to ensure that the management has discharged its duty to establish an effective internal control system, including the adequacy of resources, qualifications and experience of staff of the Bank in respect of its accounting and financial reporting function, and their training programs and budget;
    - (3) to ensure that appropriate arrangements are made to enable employees to raise concerns in strict confidence on potential misconduct in respect of financial reporting, internal control or other aspects, and enable the Bank to conduct a fair and independent investigation and take proper measures; and
    - (4) to consider any findings of major investigations of internal control matters and the management's response on its own initiative or as delegated by the Board;
  10. to keep abreast of internal audit trends, research and analysis, guide and promote the internal audit department to update and improve audit techniques, methods and tools; and
  11. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's Shares are listed and as delegated by the Board.
- During the Reporting Period, the Audit Committee held a total of 10 meetings, at which 22 matters were considered including the 2015 financial statements and notes. Meanwhile, the Audit Committee held one meeting with the auditors

in accordance with the newly amended code provisions of the Code.

### *(II) Remuneration and Appraisal Committee*

As at December 31, 2016, the Bank's Remuneration and Appraisal Committee consisted of five Directors, including Dr. JIN Jingyu (independent non-executive Director) as chairman, and Ms. LV Wei (non-executive Director), Mr. YANG Jun (non-executive Director), Mr. KONG Xiangbin (independent non-executive Director) and Mr. WANG Pengguo (independent non-executive Director) as members, with a majority of the members being independent non-executive Directors.

The primary duties of the Remuneration and Appraisal Committee include:

1. to propose the remuneration management measures or plans for Directors and senior management to the Board according to their scope of duties, importance, complexity of work, scarcity on market and the remuneration level for comparable positions in the same industry in accordance with relevant policies and regulations, which should mainly include, but not limited to: the basis, basic criteria, appraisal procedures and key indicators for basic salary and performance-based salary, specific steps of implementation and incentives;
2. to review and approve the management's remuneration proposals with reference to the corporate policies and objectives established by the Board;
3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management members;
4. to make recommendations to the Board on the remuneration of non-executive Directors;
5. to consider salaries paid by comparable companies, time commitment and responsibilities, and propose the employment conditions elsewhere in the Bank to be determined by the Board;
6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
8. to review duty performance of the Directors and senior management and make annual performance assessment on them;
9. to make recommendations to the Board on the Bank's policies and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration, and to supervise the execution of and make amendments to the Bank's remuneration policy;
10. to ensure that no Director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration; and
11. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's Shares are listed and as delegated by the Board.

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During the Reporting Period, the Remuneration and Appraisal Committee held nine meetings in total, at which 19 proposals were considered on the matters including amendments to the administrative measures on remuneration for leading team of the Bank.

### *(III) Nomination Committee*

As at December 31, 2016, the Bank's Nomination Committee consisted of five Directors, including Dr. JIN Jingyu (independent non-executive Director) as chairman, and Ms. LV Wei (non-executive Director), Mr. YANG Jun (non-executive Director), Mr. KONG Xiangbin (independent non-executive Director) and Mr. WANG Pengguo (independent non-executive Director) as members, with a majority of the members being independent non-executive Directors.

The primary duties of the Nomination Committee include:

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

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

During the Reporting Period, the Nomination Committee held seven meetings in total, at which 14 proposals were considered on the matters including amendments to the working rules of the Nomination Committee and examination on qualifications of Directors.

The diversity policy of the Board is summarized as follows:

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

As at the date hereof, the Board comprises 13 Directors, including one female and two persons who are ordinarily residents in Hong Kong. The Board is diverse in terms of gender, nationality, professional background and skills of its members.

### *(IV) Strategic Committee*

As at December 31, 2016, the Bank's Strategic Committee consisted of five Directors, including Mr. GAN Weimin (Chairman and executive Director) as chairman, and Mr. RAN Hailing (executive Director and President), Mr. WONG Hon Hing (non-executive Director), Mr. YANG Jun (non-executive Director) and Mr. LI He (independent non-executive Director) as members.

The primary duties of the Strategic Committee include:

1. to conduct real-time analysis on domestic and international macro economy and financial situation, interpret the domestic and international systems and policies which have significant influence on the Bank's strategic direction and business decisions, conduct real-time analysis on the Bank's core competitiveness and conduct prospective study on the new trend in the development of banking industry, in order to provide decision-making reference and basis for the strategic management of the Board, and to formulate business objectives and long-term development strategy of the Bank;
2. to study and formulate the mid- to long-term development strategy of the Bank, including but not limited to:
  - (1) to study and formulate the mid- to long-term strategic objectives of the Bank;
  - (2) to study the business model of the Bank's operation and development and formulate the Bank's development direction and business structure;
  - (3) to study and approve the plan of establishment and dissolution and merger of the Bank's internal organizational structure;
  - (4) to approve the optimization plans of establishment, elimination, dissolution and merger and relocation of branches and independent accounting sub-branches within Chongqing under the annual institution development plan approved by the Board; and
  - (5) to study and approve the mid- to long-term business development plans of the branches of the Bank;
3. to study and adjust the annual business plan submitted by the management, and submit it to the Board for consideration and approval;
4. to study and formulate the relevant systems and implementation plans of the Bank's foreign investment, mergers and acquisitions, examine major investments, for example, fixed assets investments and equity investments, and put forward suggestions or opinions;
5. to oversee and inspect the implementation of the Bank's strategic planning, annual business plans and investment schemes;
6. to study the major matters which have influence on the development of the Bank and make recommendations; and
7. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's Shares are listed and as delegated by the Board.

## Corporate Governance Report

During the Reporting Period, the Strategic Committee held nine meetings in total to report and consider 40 matters including the business indicators of business plan and main tasks for the year of 2016.

### (V) Risk Management Committee

As at December 31, 2016, the Bank's Risk Management Committee consisted of five Directors, including Mr. LI He (independent non-executive Director) as chairman, and Mr. GAN Weimin (Chairman and executive Director), Mr. RAN Hailing (executive Director and President), Mr. WONG Wah Sing (executive Director) and Mr. TO Koon Man Henry (independent non-executive Director) as members.

The primary duties of the Risk Management Committee include:

#### 1. business strategies and plans:

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

- (6) to consider the Bank's overall policy of security work and anti-money laundering work, and report to the Board for approval;
- (7) to consider and approve the risk organization structure and its function;
- (8) to consider and approve the Bank's risk management standard, important risk measurement methods and tools; and
- (9) to consider and approve the risk class policy, including credit risk, operational risk and market risk;

#### 2. operation and implementation:

- (1) to consider the power of the president delegated by the Board and risk-taking activities that go beyond the scope of authority of the management, and report to the Board for approval;
- (2) to receive the report of the Bank's management on the implementation of risk policy regularly on a quarterly basis, put forward suggestions and measures for improvement and report the result to the Board;
- (3) to monitor all kinds of risks the Bank faces, consider and approve risk monitoring report, compliance risk report, asset and liability management analysis report, and report to the Board;

- (4) to put forward the overall requirements of security work, consider and approve the security work report and report to the Board; and
  - (5) to put forward the overall requirements of anti-money laundering work, consider and approve the anti-money laundering work report and report to the Board; and
3. monitoring and evaluation:
- (1) to evaluate whether the Bank establishes a complete system of risk management organization, personnel, procedures, systems and internal control;
  - (2) to oversee the implementation of the management on the Bank's risk management principles, standards and policies;
  - (3) to receive the report of Risk Management and Internal Control Committee on considering and approving matters, monitor and evaluate the effectiveness of the risk management operation of the management level;
  - (4) to examine and evaluate the effectiveness of the Bank's security work;
  - (5) to examine and evaluate the effectiveness of the Bank's anti-money laundering work.

During the Reporting Period, the Risk Management Committee held six meetings in total to report and consider 24 matters including the 2015 risk monitoring report, the risk management strategies for 2016 of the Bank.

### *(VI) Connected Transactions Control Committee*

As at December 31, 2016, the Bank's Connected Transactions Control Committee consisted of five Directors, including Mr. KONG Xiangbin (independent non-executive Director) as chairman, and Mr. LI He (independent non-executive Director), Mr. TO Koon Man Henry (independent non-executive Director), Mr. WANG Pengguo (independent non-executive Director), and Dr. JIN Jingyu (independent non-executive Director) as members, with all members being independent non-executive Directors.

The primary duties of the Connected Transactions Control Committee include:

1. to draft the management system of connected transactions, monitor and examine the implementation of the connected transactions system of the Bank's Directors, senior management and connected persons;
2. to control the amount of connected Transactions and regulate connected transactions to ensure the transactions comply with regulations;
3. to accept the filing of general connected transactions;
4. to conduct first review of the connected transaction proposals needed to be submitted to the Board for consideration and approval, put forward professional review opinions before submitting to the Board for approval;

## Corporate Governance Report

5. to collect, sort and confirm the list and information of the Bank's connected parties; and
6. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's shares are listed and as delegated by the Board.

During the Reporting Period, the Connected Transactions Control Committee held 6 meetings in total, at which 9 proposals involving connected transactions were considered on the matters including changes in the list of connected persons.

### *(VII) Information Technology Guidance Committee*

As at December 31, 2016, the Bank's Information Technology Guidance Committee consisted of five Directors, including Mr. GAN Weimin (Chairman and executive Director) as chairman, and Mr. RAN Hailing (executive Director and President), Mr. WONG Wah Sing (executive Director), Mr. KONG Xiangbin (independent non-executive Director) and Dr. JIN Jingyu (independent non-executive Director) as members.

The primary duties of the Information Technology Guidance Committee include:

1. to examine and approve the Bank's information technology strategies, organization structure of information technology governance and major information technology projects which go beyond the authority of the senior management and budgets, to ensure their consistency with the overall business strategy and major policies;
2. to regularly assess the overall performance of information technology work as well as the implementation progress of information technology strategic planning and major projects on an annual basis, and continue to promote the implementation of information technology strategies;
3. to coordinate the Risk Management Committee to master the major information technology risk and determine the acceptable risk level; guide and supervise the senior management and relevant management departments to carry out activities for identification, measurement, monitoring and control of information technology risk;
4. to coordinate the Audit Committee and internal audit departments to carry out information technology risk audits, and supervise the rectification;
5. to guide the work of the Information Technology Management Committee, and conduct a first review of its annual report on information technology risk before submitting to the Board;
6. to hire external information technology experts as required, invite or tell the Bank's senior management and functional department staff to attend meetings, receive the reports of relevant department on information technology situation, put forward improvement measures or suggestions and monitor their implementation; and
7. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's Shares are listed and as delegated by the Board.



During the Reporting Period, the Information Technology Guidance Committee held three meetings in total, at which four matters were considered including the 2015 information technology risk monitoring report.

### *(VIII) Consumer Protection Committee*

The Consumer Protection Committee was established by the Board in August 9, 2016. As at December 31, 2016, the Bank's Consumer Protection Committee consisted of five Directors, including Mr. WONG Hon Hing (non-executive Director) as chairman, and Mr. LIU Jianhua (executive Director), Mr. WONG Wah Sing (executive Director), Ms. LV Wei (non-executive Director) and Mr. KONG Xiangbin (independent non-executive Director) as members.

The primary duties of the Consumer Protection Committee include:

1. to formulate the Bank's strategic planning of consumer protection, review and approve the Bank's relevant policies and the periodical work targets of consumer protection, and ensure their consistency with the Bank's overall business strategy and major policies;
2. to review and approve the Bank's organization structure of consumer protection, and urge the senior management and the leading group of the head office of consumer protection to effectively implement relevant work of consumer protection;
3. to listen to the special report from the senior management on consumer protection on a regular basis, and evaluate the overall effectiveness of consumer protection as well as the implementation progress of consumer protection strategic planning and major projects on a regular basis;
4. to oversee and assess the Bank's consumer protection regarding its comprehensiveness, timeliness and effectiveness, and the senior management's performance of their duties;
5. to guide the work of the leading group of consumer protection, and conduct a preliminary review on its annual report on consumer protection before submitting to the Board;
6. to appoint external consumer protection experts, if required, invite or inform the Bank's senior management and leading group department staff to attend meetings, listen to the reports of relevant business lines departments on consumer protection work, put forward improvement measures or suggestions and monitor their implementation; and
7. to exercise other duties as delegated by the Board.

During the Reporting Period, the Consumer Protection Committee held one meetings in total, at which one matters were considered including the administrative measures on internal audit of the consumer protection of Bank of Chongqing.

### **Board of Supervisors**

#### **Composition of the board of Supervisors**

As at the end of the Reporting Period, the board of Supervisors comprised nine Supervisors, of which there were two shareholder Supervisors, namely, Mr. CHEN Yan and Mr. WU Bing; three external Supervisors, namely, Mr. CHEN Zhong, Mr. CHEN Zhengsheng and Mr. YIN Xianglong; and four employee Supervisors, namely, Mr. YANG Xiaotao, Mr. HUANG Changsheng, Mr. LIN Min and Mr. ZHOU Xiaohong.

## Corporate Governance Report

### Chairperson of the board of Supervisors

On 24 March, 2015, Mr. YANG Xiaotao was elected as Chairperson of the board of Supervisors of the Bank by the board of Supervisors, with effect from the same date.

### Changes in Supervisors

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

### Meetings of the board of Supervisors

In 2016, the board of Supervisors held a total of seven meetings, at which 37 proposals were considered and audited on matters including main tasks of the board of Supervisors, annual report, financial budget and final account, dividend distribution plan, review report, research report, audit report, appraisal report on performance of Directors, audit report on resigned senior management personnel, appraisal report on performance of Supervisors and review of qualification of candidates for Supervisors.

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

<b>Members of the board of Supervisors</b>	<b>Attendance in person/by proxy/required (times)</b>
YANG Xiaotao	7/0/7
HUANG Changsheng	7/0/7
LIN Min	7/0/7
ZHOU Xiaohong	7/0/7
CHEN Yan	7/0/7
WU Bing	7/0/7
ZHOU Yongkang	0/0/4
CHEN Zhong	3/0/3
CHEN Zhengsheng	7/0/7
YIN Xianglong	7/0/7

*Note: Mr. ZHOU Yongkang's resignation was effective from 17 June, 2016.*

### Special Committee under the board of Supervisors

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

### Supervision and Nomination Committee

As at December 31, 2016, the Bank's Supervision and Nomination Committee consisted of five Supervisors, including Mr. CHEN Zhengsheng (external Supervisor) as chairman, and Mr. HUANG Changsheng (employee Supervisor), Mr. YIN Xianglong (external Supervisor), Mr. Lin Min (employee Supervisor) and Mr. ZHOU Xiaohong (employee Supervisor) as members.

The primary duties of the Supervision and Nomination Committee include:

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

3. conducting investigation on specific matters of the Bank with the authorization of the board of Supervisors and reporting the results to the board of Supervisors;
4. formulating the procedures and criteria for selecting and appointing Supervisors according to relevant laws and conducting preliminary review on the qualifications and conditions for candidates of Supervisors and proposing to the board of Supervisors; and
5. exercising other duties prescribed in laws, administrative regulations and rules and required by applicable securities regulatory authorities in the jurisdiction where the Bank's Shares are listed, and as delegated by the board of Supervisors.

During the Reporting Period, the Supervision and Nomination Committee held a total of two meetings, at which performance appraisal and audit proposal regarding the resignation and retirement of two Directors and one senior management members, proposal of centralized supervision and check of the Bank by the board of Supervisors for 2015, and proposal of reviewing the qualifications of the candidates of Supervisors were considered.

### Senior Management

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

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

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

## Corporate Governance Report

- (2) to organize the implementation of the Bank's annual business plan and investment proposals;
- (3) to draft plans for the establishment of the Bank's internal management structure;
- (4) to draft the Bank's basic management system;
- (5) to formulate concrete regulatory systems for the Bank;
- (6) to nominate candidates and recommend removal to the Board for vice presidents, the chief financial officer, the chief executive officer and other senior management members;
- (7) to appoint or remove other executive officers within internal management departments and branches (other than those required to be appointed or removed by the Board);
- (8) to authorize senior management members and executive officers of the internal functional departments and branches to engage in ordinary operation and management;
- (9) to take urgent measures to assist the Bank in case of a run on the Bank or other major emergencies, and report to the relevant banking regulatory authorities, the Board, and the board of Supervisors immediately; and
- (10) to exercise other duties and powers prescribed in the Articles of Association or delegated by the Board.

### Delegation of Power by the Board

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

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

### Chairman and President

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

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

### Securities Transactions by Directors and Supervisors

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

### External Auditors and Auditors’ Remuneration

The audit opinion of the external auditors engaged by the Bank and their responsibilities are set out in the Independent Auditor’s Report on pages 125 to 131.

The Bank has engaged PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP respectively as the international and domestic auditors of the Bank for 2016. The fees as agreed to be paid by the Bank to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP for the audit of the financial statements for the year ended December 31, 2016 were RMB3.70 million.

### Internal Control

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

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

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

In order to reinforce management over the Bank’s inside information control system, and to ensure the truthfulness, accuracy, completeness and promptness of the public disclosures, the Bank also adopts and implements a set of inside information procedures. The Bank has a department of information disclosure which conducts close cooperation with other departments to make judgment on inside information, seeks for professional advice from its legal adviser (if necessary) and reports to the Board adequately and obtains approval, from the Board, so as to properly handle and disclose inside information in compliance with relevant laws, regulations and the Listing Rules.

## Corporate Governance Report

During the year ended December 31, 2016, the Board conducted an annual review of the effectiveness of the Bank's internal control system. The review covered all significant controls of the Bank, including financial, operational and compliance controls and risk management functions. The Board also believes that the resources, qualifications and experience of staff of the Bank's accounting and financial reporting function as well as their training programs and financial budgets are adequate and appropriate. There was no significant area of concern during the year.

### Company Secretary

During the Reporting Period, Ms. HO Wing Tsz Wendy, a corporate services director of Tricor Services Limited, an external service provider, has been engaged as a joint company secretary of the Bank, and Mr. ZHOU Wenfeng, joint company secretary, is the chief contact person for the external company secretary. Each of them has complied with the requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the financial year ended December 31, 2016.

Mr. ZHOU Wenfeng has resigned as a joint company secretary of the Bank due to work re-designation with effect from March 21, 2017. Mr. WONG Wah Sing has been appointed as a joint company secretary of the Bank, and is the chief contact person for the external company secretary.

### Information Disclosure

#### *Effective Communication with Shareholders*

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

### Amendments to the Articles of Association

On October 31, 2016, in accordance with spirit of the guidelines on strengthening party discipline during the promotion of reform and development of state-owned enterprises, and relevant requirements of the Guidelines on the Corporate Governance of Commercial Banks(商業銀行公司治理指引), the Board, based on the actual circumstances of the Bank, proposed to make certain amendments to the Articles of Association of the Bank in accordance with the procedures and requirements

under relevant laws and regulations (the "Proposed Amendments"). The Proposed Amendments have been approved by the Board at the Board meeting held on October 31, 2016 and it was further approved and resolved to be submitted the Proposed Amendments to the shareholders of the Bank for their consideration and approval.

### Shareholders' Rights

#### *Procedures for Request of Shareholders for Convening an Extraordinary General Meeting*

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

#### *Proposals at General Meetings*

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

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

### Investor Relations

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

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

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

Tel: +86 (23) 6379 2129

Fax: +86 (23) 6379 9024

E-mail: [ir@bankofchongqing.com](mailto:ir@bankofchongqing.com)

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

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

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

### Shareholders’ Enquiries

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

Computershare Hong Kong Investor Services Limited

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

Tel: (852) 2862 8555

Fax: (852) 2865 0990

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

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

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

Tel: +86 (23) 6379 2129

Fax: +86 (23) 6379 9024

### Additional Information

The Bank holds a Financial License (institution number: B0206H250000001) issued by CBRC Chongqing Bureau, and a Corporate Legal Person Business License (unified social credit code: 91500000202869177Y) issued by the Administration for Industry and Commerce of Chongqing. The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

# Report of the Board of Directors

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

## Principal Activities

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

## Business Review

### Overview

In 2016, the global economy continued its in-depth adjustment, a downturn in growth of international trade remained, a continued increase in global capital flow, an increase in prices of bulk commodities, and a rise of anti-globalization thought and international trade protectionism became the important uncertainties in the process of recovery of the global economy. The trend of polarization for economic growth in major developed economies became more significant, and the growth rate of emerging economies gradually stabilized but the emerging economies were still rather vulnerable. During the Reporting Period, the overall performance of China's economy remained stable, industrial production grew steadily, fixed assets slowed down to stabilize, consumer prices rose mildly, residents' income increased steadily, and the supply-side structural reform has made positive progress.

### Annual Results and Indication of Highly Likely Future Development in the Bank's Business

Faced with complicated economic environment, the Bank always stayed true to its mission, advanced despite difficulties, fully implemented the five major development philosophies of the central government and carried out the strategic decisions of the Board and complied with relevant regulatory requirements strictly. Leveraging the "professionalism, comprehensive management and Internet financing" strategy, the Bank proactively devoted into the "second startup", speeded up its transformation and development and served the real economy, achieving remarkable operating results and a good start of the "13th Five-Year".

As of the end of 2016, the Bank's audited total assets amounted to RMB373,103.73 million, representing an increase of 16.7% as compared with the end of last year; the balance of deposits amounted to RMB229,593.79 million, representing an increase of 15.2% as compared with the end of last year; the net loans amounted to RMB146,789.05 million, representing an increase of 20.5% as compared with the end of last year; the net profit for 2016 amounted to RMB3,502.17 million, representing an increase of 10.5% as compared with last year; the net fee and commission income amounted to RMB1,926.02 million, representing a significant increase of 27.4% as compared to last year, accounting for 20.06% of the operating income, up by 2.46 percentage points as compared to the corresponding period of previous year. Major performance indicators, such as total assets, deposits, loans and net profits, have achieved double-digit growth, while risk management indicators including non-performing loan ratio and capital adequacy ratio have fully satisfied the applicable regulatory requirements, indicating successful accomplishment of the tasks and targets set by the Board. With respect to large and middle enterprise banking business and interbank operation, the Bank made proactive efforts in facilitating allied development between these two business lines, resulting in an increase of nearly 30% for loans granted to large and middle enterprises and an increase of over 30% for interbank operation in assessed profit. As for small and micro enterprise banking business, as at December 31, 2016, the balance of our small and micro enterprise loans amounted to RMB59,026 million, representing an increase of 24.1% as compared with the end of the previous year, with steady growth for several consecutive years; "three minimums" regulatory goals have been satisfied by our small and micro enterprise banking business which has been frequently recognized by relevant regulatory authorities. With respect to



retail business, deposits placed with personal savings amounted to RMB58,695.11 million, representing a year-on-year increase of 46.1%. The balance of “Wei Li Dai (微粒貸)” and “Kuai E Dai (快E貸)”, as the newly launched cooperative financial loan products, exceeded RMB1,000 million. In trading finance business, by capitalizing on the significant opportunity arising from China-Singapore cooperation strategic projects, the Bank materialized seven projects relating to international commercial loan and offshore RMB-denominated bonds, involving a total amount of RMB3,000 million, which placed the Bank in an advantageous position to expand business. In comparison with last year, the accumulative settlement amount in trading finance business throughout the year was two times of the previous year, RMB income and expenditure involved in cross-border business was nine times of previous year, and income from the intermediary business was four times of previous year, all of which enabled the Bank to enjoy a great increase of interbank ranking.

During the year, the Bank succeeded to eliminate adverse effects from certain non-performing credit facilities and thus to effectively contain the risks relating to those credit facilities through adherence to list system management, dispatch of special working groups and focus on guidelines on major institutions, industries and projects by reference to the supply-side structural reform and relevant regulatory requirements. The assets quality management target has been divided on a monthly basis, to further ascertain the respective management responsibility and form coordination between risk and management, which assisted the Bank to maintain the non-performing ratio at 1% or less. Besides, the business and management expense of the Bank decreased by 13.8% over previous year by its efficient cost-saving measures, relying on which, the Bank received an obvious improvement in cost control. For the first year upon the implementation of the centralized procurement plan, the Bank recorded a capital-saving ratio of over 30%.

The Bank also accelerated transformation of the “professionalism, comprehensive management and Internet financing” strategy. In addition to making further exploration into professionalism, the Bank also newly established Education and Culture Financial Department and Medical Care and Environmental Protection Financial Department to enable it to further streamline the organization management structure of interbank business lines, resulting in rapid development of the Real Estate Financial Department and Credit Card Department. Furthermore, the Bank also obtained certain achievements in respect of its comprehensive operation in specified stages. In particular, it has obtained the qualification of direct financing and the prospective underwriter, and the financial leasing company was approved for operation. Proactive efforts were also made by the Bank in building an Internet financial ecosphere, for which, the Bank successfully launched the mobile banking version 3.0 and “Hao Qi Dai (好企貸)” (an online financial product jointly developed by the Bank and small and micro enterprises). As a result of the foregoing, the social benefits and brand influence of the Bank continued to improve. The Bank has received high praise and recognition from competent authorities, regulatory authorities and a wide range of customers, since it was the first in China to officially launch a small and micro enterprise loan product featuring automatic approval namely “Hao Qi Dai (好企貸)”, listed in the first batch of enterprises included in Chongqing-Singapore Industry Cooperation Development Program, succeeded to be selected as one of the world’s top 300 banks, succeeded to be selected as the first batch of investment targets under “Shenzhen-Hong Kong Stock Connect”, once again successfully selected into HSSUSB, rated as the second-class bank by the CBRC for six consecutive years, awarded one of the top 10 typical organizations for National Corporate Culture Innovation in “the era of Internet +”, the Best Green Finance Award in China Banking Industry, the Best City Commercial Bank, the Bank with Most Valuable Brand and the Bank with Brand Influence for 2016 and etc.

## Report of the Board of Directors

For the details of the probable business development of the Bank in the future, please refer to the sub-sections of “6.1 Environment and Outlook” and “6.2 Development Strategy” in the section of “Management Discussions and Analysis” in this annual report.

### Major Risks and Uncertainties

For the major risks and uncertain factors faced by the Bank, please refer to the sub-section of “6.6 Risk Management” in the section of “Management Discussions and Analysis” in this annual report.

### Employment Relations and Retirement Benefit

The Bank placed utmost emphasis on the enterprise cultural construction, employee management and training, and is committed to building 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. 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 their career development and promotion in the Bank.

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

### Relations with Customers and Major Customers

The Bank has been always perfecting the financial services to all customers to win the customers’ understanding, trust and support. The Bank insists on the market principle for all customers who apply for loans, especially the related customers to whom the Bank do not provide priority to credit support than other customers.

In selecting of suppliers, the Bank adheres to the principles of openness, fairness and justice and adopts the bidding process. The Bank maintained sound communication and cooperation with all suppliers.

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.

### Environmental Protection Policy and Implementation

The Bank kept focusing on environmental protection, initiated and provided green credit financial services, including supporting industries engaged in environmental protection, 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 in internal operation, in particular, recycling use of papers by printing on both sides, promoting paperless office, purchasing energy-saving equipment, turning off water and power when leaving the offices. Through these measures, the amount of water and power consumption 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.

### Compliance with Laws and Regulations

The Board of Directors of the Bank paid close attention to the policies and practices, under relevant laws and regulations which the Bank is subject to. The Bank has engaged legal advisers for domestic and foreign laws to ensure the transactions and businesses of the Bank are carried out in compliance with the applicable laws. Relevant employees and operation units will be informed by updates on applicable laws and regulations from time to time.

### Subsequent Major Events with Significant Influence on 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 having significant influence on the Bank has occurred after completion of annual financial review.

### Profits and Dividends

The Bank's revenue for the year ended December 31, 2016 and the Bank's financial position as at the same date are set out in the financial report of this annual report.

Pursuant to the resolutions of the 2015 annual general meeting of the Bank held on June 17, 2016, the Bank distributed to all Shareholders of the Bank a final dividend of RMB0.264 (tax inclusive) per Share for the year ended December 31, 2015 ("2015 Final Dividend"), amounting to a total dividend of RMB825,542,468.52 (tax inclusive) based on the annual profit and number of issued shares for the year ended December 31, 2015. 2015 Final Dividend was distributed to holders of H Shares and Domestic Shares on July 22, 2016.

