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**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)**

**(Stock Code of Preference Shares: 4616)**

**ANNOUNCEMENT OF ANNUAL RESULTS FOR  
THE YEAR ENDED DECEMBER 31, 2017**

The board of directors (the “**Board**”) of Bank of Chongqing Co., Ltd.\* (the “**Bank**” or “**Bank of Chongqing**”) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank and its subsidiaries (the “**Group**”) for the year ended December 31, 2017 (the “**Reporting Period**”) prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the International Financial Reporting Standards (the “**IFRSs**”). The Board and its audit committee have reviewed and confirmed the Annual Results.

**1. CORPORATE INFORMATION**

**1.1 Corporate Basic Information**

Legal Name and Abbreviation in Chinese:	重慶銀行股份有限公司 (Abbreviation: 重慶銀行)
Legal Name in English:	Bank of Chongqing Co., Ltd.
Authorized Representatives:	RAN Hailing WONG Wah Sing
Listing Exchange of H Shares:	The Stock Exchange of Hong Kong Limited
Stock Name and Stock Code:	Stock Name: BCQ Stock Code: 1963
Listing Exchange of Overseas-listed Preference Shares:	The Stock Exchange of Hong Kong Limited
Stock Name and Stock Code:	Stock Name: BCQ 17USDPREF Stock Code: 4616

## 1.2 Contact Persons and Contact Details

Acting Secretary to the Board:	WONG Wah Sing
Joint Company Secretaries:	WONG Wah Sing HO Wing Tsz Wendy
Corporate Website:	<a href="http://www.cqcbank.com">http://www.cqcbank.com</a>
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Registered Address:	No. 6 Yongpingmen Street, Chengxi Road, Jiangbei District, Chongqing, the People's Republic of China (the "PRC") Postal Code: 400024
Principal Place of Business in Hong Kong:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

## 2. FINANCIAL HIGHLIGHTS

The financial information set out in the Annual Results has been prepared according to the IFRSs on the basis of consolidation. Unless otherwise stated, such information is the data of the Group denominated in RMB.

With respect to the financial statements of the Group prepared under the PRC GAAP (China Accounting Standards) and those under the IFRSs, there is no difference for the net profit attributable to shareholders of the Bank for the Reporting Period ended December 31, 2017 and the equity attributable to shareholders of the Bank as at the end of the Reporting Period.

## 2.1 Financial Data

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,					
	2017	2016	Year-on-year change between 2017 and 2016	2015	2014	2013
			<b>Change in percentage (%)</b>			
<b>OPERATING RESULTS</b>						
Interest income	18,920,176	16,226,274	16.6	15,507,610	13,236,153	10,467,150
Interest expense	(10,805,081)	(8,548,876)	26.4	(8,505,537)	(7,004,455)	(5,288,532)
Net interest income	8,115,095	7,677,398	5.7	7,002,073	6,231,698	5,178,618
Net fee and commission income	1,680,056	1,926,017	(12.8)	1,512,053	908,846	644,581
Other operating income, net trading losses and net gains on investment securities	219,655	(381)	NA	78,455	342,566	51,301
Operating income	10,014,806	9,603,034	4.3	8,592,581	7,483,110	5,874,500
Operating expenses	(2,298,865)	(2,537,298)	(9.4)	(3,190,171)	(2,805,275)	(2,282,772)
Impairment losses on assets	(2,999,164)	(2,411,134)	24.4	(1,135,300)	(889,566)	(535,718)
Operating profit	4,716,777	4,654,602	1.3	4,267,110	3,788,269	3,056,010
Share of profit of associates	178,378	3,910	4462.1	2,809	2,035	1,435
Profit before income tax	4,895,155	4,658,512	5.1	4,269,919	3,790,304	3,057,445
Income tax	(1,130,958)	(1,156,345)	(2.2)	(1,099,858)	(963,161)	(728,179)
Net profit	3,764,197	3,502,167	7.5	3,170,061	2,827,143	2,329,266
Net profit attributable to shareholders of the Bank	3,725,881	3,502,167	6.4	3,170,061	2,827,143	2,329,266
			<b>Change</b>			
<b>Calculated on a per share basis (RMB)</b>						
Net assets per share attributable to shareholders of the Bank	9.90	7.61	2.29	6.81	5.88	4.98
Basic earnings per share	1.19	1.12	0.07	1.17	1.05	1.10
Dividend per share	0.118	0.291	(0.173)	0.264	0.272	0.224
			<b>Change in percentage (%)</b>			
<b>Major indicators of assets/liabilities</b>						
Total assets	422,763,025	373,103,734	13.3	319,807,987	274,531,145	206,787,015
Of which: loans and advances to customers, net