The Board of the Bank has proposed a final dividend of RMB0.291 per Share (tax inclusive) for the year ended December 31, 2016 ("2016 Final Dividend"), amounting to an aggregate amount of RMB909,972,948.26 (tax inclusive) to all Shareholders of the Bank. The dividend distribution proposal will be submitted to the 2016 annual general meeting for approval. If the proposal is approved at the 2016 annual general meeting, the dividend will be distributed to holders of Domestic Shares and holders of H Shares whose names appear on the register of members of the Bank on June 30, 2017. The proposed dividend will be denominated in RMB. Dividends to holders of Domestic Shares shall be paid in RMB, and dividends to holders of H Shares shall be paid in Hong Kong dollars. The exchange rate of RMB to HK\$ to be adopted shall be the average middle rates of the

## Report of the Board of Directors

five working days preceding the date of declaration of such dividends by the Bank at the 2016 annual general meeting (being May 26, 2017, inclusive) as announced by the People's Bank of China. The register of members of the Bank will be closed from Sunday, June 25, 2017 to Friday, June 30, 2017 (both days inclusive), during which no transfer of Domestic Share or H Share will be registered. In order to be entitled to the final dividend payment, holders of H Shares of the Bank who have not registered the related transfer documents are required to lodge the transfer documents together with the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at

Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, June 23, 2017.

The Board of the Bank proposed to distribute the 2016 final dividends on Friday, July 21, 2017. If there are any changes to the expected dividend payment date, an announcement will be published.

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

(All amounts expressed in millions of RMB except percentages, unless otherwise stated)	2015	2014	2013
Cash dividend (tax inclusive)	825.54	735.82	605.97
As a percentage of profit for the year	26.04%	26.03%	26.02%

None of the Shareholders entered into any arrangement to waive or agree to waive any dividend.

### Annual General Meeting of 2016 and Closure of Register of Members

The Bank's 2016 annual general meeting will be held on Friday, May 26, 2017. In order to determine the holders of H Shares who are eligible to attend and vote at the 2016 annual general meeting, the register of members of the Bank will be closed from Wednesday, April 26, 2017 to Friday, May 26, 2017 (both days inclusive), during which no transfer of shares will be registered. Holders of H Shares of the Bank who wish to attend and vote at the 2016 annual general meeting must lodge all transfer documents accompanied by the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Tuesday, April 25, 2017.

### Change in the Reserves

Details of the changes in the reserves of the Bank for the year ended December 31, 2016 are set out in the “Statements of Changes in Equity” of this annual report.

### Summary of Financial Information

The summary of the operating results and assets and liabilities of the Bank for the five years ended December 31, 2016 is set out in the “Financial Highlights” of this annual report.

### Donations

The charitable and other donations made by the Bank for the year ended December 31, 2016 amounted to approximately RMB13.65 million.

### Property and Equipment

Details of the changes in property and equipment of the Bank for the year ended December 31, 2016 are set out in the note “Property, Plant and Equipment” to the “Financial Statements” of this annual report.

### Substantial Shareholders

Details of the Bank’s substantial shareholders as at December 31, 2016 are set out in “Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons” and the relevant parts of the notes to the “Financial Statements” of this annual report.

### Purchase, Sale and Redemption of Listed Securities of the Bank

During the year ended December 31, 2016, the Bank had not purchased, sold or redeemed any listed securities of the Bank.

### Pre-emptive Rights

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

### Share Capital

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

### Equity-linked Agreement

No equity-linked agreements were entered into by the Bank during the year or subsisted at the end of the year.

### Directors, Supervisors and Senior Management

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

### Confirmation of Independence by the Independent Non-executive Directors

The Bank has received from each of its independent non-executive Directors the annual confirmation of his/her independence, and was of the view that all of its independent non-executive Directors are independent pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules.

## Report of the Board of Directors

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

As at December 31, 2016, the interests of the Directors, the Supervisors and the chief executives of the Bank and their associates in the shares, underlying shares and

debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules are as follows:

#### Domestic Shares

Name	Capacity	Number of shares held	Percentage of the total share capital of the Bank (%)
RAN Hailing	Beneficial owner	45,374	0.001%
LIU Jianhua	Beneficial owner	167,975	0.005%
HUANG Changsheng	Beneficial owner	123,451	0.004%
	Interest of spouse	60,647	0.002%
LIN Min	Beneficial owner	104,002	0.003%
ZHOU Xiaohong	Beneficial owner	144,585	0.005%

Save as disclosed above, none of the Directors, the Supervisors, or the chief executives of the Bank or their associates held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at December 31, 2016.

#### Financial, Business and Family Relationships Between Directors, Supervisors and Senior Management

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

#### Arrangements to Purchase Shares or Debentures

At no time during the year ended December 31, 2016 was the Bank, its holding company or any of its fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

#### Directors' and Supervisors' Interests in Contracts and Service Contracts

Saved for the continuing connected transactions which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as at December 31, 2016 and at any time during the year, none of the Directors or Supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Bank's business to which the Bank is a party. None of the Directors and Supervisors has entered into a service contract with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

#### Permitted Indemnity Provision

Appropriate Directors' liability insurance cover has been arranged by the Bank to indemnify the Directors for liabilities arising out of corporate activities.

### Management Contract

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

### Directors and Supervisors' Interests in Competing Business

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

### Corporate Governance

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

### Connected Transactions

Transactions between the Bank and the Bank's connected persons (as defined under the Listing Rules) and certain third parties specified under the Listing Rules constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. However, the connected transactions of the Bank in the Reporting Period can be fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. The Bank has reviewed all of its connected transactions and confirmed that it had complied with the requirements under Chapter 14A of the Listing Rules.

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

### Remuneration Policies for Directors, Supervisors and Senior Management

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

The remuneration system for the Directors, Supervisors and senior management of the Bank adheres to the principle of balancing incentives and restraints, focusing on both short-term and long-term incentives and integrating governmental control with market regulation. The structure of the remuneration system consists of basic salary, annual performance bonus, term incentives. The Bank makes contribution to various statutory pension plans organized by governments at all levels in the PRC for its Directors, Supervisors and senior management. In February 2016, the Bank has completed the scheme for subscription of the Bank's H Shares by the mid-level management and employees of the Bank with their deferred remuneration and prepaid risk bonus. Details are set out in the Voluntary Announcement in Relation to the Completion of Employees Share Subscription Scheme dated February 25, 2016. In addition, as no related national policy is issued, the Bank has not implemented any other mid-to-long term incentive scheme for the Directors, Supervisors and senior management.

## Report of the Board of Directors

### Public Float

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

### Tax Relief (H Shareholders)

#### Non-resident enterprise shareholders

According to the Enterprise Income Tax Law of the PRC and the related provisions of implementation, both effective on January 1, 2008, the Bank shall withhold the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose name appear on the register of H shareholders on June 30, 2017.

#### Non-resident individual shareholders

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

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

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

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

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

### Auditor

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were appointed as the domestic and international auditors for 2016, respectively.

PricewaterhouseCoopers has audited the Bank's financial report for 2016 prepared according to the international financial reporting standards and issued an auditor report with no qualified opinions.



# Report of the Board of Supervisors

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In 2016, pursuant to laws and regulations and the Articles of the Bank and staying focused on reform tasks and objectives for the whole Bank, the board of Supervisors carefully performed its supervision duties, and deeply and pragmatically carried out various supervision activities, and played an important role in improving the corporate governance, promoting structure adjustment, facilitating business transformation, enhancing risk management and control as well as maintaining the sustainable and sound development of the Bank in line with the Bank's focus and theme of development.

## I. Report on Major Tasks

During the Reporting Period, seven meetings were held by the board of Supervisors, at which an aggregate of 37 proposals, briefings and reports were received and considered, including, among others, key points of work of the board of Supervisors, Annual Report, Financial Budget and Final Account, Profit Distribution Plan, Reports on Inspection, Investigation Reports, Audit Reports, Assessment Report on Performance of Directors, Resignation Audit Reports on Members of Senior Management, Assessment Report on Performance of Supervisors, and Nomination of Candidates for Supervisors. Two meetings for Supervision and Nomination Committee of the board of Supervisors were held, at which three proposals were considered, including Plan for Inspection, Review of Qualifications of Candidates for Supervisors, etc. In addition, Supervisors presented at shareholders' meetings, on-site meetings of the Board of Directors and its special committees and loan review meetings for one time, 22 times and one time, respectively.

During the Reporting Period, an overall assessment on performance of duties by Directors and members of senior management in 2015 was conducted through routine supervision and centralized inspection, and assessment of individual performance of the Chairman of the Board and President were conducted separately. Resignation

performance assessment and resignation audits for one resigning Director and another Director who was also a member of senior management were conducted respectively. In the beginning of 2016, the centralized supervision and inspection of the Bank for 2015 was carried out by the board of Supervisors with respect to material decisions, financial position, risk management, establishment and implementation of internal control system, operation management as well as duty performance by Directors and senior management. Through these inspections, while showing its full recognition for the existing performance, the board of Supervisors raised its concerns for the matters existed in system defects, operational compliance and occupational qualification of account managers with respect to operation management. With respect to corporate governance, the board of Supervisors proposed to further standardize the governance procedure and optimize the incentive and constraint systems.

Special supervisions were further implemented emphasizing on addressing particular issues thereby. During the Reporting Period, in light of the regulatory requirement and actual conditions of the Bank, the board of Supervisors successively carried out two special supervisions. The first special supervision mainly related to inspection on management and execution of the credit facility granted to those industries with surplus production capacity. In relation to the problems found during the inspection, the board of Supervisors made its recommendations in five aspects, including enhancing study on macro economic conditions, establishment of normal management system concerning credit investment allocation, reinforcing management and guidelines on branches of the Bank, improving training and reviews on industry division for credit facility business as well as

## Report of the Board of Supervisors

strict implementation of performance assessment and accountability system. The second special supervision mainly related to inspection on compliance of the major business. Based on the relevant inspection, the board of Supervisors provided its recommendations in three aspects, including strengthening daily supervision and inspection on credit business, optimization of system establishment as well as increasing operation management and staff trainings.

The board of Supervisors also constantly followed execution of rectifications and improve the effectiveness of supervision. During the Reporting Period, the board of Supervisors conducted follow-up, verification and assessment, case by case, in respect of the rectification of problems revealed in the annual special inspection for 2015, centralized supervision and inspection carried out earlier this year, special inspection on credit facility granted to industries with surplus production capacity in 2016 as well as the routine supervision for 2016, which effectively facilitated the efficient implementation of rectification measures.

Deepening the daily supervision to keep supervision as a routine. In light of the regulatory requirements and the actual conditions of the Bank, the board of Supervisors has established a tracking and supervision system for significant issues in 2016, under which, it made tracking and supervision in four aspects, including write-off of doubtful debts, external investment, reform issues required by the SASAC and accountability for non-performing credits. The board of Supervisors regularly collected and analyzed information from 13 headquarter departments of the Bank covering 20 sectors, continued to monitor the

major operating indicators, risk control, practice of internal control and deficiency rectification of the Bank, tracked closely any potential risk changed or occurred and get aware of the latest development.

Self-improvement to acquire better capability for performance. In 2016, six trainings were successively provided for Supervisors in relation to interpretation of the 13th-Five Year Plan of Chongqing, special training on transform from business tax into value-added tax, trainings on listing of A shares as well as training on IFRS 9. Through preparing organization of the 12th Joint Conference of Chairman of Supervisors of Urban Commercial Banks in Beijing, Tianjin, Shanghai and Chongqing, the Bank was granted a chance to increase communication with other commercial banks, and to learn advanced working experience from them by sharing rules of procedures of the board of supervisors. In addition, the board of Supervisors successively implemented research to 11 branching organizations, to understand their operation conditions and major difficulties encountered. The board of Supervisors improved its work through constant learning and research to enhance its efficiency of supervision.

### II. Independent Opinions on Relevant Matters

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

During the Reporting Period, the Board of Directors earnestly, diligently and proactively implemented national and local financial policies and resolutions of Shareholders' meetings in accordance with the provisions of the Articles of Association and Due Diligence Guidelines for Board of Directors in Joint-stock Commercial Banks. They placed emphasis on corporate governance, risk prevention and control and internal control management while consciously accepting supervision from the board of Supervisors. They also had an accurate grasp of the macro trends in the nation and the reform and development direction of the Bank, making material decisions and adjustments in a timely manner. This enabled the Bank to make remarkable achievements, including the improvement in the corporate governance, promotion of supply-side structural reform, facilitation of strategic transformation, optimization of system structure, and enhancement of the management on risk and internal control, laying a solid foundation for deepening of reform and the fast and stable development of the Bank. The decisions of the Board of Directors were made with sound reason, and complied with the procedures set out in the Articles of Association.

During the Reporting Period, despite of the complex and challenging economic and financial conditions, the senior management proactively overcame various difficulties in implementing the general working arrangement by the Board of Directors and the strategic planning under the 13th-Five Year Plan, earnestly implementing the rectification advice from the board of Supervisors in respect of its supervision and inspection, stringently complying with applicable regulatory requirements, proactively practicing the corporate culture of five core tenets and steadily propelling transformation and development and "second startup". As a result of their precise efforts, the Bank was enabled to achieve stable, and even remarkable, development. In particular, the structure was optimized continuously, the management was upgraded steadily, risks became generally controllable, and influence of brands was further improved, all of which have effectively contributed to the sustainable and sound development of the Bank.

#### 2. Operations in Compliance with Laws and Regulations

During the Reporting Period, the Bank had been operating in compliance with relevant laws and regulations. Its decision-making procedures complied with laws, regulations and the Articles of Association. The Directors, Supervisors and senior management were faithful, honest and diligent in carrying out their duties. They were not found to have contravened any laws, regulations or the Articles of Association or to have committed any act detrimental to the interests of the Bank.

## Report of the Board of Supervisors

### 3. Financial Report

The 2016 financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

### 4. Acquisition and Disposal of Assets

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

### 5. Related Party Transactions

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

### 6. Internal Control

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

### 7. Social Responsibility

During the Reporting Period, the Bank earnestly undertook social responsibilities. The board of Supervisors had no objection to the 2016 Social Responsibility Report of the Bank.

# Internal Control

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

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

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

Pursuant to the Basic Rules on Enterprise Internal Control, the Board has assessed the internal control system, covering all the major controls including financial control, operation control, compliance control and risk management function. The Board is also of the opinion that the staff in charge of the Bank's accounting and financial reporting functions are equipped with sufficient resources, qualifications and experience, and their training and budget are also sufficient. After assessment, the Board considers that during the period from January 1, 2016 to December 31, 2016, it was not aware of any material defect in the Bank's design or implementation of its internal control or of any material errors in the disclosure of information in the annual report, indicating an effective internal control of the Bank.

## Internal Audit

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

## Internal Control

In 2016, by taking measures such as deepening reforms on effective allocation of audit resources in accordance with business lines, implementing more offsite audit with big data analytics technology, continuing to establish sound audit system and quality control system, the internal audit department of the Bank enhanced its internal audit quality and performance capabilities and achieved a comprehensive inspection of four branches and all the outlets in Chongqing. This audit covered key businesses and key aspects including credit, settlement, capital, bills and information technology, effectively facilitating the further improvement of internal control standards and the risk management capabilities of the Bank.

# Independent Auditor's Report

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## **To the Shareholders of Bank of Chongqing Co., Ltd.**

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

### **Opinion**

#### *What we have audit*

The financial statements of Bank of Chongqing Co., Ltd. (the "Bank") set out on pages 132 to 230, which comprise:

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

#### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2016, and of its financial performance and its 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.

### **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 Bank 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.

# Independent Auditor's Report

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 for loans and advances to customers and investment securities classified as loans and receivables
- Package disposal of loans and advances
- Consolidation assessment of structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Impairment allowance for loans and advances to customers and investment securities classified as loans and receivables</b></p> <p>Refer to Notes 4(a), 18(b), 19 to the Bank's financial statements.</p> <p>As at 31 December 2016, the gross amount of loans and advances to customers and investment securities classified as loans and receivables amounted to RMB 151.02 billion and RMB 76.55 billion respectively, accounted for 61% of the total assets.</p> <p>As at 31 December 2016, the impairment allowance for loans and advances to customers and investment securities classified as loans and receivables amounted to RMB 4.23 billion and RMB 0.80 billion respectively.</p> <p>Impairment allowance for loans and advances to customers and investment securities classified as loans and receivables represents best estimates made by management for the losses.</p> <p>For a financial asset that was impaired, the Bank assessed the asset individually for impairment. However, if the asset was insignificant, the Bank assessed the impairment collectively by grouping</p>	<p>We understood, evaluated and validated the design and operation of the controls over impairment assessment and calculation. These controls include over timely identification of individually impaired assets, determination of key model, inputs, and parameters for impairment allowance.</p> <p>In addition, we performed the following substantive procedures:</p> <p>Individual assessment:</p> <p>We examined, using sampling method, loans and advances and investment securities classified as loans and receivables which had not been identified by management as impaired loans and formed our judgements as to whether it was appropriate.</p> <p>Where an impairment was made on an individual basis, we assessed by using sampling method to ascertain whether a loss event had occurred. Where an impairment had been identified, we assessed the forecasts, calculation and assumptions of future discounted cash flows prepared by management.</p>



Key Audit Matter	How our audit addressed the Key Audit Matter
<p>them under similar credit risk characteristics. For a financial asset that was not impaired, the Bank assessed the impairment of the asset collectively as described aforementioned.</p> <p>The impairment loss when individually assessed was the difference between estimated discounted future cash flows and book value. When the impairment loss was collectively assessed, management used estimates based on historical loss experience for assets with similar credit risk characteristics. Historical loss experience was adjusted to reflect current economic conditions based on the relevant observable data.</p> <p>We focused on this area because both the gross amount and impairment allowance were significant, and the assessment of impairment involved significant estimates and judgements from management. The judgements included: timely identification of impairment; future cash flows estimation for individual assessment; models selected, parameters and inputs used for collective assessment.</p>	<p>Collective assessment:</p> <p>Where an impairment allowance was made on a collective basis, we assessed the model used by management under current economic condition to reflect the credit risk. We also assessed inputs and parameters used by management in its impairment model such as credit risk characteristics, adjustments for industries, regions and macro-economic environment by comparing against those in market practice and the Bank's historical loss experience.</p> <p>Based on the work undertaken, we found the evidence obtained supported the Bank's assessment on impairment allowance.</p>

## Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Package disposal of loans and advances</b></p> <p>Refer to Notes 4(b), 18(d) to the Bank's financial statements.</p> <p>In 2016, the Bank disposed of packaged loans and advances, totaling RMB 1.46 billion, and derecognised these loans and advances accordingly.</p> <p>We focused on this area because the amount was significant and the de-recognition of loans and advances involved significant judgements of management as to whether risks and rewards of ownership have been substantially transferred and de-recognition criteria were met.</p>	<p>We understood, evaluated and validated the management's procedures and controls on disposing of loans and advances including pricing, approval and de-recognition.</p> <p>To assess whether the management's judgement of de-recognition was appropriate, we conducted the substantive procedures below:</p> <ol style="list-style-type: none"><li>1. We obtained the detailed list of package disposal of loans and advances in 2016 and examined the related asset transfer agreements, post-transfer service agreements and other relevant legal documents to assess whether the disposals met the transfer criterion;</li><li>2. We performed sampling test to verify the values of loans and advances by examining the parameters, inputs, discount rates and future cash flows estimated by management. They formed a basis to assess the overall disposal price;</li><li>3. We evaluated the assessment made by management on the transfer of risks and rewards by agreeing to the relevant agreements above mentioned, and assessed if the risks and rewards had been substantially transferred.</li></ol> <p>Based on the work undertaken, we found the evidence obtained supported the management assessment on the de-recognition of the loans and advances disposed of.</p>

## Key Audit Matter

## How our audit addressed the Key Audit Matter

### Consolidation assessment of structured entities

Refer to Note 4(c), 19, 33 to the Bank's financial statements.

The Bank managed and invested in a number of structured entities (primarily wealth management products, trust and asset management plans). As at 31 December 2016, the balance of unconsolidated non-principal guaranteed wealth management products managed by the Bank was RMB 36.94 billion and the net book value of unconsolidated structured entities invested by the Bank was RMB 71.65 billion.

We focused on this area because the amounts were significant and assessment of whether the Bank had control on these structured entities involved significant judgement, including its power over the structured entities, its variable returns from the structured entities, and its ability to affect the variable returns.

Our procedures in relation to management's assessment on the consolidation of structured entities included:

1. We reviewed related internal control policies, understood and tested the internal control in relation to management's assessment on the consolidation of structured entities;
2. We assessed management's evaluation of the control of those structured entities. The following procedures were performed:
  - We read the contract terms, analysed the business structure and evaluated whether the Bank had power on the structured entities;
  - We assessed the variable return of the structured entities, including management fee relating to the Bank's compensation in the investment contracts, such as commission fee, custodian fee and management fee, and yield of wealth management contracts. Based on the terms above, we recalculated the Bank's exposure to variable returns and assessed its rights underlying.

Based on the work undertaken, we found the evidence obtained supported the assessment made by management in relation to the consolidation of structured entities.

## Independent Auditor's Report

### 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 financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Audit Committee for the Financial Statements

The directors of the Bank are responsible for the preparation of the 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 financial statements, the directors are responsible for assessing the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank'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 Bank'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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 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 Audit Committee, we determine those matters that were of most significance in the audit of the 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 Leung Kwok Wai, Jimmy.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 21 March 2017

# Statements of Comprehensive Income

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

	Note	2016	2015
Interest income		16,226,274	15,507,610
Interest expense		(8,548,876)	(8,505,537)
<b>Net interest income</b>	5	<b>7,677,398</b>	7,002,073
Fee and commission income		2,021,337	1,589,399
Fee and commission expense		(95,320)	(77,346)
<b>Net fee and commission income</b>	6	<b>1,926,017</b>	1,512,053
Net trading (losses)/gains	7	(50,666)	23,769
Net gains/(losses) on investment securities	19	348	(10,243)
Other operating income	8	49,937	64,929
<b>Operating income</b>		<b>9,603,034</b>	8,592,581
Operating expenses	9	(2,537,298)	(3,190,171)
Impairment losses	11	(2,411,134)	(1,135,300)
<b>Operating profit</b>		<b>4,654,602</b>	4,267,110
Share of profit of associates	20	3,910	2,809
<b>Profit before income tax</b>		<b>4,658,512</b>	4,269,919
Income tax expense	13	(1,156,345)	(1,099,858)
<b>Net profit</b>		<b>3,502,167</b>	3,170,061
<b>Net profit for the year attributable to shareholders of the Bank</b>		<b>3,502,167</b>	3,170,061
<b>Earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)</b>			
– basic and diluted	14	1.12	1.17

## Statements of Comprehensive Income

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

	Note	2016	2015
<b>Net profit for the year attributable to shareholders of the Bank</b>		<b>3,502,167</b>	3,170,061
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale securities			
changes in fair value recorded in equity		<b>(209,957)</b>	400,480
Less: Related income tax impact		<b>52,489</b>	(100,120)
<b>Subtotal</b>		<b>(157,468)</b>	300,360
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of retirement benefits		<b>(320)</b>	(3,292)
Less: Related income tax impact		<b>80</b>	823
<b>Subtotal</b>		<b>(240)</b>	(2,469)
<b>Total other comprehensive income, net of tax</b>	37	<b>(157,708)</b>	297,891
<b>Total comprehensive income for the year attributable to shareholders of the Bank</b>		<b>3,344,459</b>	3,467,952

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

# Statements of Financial Position

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

	Note	As at 31 December	
		2016	2015
<b>ASSETS</b>			
Cash and balances with central bank	15	42,813,488	38,201,369
Due from other banks and financial institutions	16	55,706,352	45,856,556
Financial assets at fair value through profit or loss	17	881,977	2,312,586
Loans and advances to customers	18	146,789,046	121,816,452
Investment securities	19		
– Loans and receivables		75,750,755	73,008,214
– Available-for-sale		23,885,457	18,970,967
– Held-to-maturity		19,794,542	13,816,724
Investment in associates	20	238,394	29,214
Property, plant and equipment	21	2,691,236	2,627,007
Deferred income tax assets	26	1,005,271	505,920
Other assets	22	3,547,216	2,662,978
<b>Total assets</b>		<b>373,103,734</b>	<b>319,807,987</b>
<b>LIABILITIES</b>			
Due to other banks and financial institutions	23	60,350,785	73,235,555
Customer deposits	24	229,593,793	199,298,705
Other liabilities	25	4,453,933	7,218,001
Current tax liabilities		295,059	271,989
Debt securities issued	28	54,598,252	18,490,742
<b>Total liabilities</b>		<b>349,291,822</b>	<b>298,514,992</b>
<b>EQUITY</b>			
Share capital	29	3,127,055	3,127,055
Capital surplus	30	4,680,638	4,680,638
Other reserves	31	6,145,647	5,337,299
Retained earnings		9,858,572	8,148,003
<b>Total equity</b>		<b>23,811,912</b>	<b>21,292,995</b>
<b>Total liabilities and equity</b>		<b>373,103,734</b>	<b>319,807,987</b>

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

Approved and authorised for issue by the following on behalf of the Board of Directors on 21 March 2017:

<i>Chairman:</i>	<i>President:</i>	<i>Vice President:</i>	<i>Head of Financial Department:</i>
<b>Gan Weimin</b>	<b>Ran Hailing</b>	<b>Yang Shiyin</b>	<b>Li Cong</b>



# Statements of Changes In Equity

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

	Other reserves						Retained earnings	Total
	Share capital (Note 29)	Capital surplus (Note 30)	Surplus reserve (Note 31)	General reserve (Note 31)	Reserve for available- for-sale securities (Note 31)	Remeasurement of retirement benefits (Note 31)		
<b>Balance at 1 January 2015</b>	2,705,228	2,444,623	1,205,208	2,502,432	90,370	242	6,954,920	15,903,023
Net profit for the year	-	-	-	-	-	-	3,170,061	3,170,061
Changes taken to other comprehensive income	-	-	-	-	300,360	(2,469)	-	297,891
<b>Total comprehensive income</b>	-	-	-	-	300,360	(2,469)	3,170,061	3,467,952
Shares issued	421,827	2,236,015	-	-	-	-	-	2,657,842
Dividends (Note 32)	-	-	-	-	-	-	(735,822)	(735,822)
Transfer to other reserves	-	-	317,006	924,150	-	-	(1,241,156)	-
<b>Balance at 31 December 2015</b>	3,127,055	4,680,638	1,522,214	3,426,582	390,730	(2,227)	8,148,003	21,292,995
<b>Balance at 1 January 2016</b>	3,127,055	4,680,638	1,522,214	3,426,582	390,730	(2,227)	8,148,003	21,292,995
Net profit for the year	-	-	-	-	-	-	3,502,167	3,502,167
Changes taken to other comprehensive income	-	-	-	-	(157,468)	(240)	-	(157,708)
<b>Total comprehensive income</b>	-	-	-	-	(157,468)	(240)	3,502,167	3,344,459
Shares issued	-	-	-	-	-	-	-	-
Dividends (Note 32)	-	-	-	-	-	-	(825,542)	(825,542)
Transfer to other reserves	-	-	350,217	615,839	-	-	(966,056)	-
<b>Balance at 31 December 2016</b>	3,127,055	4,680,638	1,872,431	4,042,421	233,262	(2,467)	9,858,572	23,811,912

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

# Statements of Cash Flows

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

	2016	2015
<b>Cash flows from operating activities:</b>		
Profit before income tax	4,658,512	4,269,919
Adjustments:		
Depreciation and amortisation	170,804	153,333
Impairment losses on loans	1,881,063	1,013,419
Impairment losses on other assets	530,071	121,881
Net gains on disposal of property, plant and equipment and foreclosed assets	(1,462)	(325)
Fair value losses	61,570	132
Net (gains)/losses arising from financial investments	(21,541)	10,243
Share of results of associates	(3,910)	(2,809)
Interest income arising from investment securities	(6,191,453)	(5,755,798)
Interest expense arising from debt securities issued	1,337,326	362,702
Net increase in operating assets:		
Net (increase)/decrease in restricted deposit balances with central bank	(3,794,902)	241,667
Net increase in due from and placements to banks and other financial institutions	(2,414,399)	(844,209)
Net (increase)/decrease in financial assets held under resale agreements	(1,582,553)	13,016,520
Net increase in loans and advances to customers	(26,799,542)	(18,320,535)
Net increase in other operating assets	(974,945)	(1,284,724)
Net increase in operating liabilities:		
Net (decrease)/increase in borrowings from central bank	(1,629,620)	668,672
Net (decrease)/increase in due to and placements from banks and other financial institutions	(1,558,262)	263,919
Net decrease in financial assets sold under repurchase agreements	(9,696,888)	(9,332,760)
Net increase in customer deposits	30,295,088	31,366,270
Net (decrease)/increase in other operating liabilities	(2,901,280)	2,103,648
Income tax paid	(1,580,137)	(1,334,741)
<b>Net cash (outflows)/inflows from operating activities</b>	<b>(20,216,460)</b>	<b>16,716,424</b>

## Statements of Cash Flows

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

	2016	2015
<b>Cash flows from investing activities:</b>		
Dividends received	21,193	14,809
Proceeds from disposal of property and equipment, intangible assets and other long-term assets	26,989	24,559
Purchase of property and equipment, intangible assets and other long-term assets	(225,497)	(396,433)
Proceeds from sale and redemption of investments	303,297,509	181,257,103
Purchase of investment securities	(310,322,729)	(207,558,874)
<b>Net cash outflows from investing activities</b>	<b>(7,202,535)</b>	<b>(26,658,836)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of shares	–	2,657,843
Proceeds from issuance of debt securities and inter-bank certificates of deposit	66,874,788	21,040,847
Cash paid to redeem the debt securities issued	(31,850,000)	(6,500,000)
Interest paid in relation to debt securities issued	(197,800)	(197,800)
Dividend paid to shareholders of the Bank	(822,567)	(735,822)
<b>Net cash inflows from financing activities</b>	<b>34,004,421</b>	<b>16,265,068</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>84,634</b>	<b>40,701</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,670,060</b>	<b>6,363,357</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>18,118,269</b>	<b>11,754,912</b>
<b>Cash and cash equivalents at the end of the year (Note 38)</b>	<b>24,788,329</b>	<b>18,118,269</b>

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

# Notes to the Financial Statements

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

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## 1 GENERAL INFORMATION

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

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

As at 31 December 2016, the Bank operated its business through 136 sub-branches including a business department, a small enterprise credit center, and 4 primary branches covering all 38 districts and counties of Chongqing as well as three provinces in Western China, namely Sichuan Province, Shaanxi Province and Guizhou Province.

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

These financial statements were approved by the Bank's Board of Directors on 21 March 2017.

## 2 PRINCIPAL ACCOUNTING POLICIES

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

### 2.1 Basis of presentation

The financial statements of the Bank have been prepared in accordance with all the applicable International Financial Reporting Standards ('IFRSs') and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the new Hong Kong *Companies Ordinance* (Cap. 622).

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

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

## 2 ACCOUNTING POLICIES (Continued)

### 2.1 Basis of presentation (Continued)

#### (a) *New and revised IFRSs issued and applied*

From 2016 on, the Bank has adopted the following amendments to IFRSs, which were applicable for the Bank's financial year beginning on 1 January 2016 and the relevant impact is set out below:

Amendments to IFRS 11	Accounting for acquisitions of interests in joint operation
IFRS 14	Regulatory Deferral Accounts
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to IFRSs	Annual Improvements to IFRSs (2012-2014 Cycle)
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception
Amendments to IAS 1	Disclosure initiative

#### *Amendments to IFRS 11*

The amendments require an investor to apply the principles of business combination accounting when they acquire an interest in a joint operation that constitutes a 'business' (as defined in IFRS 3 *Business combinations*). Specifically, an investor will need to:

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

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

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

#### *IFRS 14*

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

IFRS 14 permits eligible first-time adopters of IFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

## Notes to the Financial Statements

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

### 2 ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of presentation (Continued)

##### (a) *New and revised IFRSs issued and applied (Continued)*

###### *Amendments to IAS 16 and IAS 38*

The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is inappropriate.

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

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

###### *Annual Improvements to IFRSs (2012–2014 Cycle)*

The annual improvements to IFRSs (2012–2014 Cycle) include a number of amendments to IFRSs, including the amendments to IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ regarding methods of disposal, the amendments to IFRS 7 ‘Financial Instruments: Disclosures’ regarding servicing contracts, the amendments to IAS 19 ‘Employee Benefits’ regarding discount rates, and the amendments to IAS 34 ‘Interim Financial Reporting’ regarding disclosure of information. The Bank does not expect that adopting the above amendments would have material impact on its financial statements.

###### *Amendments to IFRS 10, IFRS 12 and IAS 28*

The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

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 availability of exception is premised on the basis of fair value measurement of the subsidiary by the investment entity parent. The intermediate parent would also need to meet the other criteria for exception listed in IFRS 10.

The amendments also clarify that an investment entity should consolidate a subsidiary which is not an investment entity and which provides services in support of the investment entity’s investment activities, such that it acts as an extension of the investment entity. However, the amendments also 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 a joint venture which is an investment entity, 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 for their subsidiaries when applying the equity method.

## Notes to the Financial Statements

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

### 2 ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of presentation (Continued)

##### (a) *New and revised IFRSs issued and applied (Continued)*

###### *Amendments to IAS 1*

The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

The key areas addressed by the changes are as follows:

- Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material;
- Disaggregation and subtotals: the amendments clarify what additional subtotals are acceptable and how they should be presented;
- Notes: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users;
- Accounting policies: how to identify a significant accounting policy that should be disclosed;
- Other comprehensive income from equity accounted investments: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not.

##### (b) *New and revised IFRSs issued but not yet effective*

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

		Effective for annual period beginning on or after
Amendments to IAS 7	Statement of cash flows	1 January 2017
Amendments to IAS 12	Income taxes	1 January 2017
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Lease	1 January 2019

## Notes to the Financial Statements

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

### 2 ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of presentation (Continued)

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

###### *Amendments to IAS 7*

The IASB has issued an amendment to IAS 7 – ‘Statement of cash flows’ introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

###### *Amendments to IAS 12*

The IASB has issued amendments to IAS 12 – ‘Income taxes’. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

###### *Amendments to IFRS 10 and IAS 28*

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

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

###### *IFRS 15*

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

IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related interpretations on revenue recognition:

IFRIC13 Customer Loyalty Programmes, IFRIC15 Agreements for the Construction of Real Estate, IFRIC18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.



## 2 ACCOUNTING POLICIES (Continued)

### 2.1 Basis of presentation (Continued)

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

##### *IFRS 9*

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

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

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a "three-stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that upon the initial recognition of a financial asset without credit impairment, a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of trade receivables the day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

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

##### *IFRS 16*

IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations.

The Bank is considering the impact of IFRS 9 and IFRS 16 on the financial statements.

Except the above mentioned impact of IFRS 9 and IFRS 16, the adoption of the above new IFRSs and amendments to IFRSs issued but not yet effective is not expected to have a material effect on the Bank's operating results, financial position or other comprehensive income.

## Notes to the Financial Statements

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

### 2 ACCOUNTING POLICIES (Continued)

#### 2.2 Associates

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

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

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

#### 2.3 Financial assets

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

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

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

##### *(b) Loans and receivables*

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

##### *(c) Held-to-maturity financial assets*

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

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

## 2 ACCOUNTING POLICIES (Continued)

### 2.3 Financial assets (Continued)

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

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

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

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

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

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

### 2.4 Impairment of financial assets

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

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

## Notes to the Financial Statements

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

### 2 ACCOUNTING POLICIES (Continued)

#### 2.4 Impairment of financial assets (Continued)

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

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

- Significant financial difficulty of the issuer or obligor;
- A 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;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group; and national or local economic conditions that correlate with defaults on the assets in the group;
- Any significant change with an adverse effect that has taken place in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of investments in equity instruments may not be recovered;
- A significant or prolonged decline in the fair value of equity instrument investments; and
- Other objective evidence indicating impairment of the financial asset.

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

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

## 2 ACCOUNTING POLICIES (Continued)

### 2.4 Impairment of financial assets (Continued)

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

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

### 2 ACCOUNTING POLICIES (Continued)

#### 2.4 Impairment of financial assets (Continued)

##### *(b) Assets classified as available-for-sale (Continued)*

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

#### 2.5 Financial liabilities

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

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

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

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

The Bank did not hold financial liabilities at fair value through profit or loss on book as at 31 December 2016 and 2015.

##### *(b) Other financial liabilities*

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost, with gain or losses arising from derecognition or amortisation recognised in profit or loss.

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

## 2 ACCOUNTING POLICIES (Continued)

### 2.6 Interest income and expense

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

### 2.7 Fee and commission income

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

### 2.8 Dividend income

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

### 2.9 Sale/purchase and repurchase/resale agreements

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

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

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

### 2.10 Property, plant and equipment

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

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

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

## Notes to the Financial Statements

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

### 2 ACCOUNTING POLICIES (Continued)

#### 2.10 Property, plant and equipment (Continued)

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

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

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

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

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

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

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

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

#### 2.11 Foreclosed assets

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



## 2 ACCOUNTING POLICIES (Continued)

### 2.12 Land use rights

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

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

### 2.13 Intangible assets

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

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

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

### 2.14 Investment property

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

Investment properties are initially measured at cost, including costs that are directly attributable to the properties, at the time of acquisition. The Bank adopts the cost model for subsequent measurement of investment properties. The type of assets, estimated useful lives, estimated net residual value, depreciation rate (amortisation rate) and estimated residual value rate of investment properties are as follows:

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

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

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

## Notes to the Financial Statements

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

### 2 ACCOUNTING POLICIES (Continued)

#### 2.15 Operating Leases

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

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

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

#### 2.16 Cash and cash equivalents

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

#### 2.17 Provisions

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

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

#### 2.18 Current and deferred income taxes

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. As at the financial statements date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the related deferred income tax asset is realised or the deferred income tax liability is settled pursuant to tax laws.

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

## 2 ACCOUNTING POLICIES (Continued)

### 2.18 Current and deferred income taxes (Continued)

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

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

### 2.19 Share capital

Share capital of equity comprises ordinary shares issued.

### 2.20 Employee benefits

Salaries and bonuses, housing benefits and costs for social security benefits are accrued in the financial period in which the services are rendered by employees of the Bank. The Bank also participates in various defined contribution retirement plans principally organised by municipal and provincial governments.

In addition, the Bank pays supplementary retirement benefits to employees, who retired before 30 June 2011. The Bank's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Bank is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on equivalent government bonds at the balance sheet date, the maturity dates of which approximate to the terms of the Bank's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are charged or credited to the other comprehensive income statement as they occur. Current service cost and net interest on the net defined benefit liability (asset) is recognised in profit and loss.

Employees who retire after 1 January 2010 can also voluntarily participate in a defined contribution plan established by the Bank ('the Annuity Plan') according to state corporate annuity plan besides the pension plan of the social security. The Bank contributes to the Annuity Plan based on certain percentages of the employees' gross salaries in the previous year. The Bank's contributions to annuity plans are charged to profit or loss in the financial period to which they relate.

### 2.21 Foreign currency translation

#### (a) *Functional and presentation currency*

The Bank's presentation currency is Renminbi ('RMB'), the legal currency of the PRC. Items included in the financial statements of each of the Bank are measured using the currency that best reflects the economic environment of the underlying events and circumstances relevant to that entity ('the functional currency'). The financial statements are presented in RMB which is the functional and presentation currency of the Bank.

## Notes to the Financial Statements

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

### 2 ACCOUNTING POLICIES (Continued)

#### 2.21 Foreign currency translation (Continued)

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement of comprehensive income. Foreign currency gains or losses in monetary assets classified as available for sale are recognised in profit or loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

#### 2.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation can not be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably measured, it will then be recognised as a provision.

#### 2.23 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Bank as the guarantor (the 'issuer') to make specified payments to reimburse the beneficiary of the guarantee (the 'holder') for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in 'other liabilities'. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statement of financial position if and when it becomes probable that the holder of the guarantee will call upon the Bank under the guarantee, and the amount of that claim on the Bank is expected to exceed the carrying amount of the deferred income.

#### 2.24 Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from the financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee, custodian or agent.

## 2 ACCOUNTING POLICIES (Continued)

### 2.24 Fiduciary activities (Continued)

The Bank grants entrusted loans on behalf of third-party lenders. The Bank grants loans to borrowers, as agent, at the direction of the third-party lenders, who fund these loans. The Bank has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans including their purposes, amounts, interest rates, and repayment schedule. The Bank charges a commission related to its activities in connection with the entrusted loans which are recognised ratably over the period the service is provided. The risk of loss is born by the third-party lenders, thus the principal amounts of the entrusted loans are recorded on the off-balance sheet.

### 2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the senior management team represented by the governor as its chief operating decision maker.

An operating segment is a component of the Bank with all of the following conditions are satisfied: (1) that component can earn revenues and incur expenses from ordinary activities; (2) the component's operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (3) discrete financial statements for the component is available to the Bank. If two or more operating segments have similar economic characteristics, and certain conditions are satisfied, they may be aggregated into a single operating segment.

Intra-segment revenue and costs are eliminated. Income and expenses directly associated with each segment are included in determining segment performance.

The classification of reporting segments are based on the operating segments, and the assets and expenses shared by all the segments are allocated according to their scales.

### 2.26 Offset financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle 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.

## 3 FINANCIAL RISK MANAGEMENT

### Overview

The Bank's business activities expose to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing risks is core to the financial business, and operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### Overview (Continued)

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, and products and the emerged best practice.

The Board of Directors is the highest authority for the Bank's overall risk management. It exams and approves strategy and measures of risk management and monitors risk management and internal control system. It accesses overall risk based on monitoring information and the risk report of senior management. The senior management committee is responsible for overseeing the Bank's overall risk management, including the preparation and implementation of risk management policies and procedures, and written policies covering specific areas, such as credit risk, interest rate risk, liquidity risk and foreign exchange risk. The risk management committee is in charge of the Bank's overall risk management structure, policies and tools, and monitors the risk management. The assets and liabilities management department is primarily in charge of managing the Bank's liquidity risk and banking book interest rate risk.

The Bank is subject to a number of financial risks, primarily including credit risk, market risk (including foreign exchange risk, interest risk and other price risk), and liquidity risk.

#### 3.1 Credit risk

The Bank is exposed to credit risk, which is the risk that a customer or counterparty will be unable to or unwilling to meet its obligations under a contract. Changes in the economy or those in credit quality of a particular industry segment or concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Credit risk increases when the counterparties are in the similar geographical or industry segments. Credit exposures arise principally from loans and advances, debt securities and due from banks and other financial institutions. There are also credit risk exposures in off-balance sheet financial arrangements such as loan commitments, guarantees, acceptances and letters of credit.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

##### 3.1.1 Credit risk measurement

###### (a) Credit business

The Bank measures and manages the quality of its credit assets in accordance with the CBRC's Guidelines of Risk Classification of Loans and Guidelines of Risk Classification of Micro Enterprises loans (Trial Implementation). The classification of loans is based on the borrowers' repayment ability, payment history, willing of repayment, guarantee of loans, legal responsibility and loan administration. The Guidelines of Risk Classification of Loans require financial institutions to classify their credit assets into five categories, namely pass, special mention, substandard, doubtful and loss, of which the last three categories are non-performing loans. The Bank monitors the overdue status of its loans to retail customers in managing credit risk.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.1 Credit risk measurement (Continued)

###### (a) Credit business (Continued)

The core definitions of credit asset classifications in 'Loan Risk Classifications Guiding Principles' are as follows:

**Pass:** The borrower can fulfil the contracts, and there is insufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.

**Special mention:** The borrower has the ability to make current payments, but there may be some potential issues that could have adverse impact on the future payments.

**Substandard:** The borrower's repayment ability has been impaired and their normal income cannot repay the loan principal plus interest in full. Even with execution of guarantee, there may be certain level of loss.

**Doubtful:** The borrower cannot repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss.

**Loss:** After taking consideration of all possible recovery actions or all necessary legal proceedings, the future outcome of recovery is likely to be little or no recovery.

Risk management department coordinates the classification of loans. The classification of loans is performed monthly and adjusted timely. Risk management department summarises the reclassification information justified by corporate credit management department, small and micro enterprise banking department and personal banking department monthly and reports to risk management and internal control committee for approval. The classification of loans is monitored through credit management system.

###### (b) Treasury business

The Bank manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the external credit rating of banks and financial institutions. The head office monitors and reviews the credit risk of loans to banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties. For debt securities and other treasury business, the Bank manages the credit risk exposures by setting limits to the external credit ratings of its investments.

##### 3.1.2 Risk limit control and mitigation policies

###### (a) Credit business

The Bank takes the same credit risk management control procedure for on and off-balance sheet risk exposures. The risk control procedure of the Bank's credit risk includes the following: credit policy stipulating, pre-credit investigation, credit rating for corporate and retail customers, collateral assessment, examination and approval of credit loans, draw-down, post-loan management, management on non-performing loans, due-diligence on non-performing loans.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.2 Risk limit control and mitigation policies (Continued)

###### (a) Credit business (Continued)

The Bank has established a mechanism of risk warning for credit business, mainly including single customer credit authorisation risk and systematic risk. Unified credit authorisation management is implemented for key customers. Once the maximum exposure of a single customer is determined, the customer's exposure limit should not exceed its credit limit in the Bank at any time before it achieved new credit limit.

The Bank takes action to strengthen controls over credit risk in relation to group customer and related party customer. The Bank places limits in relation to key group customers to control credit risk. The committee of related party transactions is set up under the Board to manage controls on related party transaction.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is taking collateral, which is a common practice.

Except for few customers with excellent quality, the Bank requires the borrowers to provide collateral for loans. The type of collateral mainly includes mortgage, pledge and guarantee. The Bank employs property appraisal companies with certificates to evaluate the collateral. The detailed collateral type and amount are determined by credit risk of counterparty or customers. Please refer to note 3.1.3 for specific guidelines on collateral and guarantee.

###### (b) Treasury business

Financial inter-bank division centralises control over treasury business with hierarchical authorisation from department heads to the president for different business types such as sale, distribution, trade and repurchase of debt securities.

The Bank invests debt securities with hierarchical authorisation under the guidelines of asset and liability management committee. The Bank sets stop-loss point accordingly for different maturity period and evaluates risk and loss of trading debt securities. The Bank places limits for interbank borrowing and lending. The Bank manages the credit risk exposures of interbank borrowing and lending strictly within the limit of regulation and credit authorisation.

For debt securities and other bills, the Bank manages the credit risk exposures by setting limits to the external credit ratings of its investments, par value of single debt security purchase, buy and sell price. RMB debt securities investments require a rating of A+ or above for long-term securities investments for state owned debtor and a rating of A+ or above for long-term securities investments for non-state-owned debtor, and A+ or above for short-term securities investment for all debtor.

Among foreign currency debt securities investment, government bonds mainly are sovereign bonds issued by Chinese government, USA government and European government (Germany, Britain, and France). A credit rating of BBB or above (by Standard & Poor's, Moody's or equivalent agencies) at the time of purchase is required for foreign currency debt securities investments.



### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.2 Risk limit control and mitigation policies (Continued)

###### (b) Treasury business (Continued)

The debt security traders regularly review and monitor the changes of market interest and report the market value of debt securities to Interbank Risk Management Department and Asset and Liability Management Department. If there is any violation of interest rate in the market or any significant credit risk encountered to debtors, the business department responsible for security investment will ask for holding extraordinary asset and liability management meeting to conclude an emergency plan. The debt trader will react according to the plan.

The Bank invests in trust schemes and directional asset management plans which are mainly guaranteed by third party banks or guarantee companies, or secured by collateral. The Bank sets credit risk limit to the counter party banks and third party companies to mitigate the risk associated therewith.

##### 3.1.3 Collateral and guarantee

The Bank has a range of policies and practices intended to mitigate credit risk. The most useful practice is to accept collaterals. The Bank implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral for loans and advances to customers are:

- Residential properties;
- Business assets such as premises, inventory and accounts receivable;
- Financial instruments such as stocks.

The value of collaterals at the time of loan origination is determined by risk assessment department and the amount of the loans granted is subject to loan-to-value ratio limits based on collateral types. The principal types of collateral for corporate loans and individual loans are as follows:

<b>Collateral</b>	<b>Maximum loan-to-value ratio</b>
Certificates of deposit, bank note and bank acceptance	90%
Warehouse receipt and accounts receivable	70%
Construction in progress	50%
Publicly traded stocks	60%
Property	70%
Land use rights	70%
Transportations	40%

Mortgage loans to retail customers are generally collateralised by residential properties. Other loans are collateralised dependent on the nature of the loan.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.3 Collateral and guarantee (Continued)

For loans guaranteed by a third party guarantor, the Bank will assess the guarantor's credit rating, financial condition, credit history and ability to meet obligations.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Details of collateral accepted and which the Bank is obligated to return are disclosed in Note 35.

##### 3.1.4 Impairment and provisioning policies

Impairment allowances recognised for financial reporting purposes are the losses that have been incurred at the balance sheet date based on objective evidence of impairment (see Note 2.4).

The internal rating system assists the management to determine whether objective evidence of impairment exists based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collaterals; and
- Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such debt securities.

The Bank's policy requires the review of individual financial assets that have objective evidence of impairment at least monthly or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis, and are applied to all individually impaired financial assets. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipt for that individual account.

Collectively assessed impairment allowances are provided for: losses that have been incurred but have not yet been identified, by using the available historical experience, judgment and statistical techniques.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at 31 December	
	2016	2015
<b>Assets</b>		
Balances with central bank	42,175,420	37,587,207
Due from other banks and financial institutions	55,706,352	45,856,556
Held for trading – debt securities	881,977	2,312,586
Loans and advances to customers		
– Loans to corporate entities	106,935,282	86,354,908
– Loans to individuals	39,853,764	35,461,544
Investment securities – loans and receivables	75,750,755	73,008,214
Investment securities – available-for-sales	23,308,779	18,478,537
Investment securities – held-to-maturity	19,794,542	13,816,724
Other financial assets	3,408,140	2,025,860
	<b>367,815,011</b>	<b>314,902,136</b>
<b>Off-balance sheet exposures</b>		
Financial guarantees, acceptances and letters of credit	28,155,561	33,582,859
Unused credit card limits	2,566,179	2,116,877
	<b>30,721,740</b>	<b>35,699,736</b>

The above table represents a case scenario of higher credit risk exposure to the Bank as at 31 December 2016 and 2015, without taking account of any related collateral or other credit enhancements. For on-balance sheet assets, the exposures above are based on net carrying amounts as reported in the statement of financial position.

As shown above, as at 31 December 2016, the total on-balance sheet exposure mainly derived from loans and advances to customers and investment securities – loans and receivables and were 60.50% (31 December 2015: 61.87%) in total.

The management is confident in its ability to continue to control and maintain minimal exposure to credit risk to the Bank from its loans and advances based on the following as at 31 December 2016:

- 94.58% of its loans and advances portfolio was categorised as Pass of the five-category system (2015: 94.16%);
- 73.64% (2015: 79.06%) of the individual loan portfolio was backed by collateral;
- 96.26% (2015: 97.19%) of the loans and advances portfolio was considered to be neither past due nor impaired;
- RMB1,442,499 thousand (2015: RMB1,210,328 thousand) loans and advances assessed on an individual basis with an impairment proportion of 0.96% (2015: 0.97%) was impaired.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.6 Loans and advances

Loans and advances are summarised as follows:

	As at 31 December			
	2016		2015	
	Loans and advances to customers	Discounted bills and trade finance	Loans and advances to customers	Discounted bills and trade finance
Neither past due nor impaired	139,774,288	5,598,856	116,361,760	4,899,278
Past due but not impaired	4,204,998	–	2,298,020	–
Individually impaired	1,442,499	–	1,210,328	–
<b>Gross</b>	<b>145,421,785</b>	<b>5,598,856</b>	119,870,108	4,899,278
Less: Collective impairment allowances	(3,438,343)	(62,707)	(2,437,920)	(54,872)
Individual impairment allowances	(730,545)	–	(460,142)	–
<b>Total allowance</b>	<b>(4,168,888)</b>	<b>(62,707)</b>	(2,898,062)	(54,872)
<b>Net amount</b>	<b>141,252,897</b>	<b>5,536,149</b>	116,972,046	4,844,406

##### (a) Gross loans and advances neither past due nor impaired

The Bank monitors the credit risk of corporate loans and advances neither past due nor impaired by applying its customer grading system.

As at 31 December 2016	Five-category classification		
	Pass	Special mention	Total
Corporate entities			
– Commercial loans	97,034,563	2,858,474	99,893,037
– Discounted bills	4,839,011	–	4,839,011
– Trade finance	759,845	–	759,845
Subtotal	102,633,419	2,858,474	105,491,893
Individual	39,476,271	404,980	39,881,251
Total	142,109,690	3,263,454	145,373,144

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.6 Loans and advances (Continued)

###### (a) Gross loans and advances neither past due nor impaired (Continued)

As at 31 December 2015	Five-category classification		
	Pass	Special mention	Total
Corporate entities			
– Commercial loans	77,412,544	3,127,251	80,539,795
– Discounted bills	4,120,780	–	4,120,780
– Trade finance	778,498	–	778,498
Subtotal	82,311,822	3,127,251	85,439,073
Individual	35,465,554	356,411	35,821,965
Total	117,777,376	3,483,662	121,261,038

###### (b) Loans and advances past due but not impaired

Gross amount of loans and advances by types of customers that were past due but not impaired are as follows:

	As at 31 December 2016				
	Past due up to 30 days	Past due 30–60 days	Past due 60–90 days	Past due over 90 days	Total
Corporate entities	2,130,849	427,338	350,826	739,698	3,648,711
Individual	279,291	48,666	39,069	189,261	556,287
Total	2,410,140	476,004	389,895	928,959	4,204,998

	As at 31 December 2015				
	Past due up to 30 days	Past due 30–60 days	Past due 60–90 days	Past due over 90 days	Total
Corporate entities	803,119	533,003	345,942	393,074	2,075,138
Individual	108,999	54,004	53,690	6,189	222,882
Total	912,118	587,007	399,632	399,263	2,298,020

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.6 Loans and advances (Continued)

###### (c) Loans and advances that impaired individually

As at 31 December 2016, individually impaired loans and advances to customers before taking into consideration the collateral held amounted to RMB1,442,499 thousand (31 December 2015: RMB1,210,328 thousand).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	As at 31 December	
	2016	2015
Corporate entities	<b>1,048,222</b>	883,238
Individual	<b>394,277</b>	327,090
Individually impaired loans and advances to customers	<b>1,442,499</b>	1,210,328
Fair value of collaterals for individually impaired collateralised loans and advances to customers		
Corporate entities	<b>507,181</b>	430,053
Individual	<b>256,676</b>	199,021
Individually impaired loans and advances to customers	<b>763,857</b>	629,074

*Note: The aggregate fair value of the collaterals listed above does not exceed the credit risk exposure of each corresponding loan and advance.*

The fair value of collaterals is estimated based on the latest available external valuations, the realisation experience of the current collaterals and the market conditions.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.6 Loans and advances (Continued)

##### (d) Restructured loans and advances

Restructuring activities include approved debtor repayment plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue to be made. These policies are under regular review. Restructuring is most commonly applied to term loans, in particular mid-term and long-term loans. The balance of restructured loans and advances as at 31 December 2016 was RMB2,539,180 thousand (31 December 2015: RMB834,103 thousand).

##### (e) Concentration risk analysis for loans and advances to customers (gross) by geographic sectors:

	As at 31 December 2016			As at 31 December 2015		
	Gross amount	%	Non-performing loan ratio	Gross amount	%	Non-performing loan ratio
Chongqing City	113,101,048	74.89	0.74%	94,550,892	75.78	0.65%
Sichuan Province	15,193,886	10.06	2.46%	13,271,885	10.64	1.35%
Guizhou Province	13,932,889	9.23	1.47%	10,476,432	8.40	3.70%
Shaanxi Province	8,792,818	5.82	0.30%	6,470,177	5.18	0.42%
Total	151,020,641	100.00	0.96%	124,769,386	100.00	0.97%

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.6 Loans and advances (Continued)

##### (f) Industry analysis

Concentration risks analysis for loans and advances to customers (gross) by economic sectors:

	As at 31 December 2016		As at 31 December 2015	
	Amount	%	Amount	%
<b>Corporate loans</b>				
Manufacturing	18,591,598	16.87	16,488,594	18.65
Real estate	17,168,657	15.58	15,082,562	17.06
Wholesale and retail	15,955,891	14.48	16,105,150	18.22
Water conservation, environment and public facility administration	14,326,733	13.00	6,596,889	7.46
Leasing and commercial services	13,353,418	12.12	6,999,400	7.92
Construction	9,067,295	8.23	8,109,478	9.18
Mining	3,117,867	2.83	2,666,412	3.02
Public administration, social security and social organizations	2,365,000	2.15	3,147,630	3.56
Electricity, gas and water production and supply	2,136,919	1.94	2,021,638	2.29
Transportation, storage and postal service	2,035,713	1.85	2,013,142	2.28
Household services and other services	1,933,136	1.75	729,088	0.82
Agriculture, forestry, animal husbandry and fishery	1,613,366	1.46	1,424,851	1.61
Health and social welfare	826,063	0.75	499,900	0.57
Education	783,484	0.71	643,890	0.73
Information transmission, software and information technology services	609,579	0.55	321,001	0.36
Accommodation and catering	572,051	0.52	383,344	0.43
Scientific research and technology services	393,669	0.36	311,783	0.35
Culture, sports and entertainment	261,315	0.24	369,788	0.42
Financing	238,061	0.22	362,129	0.41
Discounted bills	4,839,011	4.39	4,120,780	4.66
<b>Total corporate loans</b>	<b>110,188,826</b>	<b>100.00</b>	<b>88,397,449</b>	<b>100.00</b>
<b>Individual loans</b>				
Mortgage loans	18,331,192	44.89	18,012,580	49.52
Individual business loans	11,943,743	29.25	11,586,127	31.86
Individual consumption loans	7,161,329	17.54	3,848,972	10.58
Credit card advances	3,395,551	8.32	2,924,258	8.04
<b>Total individual loans</b>	<b>40,831,815</b>	<b>100.00</b>	<b>36,371,937</b>	<b>100.00</b>
<b>Gross amount of loans and advances</b>	<b>151,020,641</b>		<b>124,769,386</b>	

The economic sector risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.



## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.6 Loans and advances (Continued)

##### (g) Type of collateral analysis

Analysis for loans and advances to customers (gross) by type of collateral:

	As at 31 December	
	2016	2015
Collateralised loans	78,018,314	70,150,924
Pledged loans	16,179,930	12,562,758
Guaranteed loans	48,515,413	35,291,775
Unsecured loans	8,306,984	6,763,929
<b>Total</b>	<b>151,020,641</b>	<b>124,769,386</b>

##### 3.1.7 Investment securities

The table below presents an analysis of investment securities by independent rating agencies designation including China Chengxin International Credit Rating Co., Ltd., Dagong Global Credit Rating Co., Ltd., China Lianhe Credit Rating Co., Ltd., Shanghai Fareast Credit Rating Co., Ltd., Shanghai Brilliance Credit Rating & Investors Service Co., Ltd., Pengyuan Credit Rating Co., Ltd., and Colden Credit Rating International Co., Ltd. for RMB securities, and Standard & Poor's for foreign currency securities as at 31 December 2016 and 2015:

As at 31 December 2016	Investment securities-loans and receivables	Investment securities-available-for-sale securities	Investment securities-held-to-maturity	Held for trading-debt securities	Total
<b>RMB securities</b>					
AAA	–	741,581	220,000	43,629	1,005,210
AA– to AA+	–	6,527,496	230,000	529,490	7,286,986
A-1	–	149,906	–	–	149,906
Unrated <sup>(a)</sup>	75,750,755	15,889,796	19,344,542	308,858	111,293,951
<b>Total</b>	<b>75,750,755</b>	<b>23,308,779</b>	<b>19,794,542</b>	<b>881,977</b>	<b>119,736,053</b>

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.7 Investment securities (Continued)

As at 31 December 2015	Investment securities- loans and receivables	Investment securities- available- for-sale debt securities	Investment securities- held-to- maturity	Held for trading-debt securities	Total
<b>RMB securities</b>					
AAA	13,882	1,449,584	236,000	–	1,699,466
AA– to AA+	–	10,168,445	230,000	1,730,138	12,128,583
Unrated <sup>(a)</sup>	72,994,332	6,860,508	13,350,724	582,448	93,788,012
<b>Total</b>	<b>73,008,214</b>	<b>18,478,537</b>	<b>13,816,724</b>	<b>2,312,586</b>	<b>107,616,061</b>

(a) These mainly represent investment and trading securities issued by PRC Ministry of Finance, central bank, policy banks and other oversea financial institutions who are creditworthy issuers in the market, but are not rated by independent rating agencies. Loans and receivables mainly include principal-guaranteed wealth management products with fixed income, and the beneficiary rights of trust schemes and directional asset management plans, whose principal and income are guaranteed or collateralised. As at 31 December 2016, there was no overdue debt securities held and individually impaired debt securities. The impairment provision for loans and receivables was RMB799,831 thousand (31 December 2015: RMB271,286 thousand).

Loans and receivables are summarised as follows:

	As at 31 December	
	2016	2015
Neither past due nor impaired	74,772,644	73,279,500
Past due but not impaired	164,255	–
Individually impaired	1,613,687	–
<b>Gross</b>	<b>76,550,586</b>	<b>73,279,500</b>
Less: Impairment allowances	(799,831)	(271,286)
<b>Net amount</b>	<b>75,750,755</b>	<b>73,008,214</b>

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.8 Foreclosed assets

	As at 31 December	
	2016	2015
Business properties	24,202	20,468
Residential properties	610	1,079
<b>Total</b>	<b>24,812</b>	<b>21,547</b>

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Bank does not generally occupy foreclosed properties for its business use. Foreclosed assets are classified in the statement of financial position as other assets at the reporting date.

##### 3.1.9 Concentration risk analysis for financial assets with credit risk exposure

###### By geographical area

	As at 31 December 2016			
	Mainland China	Hong Kong	Others	Total
<b>Financial Assets</b>				
Balances with central bank	42,175,420	–	–	42,175,420
Due from other banks and financial institutions	54,711,332	16,310	978,710	55,706,352
Financial assets at fair value through profit or loss	881,977	–	–	881,977
Loans and advances to customers	146,789,046	–	–	146,789,046
Investment securities – loans and receivables	75,750,755	–	–	75,750,755
Investment securities – available-for-sale debt securities	23,308,779	–	–	23,308,779
Investment securities – held-to-maturity	19,794,542	–	–	19,794,542
Other financial assets	3,408,140	–	–	3,408,140
	<b>366,819,991</b>	<b>16,310</b>	<b>978,710</b>	<b>367,815,011</b>
<b>Off-balance sheet exposures</b>				
Financial guarantees, acceptances and letters of credit	28,155,561	–	–	28,155,561
Unused credit card limits	2,566,179	–	–	2,566,179
	<b>30,721,740</b>	<b>–</b>	<b>–</b>	<b>30,721,740</b>

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.9 Concentration risk analysis for financial assets with credit risk exposure (Continued) By geographical area (Continued)

	As at 31 December 2015			Total
	Mainland China	Hong Kong	Others	
<b>Financial Assets</b>				
Balances with central bank	37,587,207	–	–	37,587,207
Due from other banks and financial institutions	42,913,019	2,768,821	174,716	45,856,556
Financial assets at fair value through profit or loss	2,312,586	–	–	2,312,586
Loans and advances to customers	121,816,452	–	–	121,816,452
Investment securities – loans and receivables	73,008,214	–	–	73,008,214
Investment securities – available-for-sale debt securities	18,478,537	–	–	18,478,537
Investment securities – held-to-maturity	13,816,724	–	–	13,816,724
Other financial assets	2,025,860	–	–	2,025,860
	311,958,599	2,768,821	174,716	314,902,136
<b>Off-balance sheet exposures</b>				
Financial guarantees, acceptances and letters of credit	33,582,859	–	–	33,582,859
Unused credit card limits	2,116,877	–	–	2,116,877
	35,699,736	–	–	35,699,736

The counterparties are mainly located in Mainland China.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk

##### 3.2.1 Overview

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates and prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

In accordance with the requirements of the CBRC, the Bank categorises its business into either the trading book or the banking book. The trading book consists of positions in financial instruments held either with trading intent or in order to economically hedge other elements of the trading book or the banking book. The banking book consists of the financial instruments purchased with excess funds and other financial instruments that are not captured in trading book.

The market risks arising from trading and non-trading activities are monitored by two teams separately. Regular reports are submitted to the Board of Directors and head of each business unit.

##### 3.2.2 Sensitivity tests

###### *Interest rate sensitivity test*

The result of the interest rate sensitivity tests set out in the table below is based on the following assumptions. The projections assume that yield curves move parallel to the change of interest rate; the assets and liabilities portfolio has a static structure of interest rate; all positions are held and renewed after maturity. But the Bank has not considered the following: changes after the balance sheet date; the impact of interest rate fluctuations on the customers' behaviours; the complicated relationship between complex structured products and interest rate fluctuations; the impact of interest rate fluctuations on market prices; the impact of interest rate fluctuations on off-balance sheet products; and impact of risk management.

On the basis of the above gap analysis on the interest rate, the Bank implemented sensitivity test to analyse the sensitivity of bank's net interest income against change in interest rate. The table below illustrates the analysis of potential impact on the Bank's net interest income as at 31 December 2016 and 2015 on the assumption of a 100 basis point parallel move of the yield curves on each balance sheet date.

	Changes of net interest income	
	As at 31 December	
	2016	2015
+ 100 basis point parallel move in all yield curves	44,645	42,712
- 100 basis point parallel move in all yield curves	(44,645)	(42,712)

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.2 Sensitivity tests (Continued)

###### *Interest rate sensitivity test (Continued)*

The table below illustrates the potential impact of a 100 basis point move on the other comprehensive income of the Bank.

	Change of other comprehensive income	
	As at 31 December	
	2016	2015
+ 100 basis point parallel move in all yield curves	(570,673)	(370,886)
- 100 basis point parallel move in all yield curves	602,614	332,421

###### *Foreign exchange sensitivity test*

The Bank performs exchange rate sensitivity analysis on net profit before tax for the Bank by measuring the impact of a change in exchange rate on foreign exchange sensitivity gap. On the assumptions below: the sensitivities of foreign currencies are exchange gains or losses of RMB against foreign currencies fluctuation by 1% absolute value in closing price at balance sheet dates. The foreign currency exchange rates against RMB move by the same amount and same trends. The portfolio of assets and liabilities has a static structure of foreign exchange risk and all positions are held and renewed after maturity. The Bank has not considered the following: business changes after the balance sheet date, the impact of exchange rate fluctuations on the customers' behaviours; the complicated relationship between complex structured products and exchange rate fluctuations; the impact of exchange rate fluctuations on market prices, the impact of exchange rate fluctuations on off-balance sheet products; and the impacted of risk management.

The table below illustrates the potential impact of 1% change of RMB against foreign currencies on the Bank's net profit before tax:

	Expected net profit/(loss) before tax	
	As at 31 December	
	2016	2015
+1% upward change of foreign exchange rate	1,444	27,975
- 1% downward change of foreign exchange rate	(1,444)	(27,975)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the market value of a financial instrument will fluctuate due to changes in market interest rates.

The interest rate risk of the Bank mainly comes from the impact of interest rate change on net interest income, which was caused by the mismatch between the interest-rate-sensitive assets and liabilities' maturity date or the re-pricing date.

The Bank's Assets and Liabilities Management Committee is responsible for establishing, periodically examining and monitoring the exercising of the policies, procedures and detailed operating rules regarding interest rate risk. Financial market department is responsible for the front office treasury transactions; the accounting department is responsible for the settlement at the back office. The assets and liabilities management department is responsible for the analysis of RMB interest rate risk, submission of interest rate analysis report to the Assets and Liabilities Management Committee, and timely reporting and dealing with extraordinary situations of interest rate risks identified.

Financial market department follows the Bank's interest rate management policies and conducts the front office treasury transactions under the Bank's approved interest rate limit. The Bank records the assets in trading book and non-trading book. The freely tradable financial instruments held for trading purpose or avoiding the risks of other items in trading book were recorded under the trading book; others were recorded under the non-trading book. Financial market department manages and conducts treasury transactions within the interest rate limit approved by the senior management, and monitors the market risk of the trading book and its risk limit compliance.

The Bank uses the RMB interest rate risk management system to monitor and manage the overall interest rate risk of the assets and liabilities under the non-trading book. At the current stage, the Bank manages the interest rate risk mainly through raising suggestion about the re-pricing date of assets and liabilities, setting market risk limit and other methods. The Bank analyses the interest rate gap and assesses the difference between the interest-bearing assets and liabilities which would mature or re-price within certain time period, to provide instruction for the adjustment of interest-bearing assets and liabilities' re-pricing date. Meanwhile, the Bank controls and manages interest risk by establishing the instruction and authorisation limit of investment portfolio. The Bank's treasury management conducts real-time market value assessment to monitor the investment risk more accurately. In addition, the Bank manages the interest rate risk of branches by the head office using the internal funds transfer-pricing system.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.3 Interest rate risk (Continued)

The tables below summarise the Bank's exposures to interest rate risks and present the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
<b>As at 31 December 2016</b>							
<b>Assets</b>							
Cash and balances with central bank	42,175,420	-	-	-	-	638,068	42,813,488
Due from other banks and financial institutions	25,339,217	15,282,140	14,431,665	653,330	-	-	55,706,352
Financial assets at fair value through profit or loss	5,003	30,090	-	649,637	197,247	-	881,977
Loans and advances to customers	58,066,663	13,669,250	40,142,175	33,132,633	1,778,325	-	146,789,046
Investment securities							
– Loans and receivables	5,606,339	14,857,784	20,214,483	30,310,437	4,761,712	-	75,750,755
– Available-for-sale	3,816,583	1,264,724	4,532,791	12,126,913	1,567,782	576,664	23,885,457
– Held-to-maturity	-	419,985	430,000	9,352,658	9,591,899	-	19,794,542
Investment in associates	-	-	-	-	-	238,394	238,394
Other financial assets	-	-	-	-	-	3,408,140	3,408,140
<b>Total assets</b>	<b>135,009,225</b>	<b>45,523,973</b>	<b>79,751,114</b>	<b>86,225,608</b>	<b>17,896,965</b>	<b>4,861,266</b>	<b>369,268,151</b>
<b>Liabilities</b>							
Due to other banks and financial institutions	(37,357,565)	(7,543,096)	(15,368,931)	-	(81,193)	-	(60,350,785)
Customer deposits	(91,971,381)	(12,739,587)	(53,443,380)	(71,397,462)	(41,983)	-	(229,593,793)
Debt securities issued	(5,092,875)	(10,144,666)	(34,071,126)	(2,995,894)	(2,293,691)	-	(54,598,252)
Other financial liabilities	-	-	-	-	-	(3,778,250)	(3,778,250)
<b>Total liabilities</b>	<b>(134,421,821)</b>	<b>(30,427,349)</b>	<b>(102,883,437)</b>	<b>(74,393,356)</b>	<b>(2,416,867)</b>	<b>(3,778,250)</b>	<b>(348,321,080)</b>
<b>Total interest sensitivity gap</b>	<b>587,404</b>	<b>15,096,624</b>	<b>(23,132,323)</b>	<b>11,832,252</b>	<b>15,480,098</b>	<b>1,083,016</b>	<b>20,947,071</b>



## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.3 Interest rate risk (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
<b>As at 31 December 2015</b>							
<b>Assets</b>							
Cash and balances with central bank	37,587,207	–	–	–	–	614,162	38,201,369
Due from other banks and financial institutions	26,414,111	12,291,487	6,824,663	326,295	–	–	45,856,556
Financial assets at fair value through profit or loss	229,901	50,070	118,368	1,145,624	768,623	–	2,312,586
Loans and advances to customers	57,135,847	11,490,085	37,199,912	15,129,020	861,588	–	121,816,452
Investment securities							
– Loans and receivables	4,816,563	7,137,716	26,412,164	33,812,501	829,270	–	73,008,214
– Available-for-sale	1,476,120	3,050,782	3,473,817	7,243,881	3,233,951	492,416	18,970,967
– Held-to-maturity	75,000	119,999	550,945	4,799,016	8,271,764	–	13,816,724
Investment in an associate	–	–	–	–	–	29,214	29,214
Other financial assets	–	–	–	–	–	2,025,860	2,025,860
<b>Total assets</b>	<b>127,734,749</b>	<b>34,140,139</b>	<b>74,579,869</b>	<b>62,456,337</b>	<b>13,965,196</b>	<b>3,161,652</b>	<b>316,037,942</b>
<b>Liabilities</b>							
Due to other banks and financial institutions	(26,485,049)	(16,852,628)	(29,303,271)	(500,000)	(94,607)	–	(73,235,555)
Customer deposits	(80,049,717)	(17,292,181)	(67,048,222)	(34,903,451)	(5,134)	–	(199,298,705)
Debt securities issued	–	(5,145,828)	(9,556,538)	(2,992,474)	(795,902)	–	(18,490,742)
Other financial liabilities	–	–	–	–	–	(5,927,271)	(5,927,271)
<b>Total liabilities</b>	<b>(106,534,766)</b>	<b>(39,290,637)</b>	<b>(105,908,031)</b>	<b>(38,395,925)</b>	<b>(895,643)</b>	<b>(5,927,271)</b>	<b>(296,952,273)</b>
<b>Total interest sensitivity gap</b>	<b>21,199,983</b>	<b>(5,150,498)</b>	<b>(31,328,162)</b>	<b>24,060,412</b>	<b>13,069,553</b>	<b>(2,765,619)</b>	<b>19,085,669</b>

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.4 Foreign exchange risk

The trade finance department is responsible for the Bank's daily foreign exchange risk management. Pursuant to related regulations, the Bank at the current stage cannot conduct speculative proprietary foreign exchange trading. Therefore, currently the Bank's foreign exchange risk is mainly the foreign currency exposure risk from foreign currency settlement and trading on behalf of customers. As no derivative business has been implemented and it lacks effective hedging instruments for the above risk exposure, the Bank decreases and controls foreign exchange rate risk by setting foreign currency exposure limits and stop-loss limits.

The following tables show the Bank's financial assets and liabilities at carrying amounts in RMB, categorised by the original currency.

	RMB	US Dollar	HK Dollar	Others	Total
<b>As at 31 December 2016</b>					
<b>Assets</b>					
Cash and balances with central bank	42,486,189	326,053	1,076	170	42,813,488
Due from other banks and financial institutions	52,081,048	3,067,188	4,355	553,761	55,706,352
Financial assets at fair value through profit or loss	881,977	–	–	–	881,977
Loans and advances to customers	143,436,944	3,320,906	–	31,196	146,789,046
Investment securities					
– Loans and receivables	75,750,755	–	–	–	75,750,755
– Available-for-sale	23,885,457	–	–	–	23,885,457
– Held-to-maturity	19,794,542	–	–	–	19,794,542
Investment in associates	238,394	–	–	–	238,394
Other financial assets	3,351,293	56,725	–	122	3,408,140
<b>Total assets</b>	<b>361,906,599</b>	<b>6,770,872</b>	<b>5,431</b>	<b>585,249</b>	<b>369,268,151</b>
<b>Liabilities</b>					
Due to other banks and financial institutions	(60,183,584)	(59,374)	–	(107,827)	(60,350,785)
Customer deposits	(222,797,308)	(6,315,972)	(4,560)	(475,953)	(229,593,793)
Debt securities issued	(54,598,252)	–	–	–	(54,598,252)
Other financial liabilities	(3,524,759)	(251,150)	(871)	(1,470)	(3,778,250)
<b>Total liabilities</b>	<b>(341,103,903)</b>	<b>(6,626,496)</b>	<b>(5,431)</b>	<b>(585,250)</b>	<b>(348,321,080)</b>
<b>Net position</b>	<b>20,802,696</b>	<b>144,376</b>	<b>–</b>	<b>(1)</b>	<b>20,947,071</b>
<b>Financial guarantees and credit related commitments</b>	<b>29,191,059</b>	<b>1,022,429</b>	<b>–</b>	<b>508,252</b>	<b>30,721,740</b>

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.4 Foreign exchange risk (Continued)

	RMB	US Dollar	HK Dollar	Others	Total
<b>As at 31 December 2015</b>					
<b>Assets</b>					
Cash and balances with central bank	38,137,625	63,430	152	162	38,201,369
Due from other banks and financial institutions	42,777,224	271,797	2,692,868	114,667	45,856,556
Financial assets at fair value through profit or loss	2,312,586	–	–	–	2,312,586
Loans and advances to customers	120,771,305	1,040,018	–	5,129	121,816,452
Investment securities					
– Loans and receivables	73,008,214	–	–	–	73,008,214
– Available-for-sale	18,970,967	–	–	–	18,970,967
– Held-to-maturity	13,816,724	–	–	–	13,816,724
Investment in an associate	29,214	–	–	–	29,214
Other financial assets	2,013,915	11,371	147	427	2,025,860
<b>Total assets</b>	<b>311,837,774</b>	<b>1,386,616</b>	<b>2,693,167</b>	<b>120,385</b>	<b>316,037,942</b>
<b>Liabilities</b>					
Due to other banks and financial institutions	(73,140,894)	(54)	–	(94,607)	(73,235,555)
Customer deposits	(198,052,741)	(1,203,582)	(33)	(42,349)	(199,298,705)
Debt securities issued	(18,490,742)	–	–	–	(18,490,742)
Other financial liabilities	(5,884,691)	(48,386)	(8,623)	14,429	(5,927,271)
<b>Total liabilities</b>	<b>(295,569,068)</b>	<b>(1,252,022)</b>	<b>(8,656)</b>	<b>(122,527)</b>	<b>(296,952,273)</b>
<b>Net position</b>	<b>16,268,706</b>	<b>134,594</b>	<b>2,684,511</b>	<b>(2,142)</b>	<b>19,085,669</b>
<b>Financial guarantees and credit related commitments</b>					
	35,343,464	203,015	–	153,257	35,699,736

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Liquidity risk

##### 3.3.1 Overview

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The Bank's objective in liquidity management is to ensure the availability of adequate funding to meet its needs for deposit withdrawals and repayment of other liabilities as they fall due and to ensure that it is able to meet its obligations to fund loan originations and commitments while taking advantage of new investment opportunities.

The Bank has to respond to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan draw downs, guarantees and cash deposit held as collateral. The Board of Directors set the minimum proportion of funds to be made available to meet such calls and the minimum level of interbank and other borrowing facilities that should be in place to cover different levels of unexpected withdrawals. As at 31 December 2016, 14.5% (31 December 2015: 14%) of the Bank's total RMB-denominated and 5% (31 December 2015: 5%) of the total foreign-currency-denominated customer deposits must be deposited with the PBOC.

##### 3.3.2 Liquidity risk management process

The Board of Directors or the subordinate special committee approves the policies, strategies, procedures, limits and contingency plans relate to the overall management of liquidity risk according to risk preference. The assets and liabilities management committee is established under the top management, which is responsible for formulating and assessing the policies, strategies, programs, limits and the emergence plans related to the holistic management of the liquid risk management, and implementing the daily operations in liquidity risk management. The Asset and Liability Management Department cooperates with the Interbank Risk Management Department and other departments to form a well-organised, fully functional and efficient liquidity risk management system.

The Bank proactively applies new technology to enhance the involvement of IT in liquidity risk management. The system monitors the liquidity index and exposure, which form a mechanism in regular, automatic liquidity risk assessment, and arrange the banking processes according to current liquidity exposure. The Bank actively modifies the assets and liabilities maturity structure by applying internal fund transfer pricing, while taking control of the limit of the liquidity risk positively by carrying out performance assessment. The Bank pays constant attention to its liquidity risk management process, holds the weekly meeting for assets and liabilities integration, enhances and improves liquidity risk related policy timely, eventually achieve its goal in liquidity risk management.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Liquidity risk (Continued)

##### 3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the undiscounted cash flows of the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date. The amounts listed in the table present the undiscounted cash flow as per the contracts.

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
<b>As at 31 December 2016</b>									
<b>Liabilities</b>									
Due to other banks and financial institution	(332,283)	(37,064,892)	(7,537,027)	(15,714,243)	(10,079)	(81,193)	-	-	(60,739,717)
Customer deposits	(78,091,672)	(13,883,661)	(12,774,180)	(54,142,262)	(81,870,968)	(168,228)	-	-	(240,930,971)
Debt securities issued	-	(5,248,286)	(10,497,192)	(35,128,067)	(3,403,294)	(2,293,691)	-	-	(56,570,530)
Other liabilities	(19,732)	(1,189,999)	(869,617)	(905,407)	(1,181,087)	(1,103)	(582,047)	-	(4,748,992)
<b>Total liabilities (contractual maturity dates)</b>	<b>(78,443,687)</b>	<b>(57,386,838)</b>	<b>(31,678,016)</b>	<b>(105,889,979)</b>	<b>(86,465,428)</b>	<b>(2,544,215)</b>	<b>(582,047)</b>	<b>-</b>	<b>(362,990,210)</b>
<b>Assets</b>									
Cash and balances with central bank	638,068	9,567,344	-	-	-	-	32,608,076	-	42,813,488
Due from other banks and financial institutions	2,209,812	23,152,693	15,379,864	14,642,760	659,709	-	-	-	56,044,838
Non-derivative financial assets at fair value through profit or loss	-	881,985	351	-	163,828	34,160	-	-	1,080,324
Loans and advances to customers	-	9,016,160	8,316,564	46,883,358	65,827,581	44,003,518	-	4,806,663	178,853,844
Investment securities									
– Loans and receivables	-	5,433,417	15,014,500	21,042,503	34,722,006	6,967,750	-	176,841	83,357,017
– Available-for-sale	-	3,962,788	713,888	4,450,325	16,364,038	2,243,923	387,624	-	28,122,586
– Held-to-maturity	-	-	423,154	438,367	10,161,650	13,316,854	-	-	24,340,025
Investment in associates	-	-	-	-	-	-	238,394	-	238,394
Other assets	5,079	1,745,156	79,505	250,344	970,790	197,188	3,995,662	-	7,243,724
<b>Assets held for managing liquidity risk (contractual maturity dates)</b>	<b>2,852,959</b>	<b>53,759,543</b>	<b>39,927,826</b>	<b>87,707,657</b>	<b>128,869,602</b>	<b>66,763,393</b>	<b>37,229,756</b>	<b>4,983,504</b>	<b>422,094,240</b>

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Liquidity risk (Continued)

##### 3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk (Continued)

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
<b>As at 31 December 2015</b>									
<b>Liabilities</b>									
Due to other banks and financial institution	(847,081)	(25,665,947)	(16,983,710)	(29,964,757)	(610,578)	(94,607)	-	-	(74,166,680)
Customer deposits	(66,298,876)	(16,491,705)	(17,234,963)	(65,083,302)	(41,433,456)	(6,500,648)	-	-	(213,042,950)
Debt securities issued	-	-	(5,277,458)	(10,042,057)	(3,333,674)	(795,902)	-	-	(19,449,091)
Other liabilities	(29,691)	(2,008,491)	(1,025,926)	(1,327,993)	(788,689)	(2,717)	(2,306,483)	-	(7,489,990)
<b>Total liabilities (contractual maturity dates)</b>	<b>(67,175,648)</b>	<b>(44,166,143)</b>	<b>(40,522,057)</b>	<b>(106,418,109)</b>	<b>(46,166,397)</b>	<b>(7,393,874)</b>	<b>(2,306,483)</b>	<b>-</b>	<b>(314,148,711)</b>
<b>Assets</b>									
Cash and balances with central bank	614,162	8,774,033	-	-	-	-	28,813,174	-	38,201,369
Due from other banks and financial institutions	1,225,318	25,564,100	12,376,688	6,684,636	414,492	-	-	-	46,265,234
Non-derivative financial assets at fair value through profit or loss	-	2,312,586	469	3,351	304,575	389,263	-	-	3,010,244
Loans and advances to customers	-	9,124,741	10,482,110	49,552,403	37,805,157	37,050,844	-	2,883,877	146,899,132
Investment securities									
- Loans and receivables	-	4,680,165	7,439,986	27,688,361	39,221,043	1,215,113	-	-	80,244,668
- Available-for-sale	-	1,024,158	2,847,762	3,545,798	9,175,420	4,623,084	346,362	-	21,562,584
- Held-to-maturity	-	15,033	120,746	529,478	5,416,588	12,119,398	-	-	18,201,243
Investment in an associate	-	-	-	-	-	-	29,214	-	29,214
Other assets	4,007	1,096,362	177,675	274,084	577,371	270,675	3,395,731	-	5,795,905
<b>Assets held for managing liquidity risk (contractual maturity dates)</b>	<b>1,843,487</b>	<b>52,591,178</b>	<b>33,445,436</b>	<b>88,278,111</b>	<b>92,914,646</b>	<b>55,668,377</b>	<b>32,584,481</b>	<b>2,883,877</b>	<b>360,209,593</b>

Assets available to meet all of the liabilities include cash, balances with central bank, items in the course of collection and treasury due from other banks and financial institutions, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, certain debt securities have been pledged for liabilities. The Bank would also be able to meet unexpected net cash outflows by selling securities, using credit commitments from other financial institutions, early termination of borrowings from other financial institutions and repurchase agreements and using the mandatory reserve deposits upon the PBOC's approval.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Liquidity risk (Continued)

##### 3.3.4 Maturity analysis

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
<b>As at 31 December 2016</b>									
<b>Assets</b>									
Cash and balances with central bank	638,068	9,567,344	-	-	-	-	32,608,076	-	42,813,488
Due from other banks and financial institutions	2,209,812	23,129,406	15,282,139	14,431,665	653,330	-	-	-	55,706,352
Financial assets at fair value through profit or loss	-	881,977	-	-	-	-	-	-	881,977
Loans and advances to customers	-	9,006,653	8,241,368	45,185,635	54,699,545	24,946,121	-	4,709,724	146,789,046
Investment securities									
– Loans and receivables	-	5,420,186	14,859,845	20,169,360	30,345,416	4,780,310	-	175,638	75,750,755
– Available-for-sale	-	3,962,623	710,209	4,382,136	12,832,098	1,610,767	387,624	-	23,885,457
– Held-to-maturity	-	-	419,985	430,000	9,352,658	9,591,899	-	-	19,794,542
Investment in associates	-	-	-	-	-	-	238,394	-	238,394
Other assets	5,079	1,745,156	79,505	250,344	970,790	197,188	3,995,661	-	7,243,723
<b>Total assets</b>	<b>2,852,959</b>	<b>53,713,345</b>	<b>39,593,051</b>	<b>84,849,140</b>	<b>108,853,837</b>	<b>41,126,285</b>	<b>37,229,755</b>	<b>4,885,362</b>	<b>373,103,734</b>
<b>Liabilities</b>									
Due to other banks and financial institution	(332,283)	(37,025,282)	(7,487,258)	(15,424,769)	-	(81,193)	-	-	(60,350,785)
Customer deposits	(78,091,672)	(13,879,710)	(12,739,587)	(53,441,080)	(71,399,761)	(41,983)	-	-	(229,593,793)
Debt securities issued	-	(5,092,876)	(10,144,666)	(34,071,125)	(2,995,894)	(2,293,691)	-	-	(54,598,252)
Other liabilities	(19,732)	(1,189,999)	(869,617)	(905,407)	(1,181,087)	(1,103)	(582,047)	-	(4,748,992)
<b>Total liabilities</b>	<b>(78,443,687)</b>	<b>(57,187,867)</b>	<b>(31,241,128)</b>	<b>(103,842,381)</b>	<b>(75,576,742)</b>	<b>(2,417,970)</b>	<b>(582,047)</b>	<b>-</b>	<b>(349,291,822)</b>
<b>Net liquidity gap</b>	<b>(75,590,728)</b>	<b>(3,474,522)</b>	<b>8,351,923</b>	<b>(18,993,241)</b>	<b>33,277,095</b>	<b>38,708,315</b>	<b>36,647,708</b>	<b>4,885,362</b>	<b>23,811,912</b>

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Liquidity risk (Continued)

##### 3.3.4 Maturity analysis (Continued)

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
<b>As at 31 December 2015</b>									
<b>Assets</b>									
Cash and balances with central bank	614,162	8,774,033	-	-	-	-	28,813,174	-	38,201,369
Due from other banks and financial institutions	1,225,318	25,538,793	12,291,487	6,594,663	206,295	-	-	-	45,856,556
Financial assets at fair value through profit or loss	-	2,312,586	-	-	-	-	-	-	2,312,586
Loans and advances to customers	-	9,109,165	10,370,754	47,535,928	31,549,131	20,392,306	-	2,859,168	121,816,452
Investment securities									
– Loans and receivables	-	4,652,071	7,363,223	26,412,685	33,749,785	830,450	-	-	73,008,214
– Available-for-sale	-	1,023,731	2,847,762	3,516,680	7,896,045	3,340,387	346,362	-	18,970,967
– Held-to-maturity	-	15,000	119,999	520,945	4,889,016	8,271,764	-	-	13,816,724
Investment in an associate	-	-	-	-	-	-	29,214	-	29,214
Other assets	4,007	1,096,362	177,675	274,084	577,371	270,675	3,395,731	-	5,795,905
<b>Total assets</b>	<b>1,843,487</b>	<b>52,521,741</b>	<b>33,170,900</b>	<b>84,854,985</b>	<b>78,867,643</b>	<b>33,105,582</b>	<b>32,584,481</b>	<b>2,859,168</b>	<b>319,807,987</b>
<b>Liabilities</b>									
Due to other banks and financial institution	(847,081)	(25,637,968)	(16,852,628)	(29,303,271)	(500,000)	(94,607)	-	-	(73,235,555)
Customer deposits	(66,298,876)	(16,485,510)	(17,187,559)	(64,166,876)	(35,046,346)	(113,538)	-	-	(199,298,705)
Debt securities issued	-	-	(5,212,832)	(9,489,534)	(2,992,474)	(795,902)	-	-	(18,490,742)
Other liabilities	(29,691)	(2,008,491)	(1,025,926)	(1,327,993)	(788,689)	(2,717)	(2,306,483)	-	(7,489,990)
<b>Total liabilities</b>	<b>(67,175,648)</b>	<b>(44,131,969)</b>	<b>(40,278,945)</b>	<b>(104,287,674)</b>	<b>(39,327,509)</b>	<b>(1,006,764)</b>	<b>(2,306,483)</b>	<b>-</b>	<b>(298,514,992)</b>
<b>Net liquidity gap</b>	<b>(65,332,161)</b>	<b>8,389,772</b>	<b>(7,108,045)</b>	<b>(19,432,689)</b>	<b>39,540,134</b>	<b>32,098,818</b>	<b>30,277,998</b>	<b>2,859,168</b>	<b>21,292,995</b>



## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Liquidity risk (Continued)

##### 3.3.5 Off-balance-sheet items

The table below lists the off-balance-sheet statement items of the Bank according to their remaining term to maturity, and also includes the future minimum lease payments under non-cancellable operating leases where the Bank are the lessees. The financial commitments are listed by the earliest maturity date in its notional principal.

As at 31 December 2016	Within		Over	Total
	1 year	1-5 years	5 years	
Unused credit card limits	2,566,179	–	–	2,566,179
Guarantees, acceptances and letters of credit	24,831,532	3,323,130	899	28,155,561
Operating lease commitments	51,925	94,905	24,459	171,289
Capital expenditure commitments	389,238	55,503	–	444,741
<b>Total</b>	<b>27,838,874</b>	<b>3,473,538</b>	<b>25,358</b>	<b>31,337,770</b>

As at 31 December 2015	Within		Over	Total
	1 year	1-5 years	5 years	
Unused credit card limits	2,116,877	–	–	2,116,877
Guarantees, acceptances and letters of credit	32,982,580	600,279	–	33,582,859
Operating lease commitments	60,066	110,211	24,901	195,178
Capital expenditure commitments	345,898	34,365	–	380,263
<b>Total</b>	<b>35,505,421</b>	<b>744,855</b>	<b>24,901</b>	<b>36,275,177</b>

The Bank has no irrevocable loan commitments.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.4 Fair values of financial assets and liabilities

##### (a) *Financial instruments not measured at fair value*

The table below summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value.

	As at 31 December 2016				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Investment securities					
– Loans and receivables	75,750,755	–	6,010	77,900,949	77,906,959
– Held to maturity	19,794,542	–	20,234,757	–	20,234,757
<b>Financial liabilities</b>					
Debt securities issued	54,598,252	–	54,688,829	–	54,688,829

	As at 31 December 2015				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Investment securities					
– Loans and receivables	73,008,214	–	27,896	79,137,735	79,165,631
– Held to maturity	13,816,724	–	14,552,708	–	14,552,708
<b>Financial liabilities</b>					
Debt securities issued	18,490,742	–	18,856,669	–	18,856,669

##### *Investment securities*

The fair value for investment securities classified as loans and receivables and held to maturity assets is based on market prices or broker/dealer price quotations. Where the information is not available, fair value is estimated using quoted market prices for securities with similar credit risk, maturity and yield characteristics.

##### *Debt securities issued*

The fair value of fixed interest bearing debt securities issued is calculated using a discounted cash flow model which is based on a current yield curve appropriate for the remaining term to maturity.

Other than above, the carrying values of those financial assets and liabilities not presented at their fair value on the statement of financial position are a reasonable approximation of their fair values. Those financial assets and liabilities include balances with central bank, due from other banks and financial institutions, loans and advances to customers, due to other banks and financial institutions, customer deposits, etc. Fair value is measured using a discounted future cash flow model.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.4 Fair values of financial assets and liabilities (Continued)

##### (b) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by level of inputs to valuation techniques. The different levels have been defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The following table presents the bank's financial assets and liabilities that are measured at fair value on a recurring basis as at 31 December 2016 and 2015:

As at 31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	881,977	–	881,977
Investment securities-available-for-sale				
– Debt securities	–	23,308,793	–	23,308,793
– Equity investment	–	–	576,664	576,664
	–	23,308,793	576,664	23,885,457
<b>Total</b>	–	<b>24,190,770</b>	<b>576,664</b>	<b>24,767,434</b>
<hr/>				
As at 31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	2,312,586	–	2,312,586
Investment securities-available-for-sale				
– Debt securities	–	18,478,551	–	18,478,551
– Equity investment	–	–	492,416	492,416
	–	18,478,551	492,416	18,970,967
<b>Total</b>	–	<b>20,791,137</b>	<b>492,416</b>	<b>21,283,553</b>

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.4 Fair values of financial assets and liabilities (Continued)

##### (b) Fair value hierarchy (Continued)

There was no transfer between level 1 and 2 during the year.

There was no financial instrument in level 1 during the year.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.4 Fair values of financial assets and liabilities (Continued)

##### (b) Fair value hierarchy (Continued)

Changes in level 3 financial assets are analysed below:

	Investment securities- available-for-sale	Total assets
<b>Balance at 1 January 2016</b>	<b>492,416</b>	<b>492,416</b>
Total gains or losses		
– Other comprehensive income	<b>42,986</b>	<b>42,986</b>
Purchase of level 3	<b>41,262</b>	<b>41,262</b>
<b>Balance at 31 December 2016</b>	<b>576,664</b>	<b>576,664</b>
<b>Total gains for the year included in statement of comprehensive income for assets/liabilities held at 31 December 2016</b>	<b>21,193</b>	<b>21,193</b>

	Investment securities- available-for-sale	Total assets
<b>Balance at 1 January 2015</b>	<b>291,122</b>	<b>291,122</b>
Total gains or losses		
– Other comprehensive income	<b>37,782</b>	<b>37,782</b>
Purchase of level 3	<b>163,512</b>	<b>163,512</b>
<b>Balance at 31 December 2015</b>	<b>492,416</b>	<b>492,416</b>
<b>Total gains for the year included in statement of comprehensive income for assets/liabilities held at 31 December 2015</b>	<b>14,809</b>	<b>14,809</b>

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.4 Fair values of financial assets and liabilities (Continued)

##### (b) Fair value hierarchy (Continued)

Unobservable inputs with significant impact on the fair value measurement of Level 3 as at 31 December 2016 and 2015 are disclosed as follows:

Quantitative Information about Fair Value Measurements of Level 3				
	Fair Value at 31 December 2016	Valuation Technique(s)	Unobservable Inputs	Weighted Average
Equity securities – Banking	568,064	Market comparable companies	PB <sup>(a)</sup>  Discount for lack of marketability <sup>(b)</sup>	1.03  14.93%
	Fair Value at 31 December 2015	Valuation Technique(s)	Unobservable Inputs	Weighted Average
Equity securities – Banking	415,566	Market comparable companies	PB <sup>(a)</sup>  Discount for lack of marketability <sup>(b)</sup>	1.33  36.40%

(a) Represents the Bank has determined that market participants would use such price/book ratio when pricing the investments.

(b) Represents the Bank has determined that market participants would take into account these premiums and discounts when pricing the investments.

(c) Unobservable inputs that are not developed by the Bank are not included in the disclosure.

(d) Equity securities using recent transaction prices without adjustments amounted to RMB8,600 thousand as at 31 December 2016 and RMB76,850 thousand as at 31 December 2015.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than 'equity' on the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy ratio and the use of regulatory capital are monitored quarterly by the Bank's management with employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBRC, for supervisory purposes. The required information is filed with the CBRC on a quarterly basis.

The Bank calculated the capital adequacy ratio based on the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) issued by CBRC in June, 2012. According to the approach, the Bank calculated the credit risk-weighted assets measurement by the weighted method, market risk-weighted assets measurement by the standard method, and operation risk-weighted assets measurement by the basic indicator method.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial). For systematically important banks, CBRC requires minimum core tier 1 capital adequacy ratio, tier 1 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. At present, the Bank is fully compliant with legal and regulatory requirements.

## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.5 Capital management (Continued)

The capital adequacy ratios calculated by the Bank based on the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) are as follows:

	As at 31 December	
	2016	2015
<b>Core capital:</b>		
Share capital	3,127,055	3,127,055
Counted part of capital surplus	4,911,433	5,069,141
Surplus reserve and general risk reserves	5,914,852	4,948,796
Counted part of retained earnings	9,858,572	8,148,003
<b>Core Tier 1 Capital deductibles items:</b>		
Full deduction items	(96,014)	(91,429)
Threshold deduction items	–	–
<b>Total Core Tier 1 Capital, net</b>	<b>23,715,898</b>	<b>21,201,566</b>
<b>Other Tier 1 Capital, net</b>	<b>–</b>	<b>–</b>
<b>Tier 2 Capital, net</b>	<b>4,752,209</b>	<b>2,302,606</b>
<b>Net capital</b>	<b>28,468,107</b>	<b>23,504,172</b>
On-balance sheet risk-weighted assets	214,620,993	175,521,618
Off-balance sheet risk-weighted assets	9,927,931	10,258,298
Risk-weighted assets for exposure to counterparty credit risk	–	–
<b>Total credit risk-weighted assets</b>	<b>224,548,924</b>	<b>185,779,916</b>
<b>Total market risk-weighted assets</b>	<b>905,495</b>	<b>2,737,443</b>
<b>Total operational risk-weighted assets</b>	<b>15,946,736</b>	<b>13,594,516</b>
Total risk-weighted assets before applying capital base	241,401,155	202,111,875
Total risk-weighted assets after applying capital base	241,401,155	202,111,875
<b>Core Tier 1 Capital adequacy ratio</b>	<b>9.82%</b>	<b>10.49%</b>
<b>Tier 1 Capital adequacy ratio</b>	<b>9.82%</b>	<b>10.49%</b>
<b>Capital adequacy ratio</b>	<b>11.79%</b>	<b>11.63%</b>



## Notes to the Financial Statements

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.6 Fiduciary activities

The Bank provides custody and trustee services to third parties. Those assets that are held in a fiduciary capacity are not included in the financial statements. The Bank also grants entrusted loans on behalf of third-party lenders, which are not included in the financial statements.

	As at 31 December	
	2016	2015
Assets held in investment custody accounts	31,222,279	20,088,696
Entrusted loans	6,228,987	5,387,931

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (a) Impairment allowances for loans and advances and investment securities classified as loans and receivables

The Bank reviews its loan portfolios and the breakdown of investment securities classified as loans and receivables to assess impairment on a monthly basis, unless known circumstances indicating that impairment may have occurred. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgment as to whether there are evidences indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans or investment securities classified as loans and receivables besides the impairment that can be identified with an individual loan in that portfolio or an individual investment. These evidences may include observable data indicating that there has been an adverse change in the payment status of borrowers in the loan portfolio, or national or local economic conditions that correlate with defaults on assets of the Bank, etc. The impairment loss of a loan and advance or investment security classified as loans and receivables that is individually assessed for impairment is the difference between estimated discounted future cash flows and carrying amount. When loans and advances and investment securities classified as loans and receivables are collectively assessed for impairment, the management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

## Notes to the Financial Statements

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

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

#### (b) Derecognition of financial assets

When assess whether the batch transfer of loans meet the derecognition requirement of financial assets, it is required to assess whether the Bank has transferred the right to receive cash flows of financial assets and whether all the risks and rewards of ownership of the loans have been transferred. In assessment, the Bank considers several factors, such as whether the transaction arrangement is attached with repurchase clauses. The Bank sets up scenario hypothesis and tests transfer of risks and rewards using future discounted cash flow model. The Bank derecognises financial assets only when substantially all the risks and rewards of ownership of the loans have been transferred to another entity. If the Bank substantially retains all the risks and rewards of ownership of the transferred loans, these loans shall be continued to recognise and the proceeds received shall be recognised as financial liabilities.

#### (c) Consolidation of structured entity

Structured entity, refers that when judging the control side of the entity, the key elements to consider are the contracts which the entities' main activities are based on or the corresponding arrangements rather than the voting rights or similar rights (for example: the voting rights are just associated with administrative matters only).

When the Bank acts as asset manager in structured entity, the Bank needs to identify its own role as the agent or the trustee to make decisions for the structured entity. If the Bank's role is just an agent, the Bank's primary responsibility is to exercise decision-making authority for other parties (other investors of the structured entity), and therefore the Bank does not control the structured entity. However, if the Bank's primary responsibility is to exercise decision-making authority for itself, thus the Bank controls the structured entity. During the evaluation to identify its own role as the agent or the trustee, the Bank considers many factors, such as: the scope of asset manager's decision-making power, rights held by other parties, Commission levels as management service provider, and any other arrangements (such as direct investment) which could affect commission level.

#### (d) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation models (e.g. discounted cash flow model). To the extent practical, only observable data is used in the discounted cash flow model. However, areas such as credit risks (from both parties of transactions), market volatilities and correlations require the management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

#### (e) Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank has made estimates for items of uncertainty and application of new tax legislation taking into account existing tax legislation and policies given by authorities in charge in previous year. Where the final tax outcomes of these matters are different from the amounts that were initially estimated, such differences will impact the current income tax, deferred income tax, and business tax in the period during which such a determination is made (Note 26).

## Notes to the Financial Statements

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

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

#### (f) Held-to-maturity

The bank classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgments. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to hold these investments to maturity other than under specific circumstances defined in IAS 39, such as selling an insignificant amount close to maturity due to a significant deterioration in the issuer's credit, or regulatory requirement, it will be required to reclassify the entire portfolio of investment securities as available-for-sale. The investments would therefore be measured at fair value, not at amortised cost.

#### (g) Impairment of available-for-sale financial assets and held-to-maturity securities

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires the management's judgments. In making these judgments, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

The Bank recognises an impairment loss for an available-for-sale debt instrument and held to maturity debt securities when there is objective evidence that the debt instrument is impaired. Objective evidence of an impairment for a debt instrument exists when one or more events have occurred after the initial recognition of the debt instrument, that reduce the estimated future cash flows to be received on the debt instrument.

### 5 NET INTEREST INCOME

	2016	2015
<b>Interest income</b>		
Balances with central bank	543,694	494,110
Due from other banks and financial institutions	1,435,073	1,712,037
Loans and advances to customers	8,256,513	7,545,665
Investment securities	5,852,130	5,561,218
Financial assets at fair value through profit or loss	138,864	194,580
	<b>16,226,274</b>	15,507,610
<b>Interest expense</b>		
Due to other banks and financial institutions	(1,975,392)	(3,139,322)
Customer deposits	(5,236,158)	(5,003,513)
Debt securities issued	(1,337,326)	(362,702)
	<b>(8,548,876)</b>	(8,505,537)
<b>Net interest income</b>	<b>7,677,398</b>	7,002,073
	<b>2016</b>	2015
Interest income accrued on loans and advances to customers individually impaired	<b>112,399</b>	59,493

## Notes to the Financial Statements

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

### 6 NET FEE AND COMMISSION INCOME

	2016	2015
<b>Fee and commission income</b>		
Financial advisory and consulting services	66,103	249,944
Wealth management agency service	854,787	436,537
Custodian service	671,746	613,009
Bank card services	206,940	171,072
Credit commitments	149,599	54,251
Settlement and agency services	72,162	64,586
	<b>2,021,337</b>	1,589,399
<b>Fee and commission expense</b>		
Settlement and agency services	(55,312)	(50,107)
Bank card services	(17,533)	(17,022)
Others	(22,475)	(10,217)
	<b>(95,320)</b>	(77,346)
<b>Net fee and commission income</b>	<b>1,926,017</b>	1,512,053

### 7 NET TRADING (LOSSES)/GAINS

	2016	2015
Foreign exchange	10,904	23,901
Interest rate instruments	(61,570)	(132)
	<b>(50,666)</b>	23,769

Net gains/(losses) on foreign exchange mainly includes gains or losses from the trading of spot contracts and translation of foreign currency monetary assets and liabilities into RMB.

The retranslation gains of foreign currency monetary assets and liabilities were RMB1,554 thousand and RMB15,355 thousand for the years ended 31 December 2016 and 2015 respectively.

Net (losses)/gains on interest rate instruments mainly includes losses or gains generating from the fair value change of trading securities.

## Notes to the Financial Statements

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

### 8 OTHER OPERATING INCOME

	2016	2015
Gains on sale of property, plant and equipment	351	925
Gains on sale of foreclosed assets	1,126	–
Dividend income from unlisted available-for-sale investments	21,193	14,809
Government grants <sup>(a)</sup>	16,964	36,101
Rental income from investment properties	1,247	1,139
Income from dormant accounts	1,768	617
Other miscellaneous income <sup>(b)</sup>	7,288	11,338
	<b>49,937</b>	<b>64,929</b>

(a) Government grants

The government grants of 2016 mainly included bonus of incremental small business loans from Chengdu Branch, subsidies of loans to Ecological Development Areas, bonus for assessment of the Bank from government and bonus for contribution in supporting local economic development, etc.

The government grants of 2015 mainly included bonus of incremental agricultural loans, financial incentives and subsidies of loans to Ecological Development Area in northeast and southeast Chongqing, bonus of Financial Services Office and so on.

(b) Other miscellaneous income mainly comprised cashier surplus, compensation on breach of contract, incomes from writing off other payables.

### 9 OPERATING EXPENSES

	2016	2015
Staff costs (including directors and supervisors' emoluments) (Note 10)	1,162,439	1,626,120
General and administrative expenses	800,819	731,577
Tax and surcharges	259,774	553,110
Depreciation of property, plant and equipment (Note 21)	117,260	108,272
Amortisation of intangible assets (Note 22(c))	23,224	19,673
Amortisation of land use rights (Note 22(b))	4,863	4,863
Depreciation of investment properties (Note 22(d))	311	318
Amortisation of long-term prepaid expenses	25,146	20,207
Rental expenses	93,064	77,648
Professional fees	30,681	29,225
Auditors' remuneration		
– Audit services	3,463	3,300
– Non-audit services	240	386
Donations	13,650	7,900
Others	2,364	7,572
	<b>2,537,298</b>	<b>3,190,171</b>

## Notes to the Financial Statements

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

### 10 STAFF COSTS (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS)

	2016	2015
Salaries and bonuses	743,419	1,223,219
Pension expenses (Note 27)	152,021	140,690
Housing benefits and subsidies	77,853	77,524
Labour union and staff education funds	22,615	32,128
Other social security and benefit costs	166,531	152,559
Total (Note 9)	1,162,439	1,626,120

#### Five highest paid individuals

For the years ended 31 December 2016 and 2015, neither directors nor supervisors were included in the five highest paid individuals of the Bank.

The emoluments payable to the five highest paid individuals for relevant years are as follows:

	2016	2015
Salaries, housing allowances and other benefits	1,344	1,679
Discretionary bonuses	13,276	13,167
Contributions to pension schemes	432	191
	15,052	15,037

The emoluments payable to senior management and individuals fell within the following bands:

	Number of individuals	
	2016	2015
RMB500,001 – RMB1,000,000	–	–
RMB1,000,001 – RMB1,500,000	–	–
RMB1,500,001 – RMB2,000,000	–	–
RMB2,000,001 – RMB2,500,000	3	–
RMB2,500,001 – RMB3,000,000	1	3
RMB3,000,001 – RMB3,500,000	–	1
RMB3,500,001 – RMB4,000,000	–	1
RMB4,000,001 – RMB4,500,000	–	–
RMB4,500,001 – RMB5,000,000	–	–
RMB5,000,001 – RMB5,500,000	–	–
RMB5,500,001 – RMB6,000,000	1	–
	5	5

No emoluments had been paid by the Bank to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Bank or as compensation for demission.

## Notes to the Financial Statements

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

### 11 IMPAIRMENT LOSSES

	2016	2015
Loans and advances to customers (Note 18(b))		
– Collectively assessed	1,008,258	420,012
– Individually assessed	872,805	593,407
Loans and receivables (Note 19)	528,545	117,114
Others	1,526	4,767
	2,411,134	1,135,300

### 12 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

#### (a) Directors' and supervisors' emoluments

Details of the directors' and supervisors' emoluments for the year ended 31 December 2016 are as follows:

Name	2016				Total
	Remunerations	Salaries, allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
<b>Executive directors</b>					
Gan Weimin <sup>(1)</sup>	–	223	223	93	539
Ran Hailing <sup>(2)</sup>	–	223	223	93	539
Liu Jianhua <sup>(5)</sup>	–	178	178	92	448
WONG Wah Sing <sup>(6)</sup>	–	104	104	–	208
<b>Non-executive directors</b>					
Deng Yong	62	–	–	–	62
WONG Hon Hing	70	–	–	–	70
Lv Wei	116	–	–	–	116
Yang Jun	95	–	–	–	95
Jin Jingyu	113	–	–	–	113
Kong Xiangbin	126	–	–	–	126
Li He	117	–	–	–	117
TO Koon Man Henry	100	–	–	–	100
Wang Pengguo	137	–	–	–	137
<b>Supervisors</b>					
Huang Changsheng	–	178	178	92	448
Lin Min	–	309	1,516	91	1,916
Yang Xiaotao <sup>(9)</sup>	–	223	223	93	539
Zhou Xiaohong <sup>(7)</sup>	–	372	1,322	92	1,786
Chen Zhong <sup>(10)</sup>	–	37	–	–	37
Chen Zhengsheng	–	99	–	–	99
Yin Xianglong	–	81	–	–	81
Chen Yan	–	53	–	–	53
Wu Bing <sup>(11)</sup>	–	53	–	–	53
<b>Total</b>	<b>936</b>	<b>2,133</b>	<b>3,967</b>	<b>646</b>	<b>7,682</b>

## Notes to the Financial Statements

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

### 12 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

#### (a) Directors' and supervisors' emoluments (Continued)

Details of the directors' and supervisors' emoluments for the year ended 31 December 2015 are as follows:

Name	2015				Total
	Remunerations	Salaries, allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
<b>Executive directors</b>					
Gan Weimin <sup>(1)</sup>	–	480	926	87	1,493
Ran Hailing <sup>(2)</sup>	–	480	1,020	123	1,623
Zhan Wanghua <sup>(3)</sup>	–	324	664	–	988
Ni Yuemin <sup>(4)</sup>	–	99	582	24	705
<b>Non-executive directors</b>					
Deng Yong	53	–	–	–	53
Qin Wei <sup>(8)</sup>	47	–	–	–	47
WONG Hon Hing	102	–	–	–	102
Lv Wei	86	–	–	–	86
Li He	151	–	–	–	151
TO Koon Man Henry	147	–	–	–	147
Yang Jun	89	–	–	–	89
Wang Pengguo	145	–	–	–	145
Kong Xiangbin	142	–	–	–	142
Jin Jingyu	148	–	–	–	148
<b>Supervisors</b>					
Huang Changsheng	–	399	622	87	1,108
Lin Min	–	578	1,374	39	1,991
Zhou Yongkang <sup>(10)</sup>	–	82	–	–	82
Chen Zhengsheng	–	84	–	–	84
Yin Xianglong	–	88	–	–	88
Chen Yan	–	57	–	–	57
Tang Jun <sup>(11)</sup>	–	17	–	–	17
Wu Bing <sup>(11)</sup>	–	18	–	–	18
Zhou Xiaohong <sup>(7)</sup>	–	448	1,264	50	1,762
Yang Xiaotao <sup>(9)</sup>	–	358	277	143	778
<b>Total</b>	<b>1,110</b>	<b>3,512</b>	<b>6,729</b>	<b>553</b>	<b>11,904</b>



### 12 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

#### (a) Directors' and supervisors' emoluments (Continued)

- (1) *Gan Weimin was elected by Board of Directors as Chairman of the Board on 30 March 2014.*
- (2) *Ran Hailing was appointed as acting President on 28 December 2012, approved as President by the CBRC on 9 April 2013.*
- (3) *Zhan Wanghua was approved as Director, as well as Chief Risk Officer by the CBRC on 1 February 2013 and resigned on 31 May 2016.*
- (4) *Ni Yuemin was approved as Director by the CBRC on 1 February 2013 and resigned on 24 April 2015.*
- (5) *Liu Jianhua was approved as Director by the CBRC on 1 August 2016.*
- (6) *WONG Wah Sing was approved as Director by the CBRC on 13 September 2016.*
- (7) *Zhou Xiaohong was elected as Supervisor on 24 March 2015.*
- (8) *Qin Wei resigned on 18 March 2016.*
- (9) *Yang Xiaotao was elected as new Chief Supervisor on 24 March 2015.*
- (10) *Chen Zhong was elected as Supervisor on 17 June 2016. Zhou Yongkang no longer served as Supervisor since the same date.*
- (11) *Wu Bing was elected as Supervisor on 11 August 2015. Tang Jun no longer served as Supervisor since the same date.*

The total compensation packages (including discretionary bonus) for executive directors and supervisors for the year ended 31 December 2016 have not yet been finalised in accordance with relevant regulations of the relevant authorities in PRC. The amount of the compensation not provided is not expected to have any significant impact on the Bank's financial statements for the year ended 31 December 2016.

## Notes to the Financial Statements

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

### 12 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

#### (b) Directors' and supervisors' retirement benefits

During the year end 31 December 2016, no retirement benefit was paid to the directors or supervisors by a defined benefit pension plan operated by the Bank (2015: nil).

#### (c) Directors' and supervisors' termination benefits

During the year end 31 December 2016, no termination benefits was paid to the directors or supervisors operated by the Bank (2015: nil).

#### (d) Consideration provided to third parties for making available directors' and supervisors' services

During the year end 31 December 2016, no consideration was provided to third parties for making available directors' and supervisor' services by the Bank (2015: nil).

#### (e) Information about loans, quasi-loans and other dealings in favour of directors, supervisors and controlled body corporates of such directors and supervisors

During the year ended 31 December 2016, no loan, quasi-loan and other dealing was entered into by the Bank, where applicable, in favour of the controlled body corporate of directors and supervisors. The information about loans, quasi-loans and other dealings entered into by the Bank, where applicable, in favour of a director and a supervisor are as follows:

Name of director	Nature of connection	Outstanding		Maximum outstanding during the year	Amounts due but not been paid	Provisions for doubtful/bad debts made	Interest		
		at the beginning of the year	Outstanding at the end of the year				Term	rate	Security
Liu Jianhua	Executive Director	-	2,000	2,000	-	-	18 year, average capital plus interest	4.165%	mortgaged by real estate
Zhou Xiaohong	Supervisor	-	700	700	-	-	3 year, repay the whole capital at due date and interest on a monthly basis	4.275%	mortgaged by real estate

During the year ended 31 December 2015, no loan, quasi-loan and other dealing was entered into by the Bank, where applicable, in favour of directors, supervisors and the controlled body corporate of such directors and supervisors.

#### (f) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Bank's business, to which the Bank was a party and in which a director or a supervisor of the Bank had a material interest, whether directly or indirectly subsisted at the end of 2016 or at any time during the year (2015: nil).

## Notes to the Financial Statements

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

### 13 INCOME TAX EXPENSE

	2016	2015
Current income tax	1,603,207	1,388,133
Deferred income tax (Note 26)	(446,862)	(288,275)
	<b>1,156,345</b>	1,099,858

Current income tax is calculated the statutory tax rate of 25% based on the taxable income of estimated assessable profit of the Bank for the respective year as stipulated in PRC tax laws.

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate 25% (2015: 25%) to profit before income tax can be reconciled as follows:

	2016	2015
Profit before income tax	4,658,512	4,269,919
Tax calculated at a tax rate of 25%	1,164,628	1,067,480
Tax effect arising from non-taxable income <sup>(a)</sup>	(106,387)	(57,049)
Tax effect of expenses that are not deductible for tax purposes <sup>(b)</sup>	98,811	91,014
Tax filing differences for previous years	(707)	(1,587)
Income tax expense	<b>1,156,345</b>	1,099,858

(a) The Bank's non-taxable income mainly represents interest income arising from treasury bonds, which is non-taxable in accordance with PRC tax laws.

(b) The Bank's expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses etc., which exceed the tax deduction limits pursuant to PRC Laws.

## Notes to the Financial Statements

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

### 14 BASIC AND DILUTED EARNINGS PER SHARE

- (a) Basic earnings per share are calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Net profit attributable to shareholders of the Bank	3,502,167	3,170,061
Weighted average number of ordinary shares issued (in thousand)	3,127,055	2,715,629
Basic earnings per share (in RMB)	1.12	1.17

- (b) Diluted earnings per share

For the years ended 31 December 2016 and 2015, there was no potential diluted ordinary share, so the diluted earnings per share was the same as the basic earnings per share.

### 15 CASH AND BALANCES WITH CENTRAL BANK

	As at 31 December	
	2016	2015
Cash	638,068	614,162
Mandatory reserve deposits	32,587,061	28,789,768
Surplus reserve deposits with central bank	9,567,344	8,774,033
Fiscal deposits	21,015	23,406
	42,813,488	38,201,369

The Bank is required to place mandatory reserve deposits with central bank. The deposits are calculated based on the amount of customer deposits.

	As at 31 December	
	2016	2015
Mandatory reserve rate for deposits denominated in RMB	14.5%	14.0%
Mandatory reserve rate for deposits denominated in foreign currencies	5%	5%

Mandatory reserve deposits with central bank are not available for use by the Bank in its day to day operations.

Deposits with central bank other than mandatory reserve maintained are mainly for liquidity purpose.

## Notes to the Financial Statements

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

### 16 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2016	2015
Deposits with other banks and financial institutions	10,540,603	9,205,978
Notes purchased under resale agreements	37,510,169	35,477,556
Other financial assets purchased under resale agreements	–	450,060
Placements with other banks and financial institutions	7,655,580	722,962
	<b>55,706,352</b>	45,856,556

No individually-impaired amount due from other banks and financial institutions was held by the Bank as at 31 December 2016 and 2015.

There is no impairment allowance on amounts due from other banks and financial institutions and no write-off amount during the years ended 31 December 2016 and 2015.

### 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2016	2015
Government debt securities		
– Unlisted	197,248	–
Other debt securities		
– Listed outside Hong Kong	520,525	907,721
– Unlisted – Corporate bonds	164,204	1,404,865
	<b>881,977</b>	2,312,586

All the Bank's unlisted debt securities are traded in the Inter-bank bond market in Mainland China.

As at 31 December 2016 and 2015, no trading securities of the Bank was pledged to third parties under any repurchase agreements.

Financial assets at fair value through profit or loss are analysed by issuer as follows:

	As at 31 December	
	2016	2015
<b>Designated debt securities issued by:</b>		
– Corporation	881,977	2,312,586

## Notes to the Financial Statements

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

### 18 LOANS AND ADVANCES TO CUSTOMERS

#### (a) Loans and advances to customers

	As at 31 December	
	2016	2015
Loans and advances to corporate entities		
– Corporate loans	105,349,815	84,276,669
– Discounted bills	4,839,011	4,120,780
Subtotal	110,188,826	88,397,449
Loans and advances to individuals		
– Mortgage loans	18,331,192	18,012,580
– Individual consumption loans	7,161,329	3,848,972
– Credit card advances	3,395,551	2,924,258
– Individual business loans	11,943,743	11,586,127
Subtotal	40,831,815	36,371,937
<b>Total</b>	<b>151,020,641</b>	<b>124,769,386</b>
Less: Allowance for impairment losses		
– Collectively assessed	(3,501,050)	(2,492,792)
– Individual assessed	(730,545)	(460,142)
<b>Total</b>	<b>(4,231,595)</b>	<b>(2,952,934)</b>
Carrying amount of loans and advances to customers	146,789,046	121,816,452

## Notes to the Financial Statements

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

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Movements on impairment allowance for loans and advances to customers:

	2016		2015	
	Collective impairment	Individual impairment	Collective impairment	Individual impairment
<b>Balance at the beginning of the year</b>	<b>2,492,792</b>	<b>460,142</b>	2,072,780	261,315
Impairment allowances for loans and advances charged to profit or loss	1,344,786	1,320,137	847,547	668,672
Reversal of impairment allowances for loans and advances	(336,528)	(447,332)	(427,535)	(75,265)
Net impairment allowances for loans and advances charged to profit or loss (Note 11)	1,008,258	872,805	420,012	593,407
Unwind of discount on allowances	–	(112,399)	–	(59,493)
Loans and advances written off during the year as uncollectible	–	(548,287)	–	(345,552)
Recoveries of loans and advances written off in prior years	–	58,284	–	10,465
<b>Balance at the end of the year</b>	<b>3,501,050</b>	<b>730,545</b>	2,492,792	460,142

	2016		2015	
	Corporate	Retail	Corporate	Retail
<b>Balance at the beginning of the year</b>	<b>2,042,541</b>	<b>910,393</b>	1,594,439	739,656
Impairment allowances for loans and advances charged to profit or loss	1,953,453	711,470	1,112,175	404,044
Reversal of impairment allowances for loans and advances	(343,726)	(440,134)	(366,540)	(136,260)
Net impairment allowances for loans and advances charged to profit or loss	1,609,727	271,336	745,635	267,784
Unwind of discount on allowances	(84,366)	(28,033)	(44,866)	(14,627)
Loans and advances written off during the year as uncollectible	(351,420)	(196,867)	(253,314)	(92,238)
Recoveries of loans and advances written off in prior years	37,062	21,222	647	9,818
<b>Balance at the end of the year</b>	<b>3,253,544</b>	<b>978,051</b>	2,042,541	910,393

## Notes to the Financial Statements

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

### 18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (c) Loans and advances individually recognised for impairment allowance

	As at 31 December			
	2016		2015	
	Impaired loan	Individual Impairment	Impaired loan	Individual Impairment
Corporate	1,048,222	546,847	883,238	330,517
Individual	394,277	183,698	327,090	129,625
	<b>1,442,499</b>	<b>730,545</b>	1,210,328	460,142

	As at 31 December	
	2016	2015
Individually impaired loans to gross loans and advances to customers	<b>0.96%</b>	0.97%

#### (d) Package disposal of loans and advances to customers

For the year ended 31 December 2016, the Bank disposed of packaged loans to the third parties with a gross amount of RMB1,464,272 thousand (impairment allowance for these loans before package disposal was RMB267,784 thousand). The Bank derecognised these loans accordingly.

### 19 INVESTMENT SECURITIES

	As at 31 December	
	2016	2015
<b>Investment securities – loans and receivables</b>		
Debt securities – at amortised cost		
– Trust investments <sup>(a)</sup>	35,231,091	50,160,905
– Wealth management products purchased from financial institutions	8,423,514	4,308,582
– Directional asset management plans <sup>(b)</sup>	28,793,071	13,516,686
– Commercial acceptance bills purchased under resale agreements	–	4,306,545
– Local government bonds	4,096,900	958,900
– Asset-Backed Securities	6,010	27,882
Less: Impairment allowances	(799,831)	(271,286)
<b>Loans and receivables – Total</b>	<b>75,750,755</b>	<b>73,008,214</b>
<b>Investment securities – available-for-sale</b>		
Debt securities – at fair value		
– Listed outside Hong Kong	4,976,026	8,006,306
– Unlisted	18,332,753	10,472,231
<b>Debt securities</b>	<b>23,308,779</b>	<b>18,478,537</b>
<b>Equity securities – at fair value</b>		
– Unlisted	576,664	492,416
Others	14	14
<b>Available-for-sale – Total</b>	<b>23,885,457</b>	<b>18,970,967</b>



## Notes to the Financial Statements

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

### 19 INVESTMENT SECURITIES (Continued)

	As at 31 December	
	2016	2015
<b>Investment securities – held-to-maturity</b>		
Debt securities – at amortised cost		
– Listed outside Hong Kong	13,750,809	4,457,687
– Unlisted	6,043,733	9,359,037
<b>Held-to-maturity – Total</b>	<b>19,794,542</b>	<b>13,816,724</b>

Movement of impairment allowance for investment securities:

	Loans and receivables	Available-for-sale financial assets	Held-to- maturity investments	Total
As at 1 January 2016	271,286	–	–	271,286
Charge for the year (Note 11)	541,021	–	–	541,021
Reversal of the year (Note 11)	(12,476)	–	–	(12,476)
As at 31 December 2016	799,831	–	–	799,831

	Loans and receivables	Available-for-sale financial assets	Held-to- maturity investments	Total
As at 1 January 2015	154,172	–	–	154,172
Charge for the year (Note 11)	122,246	–	–	122,246
Reversal of the year (Note 11)	(5,132)	–	–	(5,132)
As at 31 December 2015	271,286	–	–	271,286

## Notes to the Financial Statements

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

### 19 INVESTMENT SECURITIES (Continued)

Investment securities are analysed by issuer as follows:

	As at 31 December	
	2016	2015
<b>Investment securities – loans and receivables</b>		
– Trust company	35,237,101	50,188,787
– Security company	14,455,970	13,411,717
– Fund company	151,023	–
– Commercial bank	8,423,514	8,615,127
– Asset management company	14,186,078	104,969
– Local government	4,096,900	958,900
Less: Impairment allowance	(799,831)	(271,286)
	<b>75,750,755</b>	<b>73,008,214</b>
<b>Investment securities – available-for-sale</b>		
– Policy bank	3,581,372	3,079,089
– Corporate entity	16,570,761	15,140,594
– Commercial bank	50,564	70,611
– Trust company	311,354	188,243
– Fund company	2,600,000	–
– Government	194,728	–
– Equity investment at fair value	576,664	492,416
– Others	14	14
	<b>23,885,457</b>	<b>18,970,967</b>
<b>Investment securities – held-to-maturity</b>		
– Government	16,167,633	10,515,099
– Policy bank	3,176,909	2,835,625
– Commercial bank	420,000	420,000
– Corporate entity	30,000	46,000
	<b>19,794,542</b>	<b>13,816,724</b>

## Notes to the Financial Statements

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

### 19 INVESTMENT SECURITIES (Continued)

#### (a) Trust investments:

	As at 31 December	
	2016	2015
Trust investments purchased from trust company		
– guaranteed by other bank	1,000,000	2,248,800
– guaranteed by guarantee company	565,000	2,731,000
– pledged by certificates of deposit	1,220,300	11,110,400
– collateralised by properties	17,785,743	22,725,705
– guaranteed by third-party company	7,461,000	1,874,000
– unsecured	468,048	–
Subtotal	28,500,091	40,689,905
Trust investments purchased from commercial bank		
– guaranteed by other bank	6,731,000	9,471,000
Total	35,231,091	50,160,905

#### (b) Directional asset management plans:

	As at 31 December	
	2016	2015
Asset management plans purchased from securities company		
– guaranteed by other bank	721,000	2,727,000
– guaranteed by guarantee company	–	120,000
– pledged by certificates of deposit	2,076,808	2,811,212
– collateralised by properties	880,000	580,000
– guaranteed by third-party company	2,539,010	864,000
– unsecured	6,382,672	423,025
Subtotal	12,599,490	7,525,237
Asset management plans purchased from commercial bank		
– guaranteed by other bank	1,856,480	5,886,480
Asset management plans purchased from asset management company		
– guaranteed by third-party company	380,000	–
– guaranteed by fund company	358,902	104,969
– unsecured	13,447,176	–
Subtotal	14,186,078	104,969
Asset management plans purchased from fund company		
– unsecured	151,023	–
Total	28,793,071	13,516,686

## Notes to the Financial Statements

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

### 19 INVESTMENT SECURITIES (Continued)

Net gains / (losses) on investment securities include:

	2016	2015
Net gains / (losses) arising from de-recognition of held-for-trading financial assets	12,082	(11,591)
Net (losses) / gains arising from de-recognition of available-for-sale financial assets	(11,734)	1,348
	<b>348</b>	(10,243)

### 20 INVESTMENT IN ASSOCIATES

	As at 31 December	
	2016	2015
Balance at the beginning of the year	29,214	26,405
Additional investment in associates	205,270	–
Share of profit of associates	3,910	2,809
Balance at the end of the year	<b>238,394</b>	29,214

As at 5 May 2011, the Bank invested RMB22,000 thousand in Xingyi Wanfeng Village Bank Co., Ltd. ('Xingyi Wanfeng'), and held 20% of equity interest of RMB110,000 thousand registered capital.

As at 15 June 2016, the Bank invested RMB54,000 thousand in Mashang Consumer Finance Co., Ltd. ('Mashang Finance'). As at 14 August 2016, the Bank increased the investment to RMB205,270 thousand accounting for 15.79% of equity interest of RMB1.3 billion registered capital.

Since 2 of 11 directors of Mashang Finance are appointed by the Bank, the Bank has significant influence on Mashang Finance. Therefore Mashang Finance is regarded as an associate of the Bank.

Investment in associates of the Bank are unlisted corporation's ordinary shares. Assets, liabilities, revenue and profit of associates are listed as follows:

	Place of incorporation	Assets	Liabilities	Revenue	Profit	Interest held
As at/for the year ended 31 December 2016						
Xingyi Wanfeng	PRC	1,531,825	1,367,062	65,165	20,734	20%
Mashang Finance	PRC	7,629,866	6,336,434	157,911	6,522	15.79%
As at/for the year ended 31 December 2015						
Xingyi Wanfeng	PRC	1,402,697	1,257,963	49,921	14,043	20%

## Notes to the Financial Statements

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

### 21 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
<b>Cost</b>						
As at 1 January 2016	1,906,962	18,478	316,984	115,446	907,708	3,265,578
Additions	8,931	445	42,995	6,769	122,837	181,977
Construction in progress transfer in/(out)	180,624	–	–	–	(180,624)	–
Disposals	(95)	–	(508)	(44)	–	(647)
Transfer to amortisation of long-term prepaid expenses	–	–	–	–	(478)	(478)
<b>As at 31 December 2016</b>	<b>2,096,422</b>	<b>18,923</b>	<b>359,471</b>	<b>122,171</b>	<b>849,443</b>	<b>3,446,430</b>
<b>Accumulated depreciation</b>						
As at 1 January 2016	(344,645)	(16,535)	(205,377)	(72,014)	–	(638,571)
Charge for the year (Note 9)	(64,090)	(901)	(37,762)	(14,507)	–	(117,260)
Disposals	91	–	503	43	–	637
<b>As at 31 December 2016</b>	<b>(408,644)</b>	<b>(17,436)</b>	<b>(242,636)</b>	<b>(86,478)</b>	<b>–</b>	<b>(755,194)</b>
<b>Net book value</b>						
<b>As at 31 December 2016</b>	<b>1,687,778</b>	<b>1,487</b>	<b>116,835</b>	<b>35,693</b>	<b>849,443</b>	<b>2,691,236</b>
<b>Cost</b>						
As at 1 January 2015	1,779,013	18,478	290,127	109,972	745,541	2,943,131
Additions	6,527	–	37,511	11,137	284,879	340,054
Construction in progress transfer in/(out)	121,756	–	–	956	(122,712)	–
Disposals	(334)	–	(10,654)	(6,619)	–	(17,607)
As at 31 December 2015	1,906,962	18,478	316,984	115,446	907,708	3,265,578
<b>Accumulated depreciation</b>						
As at 1 January 2015	(286,240)	(15,185)	(181,011)	(64,041)	–	(546,477)
Charge for the year (Note 9)	(58,476)	(1,350)	(34,148)	(14,298)	–	(108,272)
Disposals	71	–	9,782	6,325	–	16,178
As at 31 December 2015	(344,645)	(16,535)	(205,377)	(72,014)	–	(638,571)
<b>Net book value</b>						
As at 31 December 2015	1,562,317	1,943	111,607	43,432	907,708	2,627,007

## Notes to the Financial Statements

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

### 22 OTHER ASSETS

	As at 31 December	
	2016	2015
Interest receivable <sup>(a)</sup>	2,238,064	1,766,333
Fee and commission receivable	360,966	218,664
Other receivables	547,601	276,948
Less: Impairment allowance	(6,086)	(2,214)
Land use rights <sup>(b)</sup>	158,320	163,183
Leasehold improvement	58,587	53,341
Intangible assets <sup>(c)</sup>	74,013	69,429
Foreclosed assets	24,812	21,547
Prepaid rental expenses	24,740	50,168
Investment properties <sup>(d)</sup>	4,403	4,714
Settlement fund	51,310	40,865
Other	10,486	–
	<b>3,547,216</b>	<b>2,662,978</b>

(a) *Interest receivable*

	As at 31 December	
	2016	2015
Due from and placements with banks, other financial institutions and central bank	102,885	48,108
Investment securities	1,499,795	1,331,548
Loans and advances to customers	635,384	386,677
	<b>2,238,064</b>	<b>1,766,333</b>

(b) *Land use rights*

	2016	2015
<b>Cost</b>		
Balance at the beginning and the end of the year	194,165	194,165
<b>Accumulated amortisation</b>		
Balance at the beginning of the year	(30,982)	(26,119)
Amortisation for the year ( <i>Note 9</i> )	(4,863)	(4,863)
Balance at the end of the year	(35,845)	(30,982)
<b>Net book value</b>		
Balance at the end of the year	<b>158,320</b>	<b>163,183</b>

## Notes to the Financial Statements

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

### 22 OTHER ASSETS (Continued)

#### (c) Intangible assets

	2016	2015
<b>Cost</b>		
Balance at the beginning of the year	153,175	126,637
Additions	27,808	26,538
Balance at the end of the year	180,983	153,175
<b>Accumulated amortisation</b>		
Balance at the beginning of the year	(83,746)	(64,073)
Amortisation for the year (Note 9)	(23,224)	(19,673)
Balance at the end of the year	(106,970)	(83,746)
<b>Net book value</b>		
Balance at the end of the year	74,013	69,429

#### (d) Investment properties

	2016	2015
<b>Cost</b>		
Balance at the beginning and the end of the year	9,868	9,868
<b>Accumulated depreciation</b>		
Balance at the beginning of the year	(5,154)	(4,836)
Depreciation charged for the year (Note 9)	(311)	(318)
Balance at the end of the year	(5,465)	(5,154)
<b>Net book value</b>		
Balance at the end of the year	4,403	4,714

### 23 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2016	2015
Loans from central bank	1,957,148	3,586,768
Deposits from other banks	28,190,198	28,777,759
Deposits from other financial institutions	12,126,278	12,682,929
Loans from other banks and financial institutions	2,585,950	3,000,000
Notes sold under repurchase agreements	12,506,491	25,188,099
Securities sold under repurchase agreements	2,984,720	–
	60,350,785	73,235,555

## Notes to the Financial Statements

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

### 24 CUSTOMER DEPOSITS

	As at 31 December	
	2016	2015
Corporate demand deposits	68,206,142	57,102,294
Corporate time deposits	86,326,675	77,426,011
Individual demand deposits	9,681,691	8,979,971
Individual time deposits	49,013,416	31,197,219
Other deposits	16,365,869	24,593,210
	<b>229,593,793</b>	199,298,705
Including:		
Pledged deposits held as collateral	11,115,432	16,619,121

### 25 OTHER LIABILITIES

	As at 31 December	
	2016	2015
Interest payable <sup>(a)</sup>	2,502,862	2,556,104
Wealth management products	480,119	2,621,394
Employee benefits payable	558,066	677,195
Value added tax/Business tax and other taxes payable <sup>(b)</sup>	249,478	156,034
Dividends payable	16,259	13,284
Deferred income	70,000	70,000
Other payables	481,999	443,893
Promissory notes issued	67,003	627,080
Others	28,147	53,017
	<b>4,453,933</b>	7,218,001

(a) *Interest payable*

	As at 31 December	
	2016	2015
Deposits from banks and other financial institutions	263,143	394,647
Customer deposits	2,042,368	2,020,910
Debt securities issued	197,351	140,547
Total	<b>2,502,862</b>	2,556,104

- (b) *Since 1 May 2016, according to the Notice on the Pilot Program of Levying Value-added Tax in Lien of Business Tax. (Cai Shui [2016] No. 36) which issued by MOF, value added tax, with a tax rate of 6%, replacing the existing business tax will be levied for certain pilot industries, including financial industry, on a national-wide basis. The business tax, with a tax rate of 5%, was still applicable for aforesaid business before 1 May 2016.*

*Except for the statements above, the Bank has no other significant changes of taxation.*



## Notes to the Financial Statements

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

### 26 DEFERRED INCOME TAXES

Deferred income taxes were calculated based on all temporary differences through liability method using an effective tax rate of 25% for the year ended 31 December 2016 (2015: 25%) for transactions.

Movements in the deferred income tax are listed as follows:

	As at 31 December	
	2016	2015
Balance at the beginning of the year	505,920	317,765
Charge to profit or loss ( <i>Note 13</i> )	446,862	288,275
Fair value changes of available-for-sale securities	52,489	(100,120)
Balance at the end of the year	1,005,271	505,920

Deferred income tax assets and liabilities are attributable to the following items:

	As at 31 December	
	2016	2015
<b>Deferred income tax assets</b>		
Assets impairment allowances	863,642	495,648
Others	230,422	163,453
	1,094,064	659,101
<b>Deferred income tax liabilities</b>		
Fair value gains	(85,300)	(153,181)
Others	(3,493)	–
	(88,793)	(153,181)
<b>Net deferred income tax assets</b>	1,005,271	505,920

Deferred income tax in the statement of comprehensive income comprises the following temporary differences:

	2016	2015
Assets impairment allowances	367,994	198,339
Fair value losses	15,392	33
Others	63,476	89,903
	446,862	288,275

## Notes to the Financial Statements

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

### 27 RETIREMENT BENEFIT OBLIGATIONS

The Bank pays supplementary retirement benefits to employees in Mainland China, who retired before 30 June 2011. The Bank's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Bank is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on government bonds at the balance sheet date, the maturity dates of which approximate to the terms of the Bank's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are charged or credited to the statement of comprehensive income as they occur. The amounts recognised in the statement of financial position represent the present value of unfunded obligations plus any unrecognised actuarial gains and losses minus any unrecognised past service cost.

Employees who retire after 1 January 2010 can voluntarily participate in an annuity plan set up by the Bank pursuant to related state corporate annuity regulations. The Bank contributes to the annuity plan based on certain percentage of the employees' gross salary of previous year and the contribution is recognised in other comprehensive income as incurred.

	2016	2015
Expenses incurred for retirement benefit plans	107,818	98,719
Expenses incurred for supplementary retirement benefits	807	677
Expenses incurred for corporate annuity plan	43,396	41,294
Total (Note 10)	152,021	140,690

	As at 31 December	
	2016	2015
Statement of financial position obligations for:		
– Pension benefits	22,745	23,380

	2016	2015
Statement of comprehensive income charge for:		
– Pension benefits	807	677

The amounts recognised in the statements of financial position are determined as follows:

	As at 31 December	
	2016	2015
Present value of unfunded obligations	22,745	23,380
Unrecognised past service cost	–	–
Net amount of liabilities in the statement of financial position	22,745	23,380

## Notes to the Financial Statements

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

### 27 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Movements of the present value of unfunded obligations are as follows:

	As at 31 December	
	2016	2015
Balance at the beginning of the year	23,380	20,977
Retirement benefits paid	(1,762)	(1,566)
Current service cost	–	–
Interest cost	807	677
Net actuarial gains	320	3,292
Past service cost	–	–
Balance at the end of the year	22,745	23,380

Amounts of retirement benefits recognised in the statement of comprehensive income are as follows:

	2016	2015
Current service cost	–	–
Interest cost	807	677
Past service cost	–	–
Retirement benefit expense – total	807	677

Revaluation of pension scheme recognised in the statement of other comprehensive income is as follows:

	2016	2015
Revaluation of pension scheme	240	2,469

The principal actuarial assumptions for calculating retirement benefits obligations are as follows:

	As at 31 December	
	2016	2015
Discount rate	3.59%	3.35%
Inflation rate for pension benefits	4.00%	4.00%

The mortality assumptions are determined based on the statistics published by China Insurance Regulatory Commission.

The following table lists an average life expectancy in years of a pensioner retiring at age 60 for male and 55 for female:

	As at 31 December	
	2016	2015
Male	22.08	22.08
Female	29.58	29.58

## Notes to the Financial Statements

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

### 28 DEBT SECURITIES ISSUED

	As at 31 December	
	2016	2015
Subordinated debts		
Fixed rate subordinated debt – 2022 <sup>(a)</sup>	796,523	795,902
Fixed rate tier II capital debt – 2026 <sup>(b)</sup>	1,497,168	–
Financial debt		
Fixed rate financial debt – 2018 <sup>(c)</sup>	2,995,894	2,992,474
Inter-bank certificate of deposit <sup>(d)</sup>	49,308,667	14,702,366
	<b>54,598,252</b>	<b>18,490,742</b>

(a) Pursuant to a resolution of the Extraordinary General Meeting passed on 12 August 2011 and Approval to Bank of Chongqing to Issue Subordinated Debt (Yin Jian Fu [2011] No. 511) issued by the CBRC on 18 November 2011 on 18 November 2011, the Bank issued a RMB 800 million subordinated debt within China domestic Interbank Bond Market in March 2012. The fixed-rate subordinated debt issued has a maturity of 10 years, with a fixed coupon rate of 6.8% per annum for ten years, payable annually. The Bank decided to redeem the bond on 21 March 2017.

(b) Pursuant to a resolution of the Extraordinary General Meeting passed on 16 May 2014 and the Approval to Bank of Chongqing to Issue Tier 2 Capital Debt (Yu Yin Jian Fu [2015] No. 107) issued by the CBRC on 21 September 2015, the Bank issued a RMB 1.5 billion tier II capital debt within China domestic Interbank Bond Market in February 2016. The fixed-rate tier II capital debt issued has a maturity of 10 years, with a fixed coupon rate of 4.4% per annum for ten years, payable annually. The Bank has the option to redeem all of the bonds at the face value on 22 February 2021.

The debt has the write-down characteristics of the tier II capital instrument. When the supervised trigger events which are appointed in the issuing document occur, the Bank has the right to write down the principal of the debt and any accumulated interest payables will not be paid as well. According to the related regulations issued by the CBRC, the tier II capital debt meets the standards of the qualified tier II capital instrument.

The subordinated debts are subordinated to all other claims on the assets of the Bank except for the Bank's share capital. In the calculation of the Bank's capital adequacy ratio, those debts qualify for inclusion as supplementary capital pursuant to related regulations of the CBRC.

(c) Pursuant to a resolution of the Extraordinary General Meeting passed on 25 November 2011 and Approval to Bank of Chongqing to Issue Small and Micro Enterprises Financial Debt (Yin Jian Fu [2012] No. 526) issued by the CBRC on 21 September 2012, the Bank issued a RMB 3 billion financial bond within China domestic interbank bond market in April 2013. The financial bond issued has a maturity of 5 years, with a fixed coupon rate of 4.78% per annum for five years, payable annually. The fund is raised all for small and micro enterprise loans.

(d) In 2016, the Bank issued 71 inter-bank certificates of deposit at discounts with maturities from one month to one year. As at 31 December 2016, 59 of them are not yet due with a total par value of RMB50 billion.

As at 31 December 2016 and 2015, there was no default of principal and interest or other breach with respect to these debts from the issuance of these debt securities.

## Notes to the Financial Statements

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

### 29 SHARE CAPITAL

All shares of the Bank issued are fully paid ordinary shares. The par value per share is RMB1. The number of Bank's shares is as follows:

	Number of shares (in thousand)	Amount
As at 31 December 2015 and 2016	3,127,055	3,127,055

### 30 CAPITAL SURPLUS

Generally, transactions of the following nature are recorded in the capital surplus:

- (a) Share premium arising from the issue of shares at prices in excess of their par value;
- (b) Donations received from shareholders; and
- (c) Any other items required by the PRC regulations to be so treated.

Capital surplus can be utilised for the issuance of bonus shares or for increasing paid-in capital as approved by the shareholders at the annual general shareholders' meeting.

The Bank issued shares at share premium. Share premium was recorded in the capital surplus after deducting direct issuance costs, which mainly included underwriting fees and professional fees.

As at 31 December 2016 and 2015, the Bank's capital surplus is shown as follow:

	As at 31 December	
	2016	2015
Share premium	4,679,838	4,679,838
Donations received from shareholders	800	800
	<b>4,680,638</b>	4,680,638

## Notes to the Financial Statements

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

### 31 OTHER RESERVES

	Surplus reserve <sup>(a)</sup>	General reserve <sup>(b)</sup>	Revaluation reserve for available-for- sale securities	Remeasurement of retirement benefits	Total
<b>Balance at 1 January 2016</b>	<b>1,522,214</b>	<b>3,426,582</b>	<b>390,730</b>	<b>(2,227)</b>	<b>5,337,299</b>
Other comprehensive income	–	–	(157,468)	(240)	(157,708)
Addition	350,217	615,839	–	–	966,056
<b>Balance at 31 December 2016</b>	<b>1,872,431</b>	<b>4,042,421</b>	<b>233,262</b>	<b>(2,467)</b>	<b>6,145,647</b>
<b>Balance at 1 January 2015</b>	1,205,208	2,502,432	90,370	242	3,798,252
Other comprehensive income	–	–	300,360	(2,469)	297,891
Addition	317,006	924,150	–	–	1,241,156
<b>Balance at 31 December 2015</b>	<b>1,522,214</b>	<b>3,426,582</b>	<b>390,730</b>	<b>(2,227)</b>	<b>5,337,299</b>

(a) *Surplus reserve*

*In accordance with the Company Law of the People's Republic of China and the Bank's Articles of Association, 10% of the net distributable profit of the Bank, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital of the Bank. With approval, statutory surplus reserve can be used for making up losses, or increasing the share capital.*

*In accordance with a resolution of the Board of Directors dated 21 March 2016, the Bank appropriated 10% of the net profit for the year ended 31 December 2016 to the statutory surplus reserves, amounting to RMB350,217 thousand (2015: RMB317,006 thousand).*

(b) *General reserve*

*Since 1 July 2012, the Bank appropriates general reserves according to Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance (MOF). In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets. This measure also stipulates that if the balance of general risk reserve for a financial enterprise can hardly reach 1.5% of the aggregate amount of all risk assets, the reserve may be appropriated to 1.5% during certain years, which shall not exceed 5 years in principle.*

*A general reserve of RMB690,895 thousand based on 1.5% of the ending balance of risk assets for the year ended 31 December 2016 was proposed for approval at the Annual General Meeting. These financial statements do not reflect this general reserve.*

## Notes to the Financial Statements

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

### 32 DIVIDENDS

	2016	2015
Dividend declared during the year	825,542	735,822
Dividend per share (in RMB)(Based on prior year shares)	0.264	0.272

Under the PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up prior year's cumulative losses, if any;
- (ii) Allocations to the non-distributable statutory accumulation reserve of 10% of the net profit of the Bank.

In accordance with the relevant regulations, after the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with the China Accounting Standards for Business Enterprises and (ii) the retained profit determined in accordance with IFRS.

A dividend of RMB0.291 per share in respect of profit for the year ended 31 December 2016 (2015:RMB0.264 per share), amounting to a total dividend of RMB909,973 thousand based on the number of shares issued as at 31 December 2016, will be proposed for approval at the Annual General Meeting. These financial statements do not reflect this dividend payable in liabilities.

### 33 STRUCTURED ENTITY

#### (a) Consolidated structured entity

The Bank has consolidated certain structured entities which mainly are wealth management products where the Bank provides financial guarantee. When assessing whether to consolidate structured entities, the Bank reviews all facts and circumstances to determine whether the Bank, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For those wealth management products where the Bank provides financial guarantee, the Bank therefore has obligation to fund the losses, if any, in accordance with the guarantee agreements although the Bank does not have any investment in those products. The Bank concludes that these structured entities shall be consolidated.

As at 31 December 2016, the wealth management products managed and consolidated by the Bank amounted to RMB5,046,598 thousand (31 December 2015: RMB7,757,477 thousand). The financial impact of any individual wealth management products on the Bank's financial performance is not significant. Interests held by interest holders in wealth management products are included in customer deposits and due to other banks and financial institutions.

## Notes to the Financial Statements

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

### 33 STRUCTURED ENTITY (Continued)

#### (b) Unconsolidated structured entity

##### (i) Unconsolidated structured entities managed by the Bank

The unconsolidated structure entities managed by the Bank are mainly wealth management products issued and managed by the Bank acting as an agent. Based on the analysis and research on the potential targeted clients, the Bank designs and sells capital investment and management plan to specific targeted clients, and the raised funds are then put into related financial market or invested in related financial products according to the product contracts. Gains would be allocated to investors after the Bank gained from investment. The Bank receives corresponding wealth management commission fee income as the asset manager. The Bank has recognised net commission income from unsecured wealth management products with the amount of RMB637,719 thousand for the year ended 31 December 2016 through provision of asset management service (2015: RMB326,845 thousand). The Bank expects that the variable return is insignificant as to the structured entities. By the end of 31 December 2016, the maximum risk exposure of the unconsolidated structured entities is zero (31 December 2015: nil). The bank has not provided any liquidity support to the wealth management products during the year.

As at 31 December 2016, the balance of unconsolidated wealth management products managed and consolidated by the Bank was RMB36,944,566 thousand (31 December 2015: RMB25,127,360 thousand).

##### (ii) Unconsolidated structured entities invested by the Bank

In 2016, to make better use of capital for profit, the Bank invested in unconsolidated structured entities, mainly including the wealth management products, capital trust schemes and directional asset management plans issued and managed by independent third parties. The Bank classified the unconsolidated structured entities as loans and receivables.

The table below lists the book value and maximum loss risk exposure of the assets due to the holdings of profits from unconsolidated structured entities.

	Book value	Maximum risk exposure
<b>As at 31 December 2016</b>		
<b>Investment securities - loans and receivables</b>	<b>71,653,855</b>	<b>71,653,855</b>
<hr/>		
As at 31 December 2015	Book value	Maximum risk exposure
Investment securities - loans and receivables	69,557,476	69,557,476



## Notes to the Financial Statements

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

### 33 STRUCTURED ENTITY (Continued)

#### (b) Unconsolidated structured entity (Continued)

##### (ii) Unconsolidated structured entities invested by the Bank (Continued)

The interest income and fee and commission income from the above unconsolidated structured entities were:

	2016	2015
Interest income	4,353,769	4,337,606
Fee and commission income	1,319,228	933,419
	<b>5,672,997</b>	5,271,025

The market information of total size of the unconsolidated structured entities listed above is not readily available from the public.

For the year ended 31 December 2016, there was no loss related to the above unconsolidated structured entities (2015: nil).

For the year ended 31 December 2016, the Bank had no plan to provide any financial or other support to unconsolidated structured entities (2015: nil).

### 34 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

#### Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Bank's financial guarantees and credit related commitments which the Bank has committed to the customers:

	As at 31 December	
	2016	2015
Guarantees	4,226,922	2,280,292
Letters of credit	4,223,832	1,213,968
Acceptances	19,704,807	30,088,599
Other commitments with an original maturity of		
– Within 1 year	2,566,179	2,116,877
	<b>30,721,740</b>	35,699,736

## Notes to the Financial Statements

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

### 34 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

#### Capital expenditure commitments

	As at 31 December	
	2016	2015
Contracted but not provided for:		
– Capital expenditure commitments for buildings	161,235	183,412
– Acquisition of IT system	104,007	57,826
	265,242	241,238
Authorised but not contracted for:		
– Capital expenditure commitments for buildings	179,499	139,025

#### Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under irrevocable operating leases in respect of buildings are as follows:

	As at 31 December	
	2016	2015
Within 1 year	51,925	60,066
After 1 year but within 5 years	94,905	110,211
After 5 years	24,459	24,901
	171,289	195,178

#### External investment commitment

According to the investment agreement signed with Qidi Holding Co., Ltd., Chongqing Yijin Aluminum Co., Ltd., and Longkou Tianshun Wall Material Co., Ltd. on 28 September 2016, the Bank promised to contribute RMB1,530,000 thousand in establishing Chongqing Xinyu Financial Leasing Co., Ltd. with shareholding at 51%. Up to 31 December 2016, the Bank had not made the payment yet.

#### Legal proceedings

Legal proceedings are initiated by third parties against the Bank as defendant. The Bank has 9 outstanding legal claims of RMB15,615 thousand as at 31 December 2016 (31 December 2015: 2 outstanding legal claims for loan of RMB6,000 thousand and for mortgage of RMB23,000 thousand respectively). After consulting legal professionals, the management believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Bank.

## Notes to the Financial Statements

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

### 35 COLLATERALS

#### (a) Assets pledged

As at 31 December 2016, the carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	As at 31 December	
	2016	2015
Debt securities	2,984,720	–
Notes under resale agreements	11,447,635	16,669,404
Discounted bills	358,830	595,988
<b>Total</b>	<b>14,791,185</b>	<b>17,265,392</b>

As at 31 December 2016, the carrying amounts of loans pledged as collateral under refinance agreements with PBOC are as follows:

	As at 31 December	
	2016	2015
Loans	4,294,190	203,000

As at 31 December 2016, the Bank's repurchase agreements and refinance agreements were due within 12 months.

#### (b) Collateral accepted

The bank received debt securities and bills as collaterals in connection with the purchase of assets under resale agreements. Some of these collaterals accepted can be resold or repledged.

As at 31 December 2016, the Bank has accepted collaterals that can be resold or repledged with a fair value of RMB32,775,458 thousand (31 December 2015: RMB26,170,546 thousand). The bank has repledged collaterals accepted that the Bank is obligated to repay with a fair value of RMB11,447,635 thousand as at 31 December 2016 (31 December 2015: RMB16,669,404 thousand).

### 36 CREDIT RISK-WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS

	As at 31 December	
	2016	2015
Financial guarantees and credit related commitments	9,927,931	10,258,298

The credit risk weighted amount refers to the amount calculated in accordance with the formula promulgated by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and credit commitments.

## Notes to the Financial Statements

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

### 37 OTHER COMPREHENSIVE INCOME

	Before tax amount	Tax expense (benefit)	Net of tax amount
<b>As at 31 December 2016</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	(209,957)	52,489	(157,468)
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Revaluation of pension scheme	(320)	80	(240)
<b>Other comprehensive income/(losses) for the year</b>	<b>(210,277)</b>	<b>52,569</b>	<b>(157,708)</b>
<b>As at 31 December 2015</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	400,480	(100,120)	300,360
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Revaluation of pension scheme	(3,292)	823	(2,469)
<b>Other comprehensive income/(losses) for the year</b>	<b>397,188</b>	<b>(99,297)</b>	<b>297,891</b>

### 38 NOTES TO STATEMENTS OF CASH FLOW

For the purposes of the statement of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	As at 31 December	
	2016	2015
Cash and balances with central bank	10,205,412	9,388,195
Due from other banks and financial institutions	9,434,308	8,469,684
Placements with banks	5,148,609	260,390
	<b>24,788,329</b>	<b>18,118,269</b>

## Notes to the Financial Statements

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

### 39 RELATED PARTY TRANSACTIONS

The Bank has no control over or controlled by any related parties or joint ventures during the reporting period.

The related parties of the Bank mainly include: the major shareholders who have 5% or more shares of the Bank as well as the entities controlled by them, the Bank's associates, the key management personnel (including the Bank's directors, supervisors and senior management) and their family members who have close relationships with them as well as the entities which are controlled, joint controlled or can be significantly influenced by the Bank's key management personnel or their family members, and the entities in which the Bank's key management personnel or their close family members act as directors or senior management except the Bank.

The main transactions between the Bank and the related parties were engaged under ordinary business terms.

All transaction balances and ranges of the interest rate with the related parties at the end of reporting period are as follows:

	As at 31 December	
	2016	2015
Loans and advances to customers	395,292	346,526
Customer deposits	328,038	1,465,429
Due to other banks and financial institutions	527,483	5,013
Other receivables	284,000	230,000

	As at 31 December	
	2016	2015
Loans and advances to customers	4.165%-7.04%	4.28%-7.21%
Customer deposits	0.385%-5.225%	0.385%-5.225%
Due to other banks and financial institutions	0.385%	0.385%

	2016		2015	
	Interest income from loans and advances to customers	20,643		27,267
Interest expense for customer deposits	2,804		4,629	
Fee and commission income	-		-	

## Notes to the Financial Statements

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

### 39 RELATED PARTY TRANSACTIONS (Continued)

Balance of loans and advances to customers guaranteed by the related parties are as follows:

	As at 31 December	
	2016	2015
Chongqing Xingnong Financing Guarantee Group Co., Ltd.	2,568,393	1,903,625
Chongqing Sanxia Guarantee Group Corporation	963,242	1,535,864
Chongqing Tourism Investment Group Co., Ltd.	–	260,000
Chongqing Blue Ocean Financing Guarantee Co., Ltd.	154,747	207,627
Chongqing Export-Import Credit Guarantee Co., Ltd.	111,000	202,000
Chongqing Liangjiang New Area Investment Group Co., Ltd.	–	100,000
Chongqing Yufu Assets Management Group Co., Ltd.	–	98,800
Chongqing Water Investment Group Co., Ltd.	–	121,500
Chongqing Kangtian Real Estate Co., Ltd.	–	2,589
	<b>3,797,382</b>	4,432,005

#### Transactions with key management personnel

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the business of the Bank, directly or indirectly, including Directors, Supervisors and senior management personnel.

The Bank enters into banking transactions with key management personnel in the normal course of business. During the years ended 31 December 2016 and 2015, there was no material transaction and balance with key management personnel on an individual basis.

The compensation for key management for the years ended 31 December 2016 and 2015 comprises:

	2016	2015
Remunerations, salaries, allowances and benefits	4,236	6,300
Discretionary bonuses	5,514	9,685
Contribution to pension schemes	1,183	743
	<b>10,933</b>	16,728

## Notes to the Financial Statements

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

### 40 SEGMENT ANALYSIS

The Bank's operating segments are business units which provide different financial products and services and are engaged in different types of financial transactions. As different operating segments face different clients and counterparties supported by specific techniques and market strategies, they operate independently.

Corporate banking mainly provides corporate customers with financial products and services including deposits and loans.

Retail banking mainly provides individual customers with financial products and services including deposits and loans.

Treasury mainly performs inter-bank lending and borrowing, bonds investment, re-purchasing and foreign currency transactions.

Unallocated classes of business perform the businesses not included in the above three segments or cannot be allocated on an appropriate basis.

	2016				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income/(expense)					
from external customers	3,318,446	(558,257)	4,917,209	–	7,677,398
Inter-segment net interest income/(expense)	1,758,464	1,321,079	(3,079,543)	–	–
<b>Net interest income</b>	<b>5,076,910</b>	<b>762,822</b>	<b>1,837,666</b>	<b>–</b>	<b>7,677,398</b>
<b>Net fee and commission income</b>	<b>154,327</b>	<b>217,398</b>	<b>1,554,292</b>	<b>–</b>	<b>1,926,017</b>
Net trading income/(expense)	10,904	–	(61,570)	–	(50,666)
Net gains on investment securities	–	–	348	–	348
Share of profit of associates	–	–	3,910	–	3,910
Other operating income	1,405	2,567	21,193	24,772	49,937
Impairment losses	(1,830,803)	(45,510)	(523,795)	(11,026)	(2,411,134)
Operating expense	(1,457,721)	(707,983)	(349,150)	(22,444)	(2,537,298)
– Depreciation and amortisation	(98,130)	(47,659)	(23,505)	(1,510)	(170,804)
– Others	(1,359,591)	(660,324)	(325,645)	(20,934)	(2,366,494)
<b>Profit before income tax</b>	<b>1,955,022</b>	<b>229,294</b>	<b>2,482,894</b>	<b>(8,698)</b>	<b>4,658,512</b>
	As at 31 December 2016				
<b>Capital expenditure</b>	<b>90,118</b>	<b>24,837</b>	<b>109,932</b>	<b>610</b>	<b>225,497</b>
<b>Segment assets</b>	<b>149,108,552</b>	<b>41,093,619</b>	<b>181,891,889</b>	<b>1,009,674</b>	<b>373,103,734</b>
<b>Segment liabilities</b>	<b>(175,015,654)</b>	<b>(59,698,940)</b>	<b>(114,578,169)</b>	<b>941</b>	<b>(349,291,822)</b>

## Notes to the Financial Statements

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

### 40 SEGMENT ANALYSIS (Continued)

	2015				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income from external customers	2,242,000	300,151	4,459,922	–	7,002,073
Inter-segment net interest income/(expense)	2,029,518	527,638	(2,557,156)	–	–
<b>Net interest income</b>	<b>4,271,518</b>	<b>827,789</b>	<b>1,902,766</b>	<b>–</b>	<b>7,002,073</b>
<b>Net fee and commission income</b>	<b>346,874</b>	<b>176,931</b>	<b>988,248</b>	<b>–</b>	<b>1,512,053</b>
Net trading income	–	–	23,769	–	23,769
Net losses on investment securities	–	–	(10,243)	–	(10,243)
Share of profit of an associate	–	–	2,809	–	2,809
Other operating income	655	7,505	14,809	41,960	64,929
Impairment losses	(920,274)	(93,145)	(117,114)	(4,767)	(1,135,300)
Operating expense	(1,713,171)	(898,535)	(566,389)	(12,076)	(3,190,171)
– Depreciation and amortisation	(82,342)	(43,187)	(27,223)	(581)	(153,333)
– Others	(1,630,829)	(855,348)	(539,166)	(11,495)	(3,036,838)
<b>Profit before income tax</b>	<b>1,985,602</b>	<b>20,545</b>	<b>2,238,655</b>	<b>25,117</b>	<b>4,269,919</b>
As at 31 December 2015					
<b>Capital expenditure</b>	<b>148,122</b>	<b>55,097</b>	<b>192,582</b>	<b>632</b>	<b>396,433</b>
<b>Segment assets</b>	<b>119,491,853</b>	<b>44,447,139</b>	<b>155,358,361</b>	<b>510,634</b>	<b>319,807,987</b>
<b>Segment liabilities</b>	<b>(165,895,183)</b>	<b>(42,314,118)</b>	<b>(90,304,091)</b>	<b>(1,600)</b>	<b>(298,514,992)</b>

### 41 SUBSEQUENT EVENTS

Up to the date of this report, the Bank has no material events for disclosure after the reporting date.



# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

## 1. Liquidity Ratios

(Expressed in percentage)	As at December 31, 2016	As at December 31, 2015
RMB current assets to RMB current liabilities	60.16	53.74
Foreign currency current assets to foreign currency current liabilities	67.37	311.25

The liquidity ratios are calculated in accordance with the relevant provisions of the PBOC and the CBRC.

## 2. Cross-border Claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include amounts due from other banks and financial institutions.

Cross-border claims have been disclosed by different countries or geographical areas. A country or geographical area is reported separately where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	As at December 31, 2016	As at December 31, 2015
Asia Pacific excluding Mainland China	17,186	2,775,714
– of which attributed to Hong Kong	16,310	2,768,821
Europe	547,791	62,470
North America	429,923	105,307
Oceania	121	46
Total	995,021	2,943,537

## Unaudited Supplementary Financial Information

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

### 3. Currency Concentrations

	Equivalent in RMB			Total
	US Dollar	HK Dollar	Others	
<b>As at December 31, 2016</b>				
Spot assets	6,770,872	5,431	585,249	7,361,552
Spot liabilities	(6,626,496)	(5,431)	(585,250)	(7,217,177)
Net position	144,376	–	(1)	144,375

	Equivalent in RMB			Total
	US Dollar	HK Dollar	Others	
<b>As at December 31, 2015</b>				
Spot assets	1,386,616	2,693,167	120,385	4,200,168
Spot liabilities	(1,252,022)	(8,656)	(122,527)	(1,383,205)
Net position	134,594	2,684,511	(2,142)	2,816,963

### 4. Overdue and Rescheduled Assets

#### (a) Overdue loans

	As at December 31, 2016		As at December 31, 2015	
	Amount	Percentage	Amount	Percentage
		(%)		(%)
Within 3 months	3,313,201	59.26	1,971,551	56.27
Between 3 and 6 months	844,768	15.11	385,222	11.00
Between 6 and 12 months	815,292	14.58	634,362	18.11
Over 12 months	617,612	11.05	512,168	14.62
Total	5,590,873	100.00	3,503,303	100.00

#### (b) Overdue and rescheduled loans

	As at December 31, 2016	As at December 31, 2015
Gross amount of overdue and rescheduled loans	723,912	117,778

## Unaudited Supplementary Financial Information

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

### 4. Overdue and Rescheduled Assets (Continued)

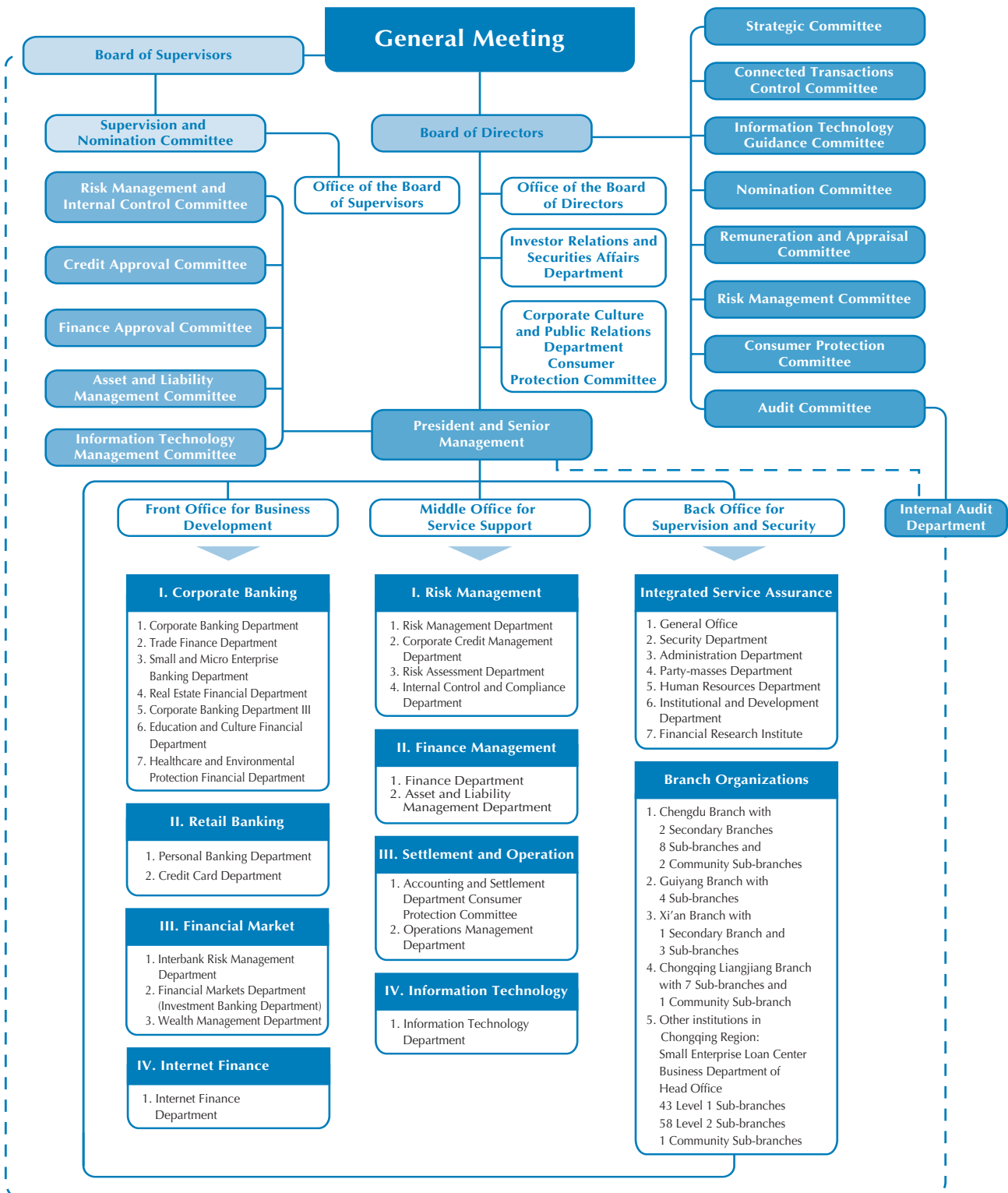
#### (c) Type of collateral of overdue loans

	Past due 1-90 days (including 90 days)	Past due 90 days- 1 year (including 1 year)	Past due 1-3 years (including 3 years)	Past due over 3 years	Total
<b>As at December 31, 2016</b>					
Unsecured loans	67,173	36,689	41,125	–	144,987
Guaranteed loans	1,725,638	633,599	54,207	425	2,413,869
Collateralised loans	1,375,696	916,817	391,438	49,637	2,733,588
Pledged loans	142,433	75,216	80,322	458	298,429
<b>Total</b>	<b>3,310,940</b>	<b>1,662,321</b>	<b>567,092</b>	<b>50,520</b>	<b>5,590,873</b>
<b>As at December 31, 2015</b>					
Unsecured loans	233,038	39,954	2,378	–	275,370
Guaranteed loans	920,753	385,184	150,633	–	1,456,570
Collateralised loans	691,335	556,505	260,213	98,486	1,606,539
Pledged loans	66,380	97,986	458	–	164,824
<b>Total</b>	<b>1,911,506</b>	<b>1,079,629</b>	<b>413,682</b>	<b>98,486</b>	<b>3,503,303</b>

### 5. Geographical Information

The Bank mainly operates its business in Mainland China, and most of its loans and advances are granted to the clients from the city of Chongqing.

# Organizational Chart



# List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
1	Business Department of Bank of Chongqing Co., Ltd.	No. 153 Zourong Road, Yuzhong District, Chongqing	400010
2	Small Enterprise Loan Centre of Bank of Chongqing Co., Ltd.	No. 331 Donghu South Road, Yubei District, Chongqing	401147
3	Liangjiang Branch of Bank of Chongqing Co., Ltd.	No. 52 Middle Section of Huangshan Avenue, Yubei District, Chongqing	401121
4	Chengdu Branch of Bank of Chongqing Co., Ltd.	North Building, New Tianfu International Centre, No. 99 Tianfu Second Street, Hi-Tech District, Chengdu, Sichuan	610059
5	Guiyang Branch of Bank of Chongqing Co., Ltd.	1/F to 3/F, Building II, Shengshi Huating, No. 51 Jiefang Road, Nanming District, Guiyang, Guizhou	550002
6	Xi'an Branch of Bank of Chongqing Co., Ltd.	1/F to 3/F, Building 2, Yinhe Xinzuoobao Building, No. 25 Tangyan Road, Xi'an, Shaanxi	710075
7	Guang'an Branch of Bank of Chongqing Co., Ltd.	1/F and 15/F, Guang'an Power Administration Building, No. 9 Siyuan Avenue, Guang'an District, Guang'an, Sichuan	638000
8	Leshan Branch of Bank of Chongqing Co., Ltd.	(Even No.) No. 438-454 Baiyang Middle Road and (Even No.) No. 206-214 Jiaxing Road, Central District, Leshan, Sichuan	614001
9	Yan'an Branch of Bank of Chongqing Co., Ltd.	No. 1 Nanshi Street, Baota District, Yan'an, Shaanxi	716000
10	Wenhuagong Sub-branch of Bank of Chongqing Co., Ltd.	No. 131 Zhongshan Er Road, Yuzhong District, Chongqing	400014
11	Lianglukou Sub-branch of Bank of Chongqing Co., Ltd.	No. 139 Zhongshan San Road, Yuzhong District, Chongqing	400015
12	Qixinggang Sub-branch of Bank of Chongqing Co., Ltd.	No. 148 Zhongshan Yi Road, Yuzhong District, Chongqing	400013
13	Bayi Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 258 Bayi Road, Yuzhong District, Chongqing	400010
14	The Great Hall Sub-branch of Bank of Chongqing Co., Ltd.	No. 4 Xuetianwan Zheng Street, Yuzhong District, Chongqing	400015
15	Renhe Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 89 Renhe Street, Yuzhong District, Chongqing	400015
16	Shangqingsi Sub-branch of Bank of Chongqing Co., Ltd.	No. 38-4, 5, 6, and 7 Zhongshan Si Road, Yuzhong District, Chongqing	400015
17	Jiefangbei Sub-branch of Bank of Chongqing Co., Ltd.	No. 101 Minzu Road, Yuzhong District, Chongqing	400010
18	Minsheng Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 181 Minsheng Road, Yuzhong District, Chongqing	400010
19	Dayanggou Sub-branch of Bank of Chongqing Co., Ltd.	G/F (street frontage), Oupeng Building, No. 216 Xinhua Road, Yuzhong District, Chongqing	400010

## List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
20	Chaotianmen Sub-branch of Bank of Chongqing Co., Ltd.	No. 7 Datong Street, Yuzhong District, Chongqing	400011
21	Zongbucheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 44 and 46 Huxie Road, Yuzhong District, Chongqing	400011
22	Hualongqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 162 and 164 Ruitian Road, Yuzhong District, Chongqing	400043
23	Renmin Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 129 Renmin Road, Yuzhong District, Chongqing	400015
24	Shidai Tian Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 16-2-35 and 16-2-36 Shidai Tian Street, Yuzhong District, Chongqing	400014
25	Daping Sub-branch of Bank of Chongqing Co., Ltd.	No. 121 Daping Changjiang Er Road, Yuzhong District, Chongqing	400042
26	Minxinjiayuan Community Sub-branch of Bank of Chongqing Co., Ltd.	No. 530-15, 1/F, No. 3 Minxinjiayuan, Beibu New District, Chongqing	401147
27	Xiaolongkan Sub-branch of Bank of Chongqing Co., Ltd.	No. 18 Xiaolongkan New Street, Shapingba District, Chongqing	400030
28	Shazheng Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 37-6 Shazheng Street, Shapingba District, Chongqing	400030
29	Sanxia Plaza Sub-branch of Bank of Chongqing Co., Ltd.	No. 339-3, Xiaolongkan Zheng Street, Shapingba District, Chongqing	400030
30	Tianxingqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 40-28 Tianxingqiao Zheng Street, Shapingba District, Chongqing	400030
31	Chongda Sub-branch of Bank of Chongqing Co., Ltd.	No. 83 Shabei Street, Shapingba District, Chongqing	400044
32	University City Sub-branch of Bank of Chongqing Co., Ltd.	No. 125-127 and 149-152, No. 17 University City West Road, Huxi Town, Shapingba District, Chongqing	400044
33	Dadukou Sub-branch of Bank of Chongqing Co., Ltd.	No. 37-18 Cuibai Road, Chunhui Road Subdistrict, Dadukou District, Chongqing	400084
34	Ganghua Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Shuangshan Road, Dadukou District, Chongqing	400084
35	Jiulong Square Sub-branch of Bank of Chongqing Co., Ltd.	No. 36 Yangjiaping Xijiao Road, Jiulongpo District, Chongqing	400050
36	Baishiyi Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-3, 4, 5, and 6, Unit 1, Building 1, No 23 Bai Xin Road, Baishiyi Town, Jiulongpo District, Chongqing	401329
37	High-Tech Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	No. 1409 Jingwei Avenue, Jiulongpo District, Chongqing	400039
38	Yangjiaping Sub-branch of Bank of Chongqing Co., Ltd.	(Jianye Building) Yangjiaping Labour Village 3, Jiulongpo District, Chongqing	400050
39	Yuzhou Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 18-1 Yuzhou Road, Jiulongpo District, Chongqing	400039

## List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
40	Nanping Sub-branch of Bank of Chongqing Co., Ltd.	2-2, 1/F, No. 199 Nancheng Avenue, Nanping Sub-district, Nan'an District, Chongqing	400060
41	Chayuan New District Sub-branch of Bank of Chongqing Co., Ltd.	No. 101-8 Tongjiang Avenue, Chayuan New District, Nan'an District, Chongqing	401336
42	Danzishi Sub-branch of Bank of Chongqing Co., Ltd.	No. 52 Danzishi New Street, Nan'an District, Chongqing	400061
43	Huilongwan Sub-branch of Bank of Chongqing Co., Ltd.	No. 37, 1/F, No. 29, Nanhu Road, Nan'an District, Chongqing	400060
44	Banan Sub-branch of Bank of Chongqing Co., Ltd.	No. 60-1 Xinshi Street, Banan District, Chongqing	401320
45	Jieshi Sub-branch of Bank of Chongqing Co., Ltd.	No. 137, 139, 141 and 143 Jiemei Road, Jieshi Town, Banan District, Chongqing	401346
46	Lijiatuo Sub-branch of Bank of Chongqing Co., Ltd.	Shop 5 No. 5, Mawangping Zheng Street, Lijiatuo, Banan District, Chongqing	400054
47	Beibei Sub-branch of Bank of Chongqing Co., Ltd.	No. 453, 455 and 457 Yunqing Road, Beibei District, Chongqing	400700
48	Beibeichaoyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 83 Zhongshan Road, Beibei District, Chongqing	400700
49	Southwest University Sub-branch of Bank of Chongqing Co., Ltd.	No. 18 Shigang Village, Beibei District, Chongqing	400700
50	Tianshengqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 85-3 Huangshu Village, Beibei District, Chongqing	400716
51	Beibei District Shuitu Sub-branch of Bank of Chongqing Co., Ltd.	No. 98-27 Fangzheng Avenue, Beibei District, Chongqing	400700
52	Jianxin North Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 23-4 Jianxin North Road, Jiangbei District, Chongqing	400020
53	Ranjiaba Sub-branch of Bank of Chongqing Co., Ltd.	No. 433 and 435 Longshan Road, Nanqiao Temple, Yubei District, Chongqing	400020
54	Wulidian Sub-branch of Bank of Chongqing Co., Ltd.	No. 292 Jianxin East Road, Jiangbei District, Chongqing	400023
55	Jianxin East Road Sub-branch of Bank of Chongqing Co., Ltd.	Baiyexing Building, No. 3-1 Jianxin East Road, Jiangbei District, Chongqing	400020
56	Bonded Port Sub-branch of Bank of Chongqing Co., Ltd.	2-1, 2-2, 2-3, and 2-4, Building 2, Greenfield Bonded Center, Cuntan Street, Jiangbei District, Chongqing	400025
57	Longtousi Sub-branch of Bank of Chongqing Co., Ltd.	No. 331 Donghu South Road, Yubei District, Chongqing	401147
58	Jinkai Sub-branch of Bank of Chongqing Co., Ltd.	No. 11-1 Jintong Road, Beibu New District, Chongqing	401122
59	Yanghe Sub-branch of Bank of Chongqing Co., Ltd.	No. 383 Honghuang Road, Longxi Sub-district, Yubei District, Chongqing	401147
60	Yuanyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 119, Building G8, No. 1122 Jinkai Avenue, Beibu New District, Chongqing	401147

## List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
61	Liangjiang New District Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-3 Xingguang Avenue, Gaoxin Park, Beibu New District, Chongqing	401121
62	Fenglinxiushui Sub-branch of Bank of Chongqing Co., Ltd.	No. 52, 54, 56 and 58 Xihu Road, Yubei District, Chongqing	401120
63	Songshuqiao Sub-branch of Bank of Chongqing Co., Ltd.	District A, Shanghai Building, No. 71 Wuling Road, Longxi Sub-district, Yubei District, Chongqing	401147
64	Renhe Sub-branch of Bank of Chongqing Co., Ltd.	No. 50 Renhe Jile Avenue, Yubei District, Chongqing	401121
65	Jiazhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 115 Jiazhou Road, Yubei District, Chongqing	401147
66	Yuzui Sub-branch of Bank of Chongqing Co., Ltd.	No. 14, 15 and 16, 1/F, Building B2, Tuoxin • Liangjiang Qibocheng, No. 47 Yonghe Road, Yuzui, Liangjiang New District, Chongqing	401133
67	Chang'an Jinxiucheng Community Sub-branch of Bank of Chongqing Co., Ltd.	Shop 1027, Second District, No. 109 Songpai Road (Chang'an Jinxiucheng), Longxi Subdistrict, Yubei District, Chongqing	401147
68	Red Star Plaza Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1, 1-2, and 1-3, Building 4, No. 42 Golden State Avenue, Beibu New District, Chongqing	401120
69	Yubei Sub-branch of Bank of Chongqing Co., Ltd.	Shops 1-1 and 2-1 of Integrated Commercial Complex of Shengjing Tianxia, No. 9 Baiguo Road, Shuanglonghu Sub-district,, Yubei District, Chongqing	401120
70	Lianglu Sub-branch of Bank of Chongqing Co., Ltd.	No. 90 Shuanglong Avenue, Lianglu Town, Yubei District, Chongqing	401120
71	Fuling Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-2, 2-2, 3-1, 3-4, Basement, Block 2, Xiangjiang Garden, No. 8-1, Zhongshan Road, Fuling District, Chongqing	408000
72	Fuling Stadium Sub-branch of Bank of Chongqing Co., Ltd.	Xinghua Middle Road (Stadium South Road), Fuling District, Chongqing	408000
73	Lidu Sub-branch of Bank of Chongqing Co., Ltd.	No. 88 Julong Avenue, Lidu Sub-district, Fuling District, Chongqing	408100
74	Changshou Sub-branch of Bank of Chongqing Co., Ltd.	No. 10 Taoyuan West Road, Changshou District, Chongqing	401220
75	Yanjia Sub-branch of Bank of Chongqing Co., Ltd.	No. 33 Yucai Road, Yanjia Sub-district, Changshou District, Chongqing	401221
76	Fengcheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 2 Xiangyang Road, Changshou District, Chongqing	401220
77	Hechuan Sub-branch of Bank of Chongqing Co., Ltd.	1-2, 2-1, No. 402, 400 Jiangcheng Avenue, South Office, Hechuan District, Chongqing	401520



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No.	Name of Banking Institution	Address	Postal Code
78	Hechuan District Zhaojia Sub-branch of Bank of Chongqing Co., Ltd.	No. 47, 49, 51 Jiaotong Street and No. 210, 212, 214, 216 Zuofu Road, Joint Office, Hechuan District, Chongqing	401520
79	Wanzhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 193 Baiyan Road, Wanzhou District, Chongqing	404000
80	Wanzhou District Wuqiao Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Building A, Shanghai Grand World, No. 55 Shanghai Avenue, (Wuqiao) Wanzhou District, Chongqing	404020
81	Qianjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1555 Xinhua Avenue (West Section), Qianjiang District, Chongqing	409000
82	Dashizi Sub-branch of Bank of Chongqing Co., Ltd.	No. 296 Jiefang Road, Chengdong Sub-district, Qianjiang District, Chongqing	409000
83	Jiangjin Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-2 and 2-1, Building 1, Xiangrui Building, No. 518 Dingshan Avenue, Dingshan Subdistrict, Jiangjin District, Chongqing	402260
84	Jiangjin District Shuangfu Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1, 1-2 and 1-3, Basement, Block 1, Meifang Mansion, Shui'an Huadu, No. 95, 93 and 91 Shuangfu Avenue, Shuangfu Sub-district, Jiangjin District, Chongqing	402260
85	Jiangjin District Luohuang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-8, Block Commercial, Century Huacheng, No. 23 Luohuang Industrial Park Avenue, Luohuang Town, Jiangjin District, Chongqing	402283
86	Tongliang Sub-branch of Bank of Chongqing Co., Ltd.	2-1, No. 2, No. 2 Jiefang East Road, Bachuan Sub-district, Tongliang District, Chongqing	402560
87	Tongliang District Xincheng Sub-branch of Bank of Chongqing Co., Ltd.	(Even No.) No. 198-206 and 206-1-8 Zhongxing East Road, Dongcheng Sub-district, Tongliang District, Chongqing	402560
88	Yongchuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 78 Renmin South Road, Yongchuan District, Chongqing	402160
89	Yongchuan District Yuxi Square Sub-branch of Bank of Chongqing Co., Ltd.	No. 101-1-5 and 101-10 Xuanhua Road, Yongchuan District, Chongqing	402160
90	Liangping Sub-branch of Bank of Chongqing Co., Ltd.	No. 2, 4, 6 and 8 Shuncheng Street, Liangshan Town, Liangping County, Chongqing	405200
91	Nanchuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 18-1 Heping Road, Nan Cheng Sub-district, Nanchuan District, Chongqing	408400
92	Rongchang Sub-branch of Bank of Chongqing Co., Ltd.	1-3 and 2-3, No. 43-2 Changlong Avenue, Changzhou Sub-district, Rongchang County, Chongqing	402460
93	Rongchang County Changyuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 199-205 Binhe Middle Road, Changyuan Sub-district, Rongchang County, Chongqing	402460

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No.	Name of Banking Institution	Address	Postal Code
94	Zhong County Sub-branch of Bank of Chongqing Co., Ltd.	No. 3-1 Zhongbo Avenue, Zhongzhou Town, Zhong County, Chongqing	404300
95	Bishan Sub-branch of Bank of Chongqing Co., Ltd.	No. 205 (3 to 5) Jinjian Road, Bishan County, Chongqing	402760
96	Qinggang Sub-branch of Bank of Chongqing Co., Ltd.	No. 190, 192 and 194 Zhong Street, Qinggang Sub-district, Bishan County, Chongqing	402760
97	Qijiang Sub-branch of Bank of Chongqing Co., Ltd.	Sub No. 1-40 and Sub No. 2-225 to 229, Podium Building, Rongrun Kaixuan Mingcheng, No. 47 Jiulong Avenue, Wenlong Sub-district, Qijiang District, Chongqing	401420
98	Wansheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 11 Wansheng Avenue, Wansheng District, Chongqing	400800
99	Xiushan Sub-branch of Bank of Chongqing Co., Ltd.	No. 46 Fengxiang Road, Zhonghe Town, Tujia Autonomous County, Xiushan County, Chongqing	409900
100	Xiushan County Wuyue Plaza Sub-branch of Bank of Chongqing Co., Ltd.	Shops 15, 16 and 17, 1/F, Building 1, Wuyue Plaza (South Zone), Yuxiu Avenue, Xiushan County, Chongqing	409900
101	Kaizhou Sub-branch of Bank of Chongqing Co., Ltd.	Market Square (Middle), Kaizhou Avenue, Kaizhou County, Chongqing	405400
102	Kaizhou County Pingqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 500 Kaizhou Avenue West, Yunfeng Street, Kaizhou County, Chongqing	405499
103	Dazu Sub-branch of Bank of Chongqing Co., Ltd.	No. 257 Wuxing Avenue, Tangxiang Sub-district, Dazu County, Chongqing	402360
104	Shuangqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 10-39 Xihu Avenue, Shuangqiao District, Chongqing	400900
105	Dazu County Longshui Sub-branch of Bank of Chongqing Co., Ltd.	1-8, 1-7-1, 1-7-2 and 1-6-2, Block G, Wujin Lvyou Cheng, Longshui Town, Dazu District, Chongqing	402368
106	Tongnan Sub-branch of Bank of Chongqing Co., Ltd.	No. 2, 1/F, No. 86-92 Xingtong Avenue, Guilin Sub-district, Tongnan County, Chongqing	402660
107	Tongnan Waitan Sub-branch of Bank of Chongqing Co., Ltd.	Shops 9, 10, 11, 27 and 28, 1/F, Building 4, No. 3 Waitan West Road, Zitong Sub-district, Tongnan County, Chongqing	402660
108	Fengdu Sub-branch of Bank of Chongqing Co., Ltd.	No. 184 and 186 Pingdu Avenue (West Section), Sanhe Town, Fengdu County, Chongqing	408200
109	Shizhu Sub-branch of Bank of Chongqing Co., Ltd.	No. 100-6 Wanshou Avenue, Nanbin Town, Shizhu Tujia Autonomous County, Chongqing	409100
110	Dianjiang Sub-branch of Bank of Chongqing Co., Ltd.	Unit 1-1, Building B5 1 Fengshan West Road, Guixi Town, Dianjiang County, Chongqing	408300
111	Yunyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1299 Yunjiang Avenue, Shuangjiang Town, Yunyang County, Chongqing	404500
112	Wuxi Sub-branch of Bank of Chongqing Co., Ltd.	Entertainment and Sports Building, Chunshen Avenue, Chengxiang Town, Wuxi County, Chongqing	405800

## List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
113	Wulong Sub-branch of Bank of Chongqing Co., Ltd.	No. 117 Furong West Road, Xiangkou Town, Wulong County, Chongqing	408500
114	Wulong Nancheng Sub-branch of Bank of Chongqing Co., Ltd.	Unit 8-11, No.2 Jianshe Middle Road, Xiangkou Town, Wulong County, Chongqing	408500
115	Youyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 17 Chengbei New District, Zhongduo Town, Youyang County, Chongqing	409800
116	Pengshui Sub-branch of Bank of Chongqing Co., Ltd.	G/F (street frontage) Binjiang Community, Hanjia Town, Pengshui County, Chongqing	409699
117	Wushan Sub-branch of Bank of Chongqing Co., Ltd.	No. 46 Guangdong Middle Road, Wushan County, Chongqing	404700
118	Chengkou Sub-branch of Bank of Chongqing Co., Ltd.	No. 2 Dongda Street, Gecheng Sub-district, Chengkou County, Chongqing	405900
119	Fengjie Sub-branch of Bank of Chongqing Co., Ltd.	No. 4 Qiaomu Street, Yong'an Town, Fengjie County, Chongqing	404600
120	Chengdu Chongzhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 79 South Section 1, Binhe Road, and No. 353-367 Yangci Street, Chongyang Town, Chongzhou, Sichuan	611230
121	Chengdu Binjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 65 Shangchi Zheng Street, Qingyang District, Chengdu, Sichuan	610015
122	Chengdu Wuhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 17 South Section 4, Yihuan Road Gaosheng Bridge, Wuhou District, Chengdu, Sichuan	610000
123	Chengdu Economic Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	(Odd No.) 1-19 Yiju Road, and (Even No.) 620-626 Beiquan Road, Longquanyi District, Chengdu, Sichuan	610100
124	Chengdu Jinsha Sub-branch of Bank of Chongqing Co., Ltd.	No. 171 Jinze Road, and No. 246 Shuhui Road, Qingyang District, Chengdu, Sichuan	610074
125	Chengdu Kehua Sub-branch of Bank of Chongqing Co., Ltd.	Libao Building, No. 62 Kehua North Road, Wuhou District, Chengdu, Sichuan	610040
126	Chengdu Jinjiang Sub-branch of Bank of Chongqing Co, Ltd.	No. 79-93, 79-95 and 79-97 Section 1, Jinhua Road, Jinjiang District, Chengdu, Sichuan	610023
127	Chengdu Feicuicheng Community Sub-branch of Bank of Chongqing Co., Ltd.	No.13, 1/F, Building No.15, Phase II, Jade City, No.2 Huarun Road, Jinjiang District, Chengdu, Sichuan	610023
128	Chengdu Zhonghai Mansion No.9 Community Sub-branch of Bank of Chongqing Co., Ltd.	No. 470 Jinshang West Er Road, Hi-Tech Development Zone, Chengdu, Sichuan	610094
129	Chengdu Xindu Sub-branch of Bank of Chongqing Co, Ltd.	No. 470, 472 and 474 Yuying Road, Chengdu, Sichuan	610599
130	Guiyang Chengdong Sub-branch of Bank of Chongqing Co., Ltd.	No. 116 Baoshan North Road, Yunyan District, Guiyang, Guizhou	550001

## List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
131	Guiyang Guanshanhu Sub-branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Commercial Building One, Circle Y1 and Y2, Shijicheng, Guanshanhu District, Guiyang, Guizhou	550081
132	Zunyi Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1 Building 1, Jinxucheng Shangcheng Community, Nanjing Road, Huichuan District, Zunyi, Guizhou	563000
133	Liupanshui Zhongshan Middle Road Sub-branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Longcheng Plaza, No. 81 Zhongshan Middle Road, Zhongshan District, Liupanshui, Guizhou	553000
134	Xi'an Economic & Technological Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Fenglu No. 1, No. 19 Wenjing Road, Xi'an Economic and Technological Development Zone, Xi'an, Shaanxi	710015
135	Xi'an Qujiang New District Sub-branch of Bank of Chongqing Co., Ltd.	1/F and 2/F, No. 6, Building No. 1, Longmai South Zone Tianlunyu Cheng, Second South Ring Road (East Section), Xi'an, Shaanxi	710018
136	Xi'an International Trade and Logistics Park Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Qihang Garden Commercial Street, No. 6 Port Avenue, Xi'an International Trade and Logistics Park, Xi'an, Shaanxi	710026

# Definitions

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In this report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank” or “Bank of Chongqing”	Bank of Chongqing Co., Ltd. (重慶銀行股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
“Board” or “Board of Directors”	the board of Directors of the Bank
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBRC Chongqing Bureau”	China Banking Regulatory Commission Chongqing Bureau (中國銀行業監督管理委員會重慶監管局)
“Chongqing Road & Bridge”	Chongqing Road & Bridge Co., Ltd., a company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code:600106), and holds approximately 5.48% of the total issued share capital of the Bank as at the Latest Practicable Date
“Dah Sing Bank”	Dah Sing Bank, Limited, a licensed bank incorporated in Hong Kong, holds approximately 14.66% of the total issued share capital of the Bank as at the Latest Practicable Date
“Director(s)”	director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“HKD” or “HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“H Shares”	overseas-listed foreign shares issued by the Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange

## Definitions

“IFRS(s)”	International Financial Reporting Standard(s)
“Latest Practicable Date”	April 21, 2017, the latest practicable date prior to printing of this annual report
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC” or “Central Bank”	People’s Bank of China (中國人民銀行)
“PRC” or “China”	the People’s Republic of China, and for the purpose of this report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Reporting Period”	the year ended December 31, 2016
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shares”	the Domestic Shares and the H Shares
“Shareholder(s)”	the shareholders of the Bank
“Supervisor(s)”	the supervisor(s) of the Bank
“Yufu”	Chongqing Yufu Assets Management Group Co., Ltd., a company incorporated in the PRC with limited liability, holds approximately 14.75% of the total issued share capital of the Bank as at the Latest Practicable Date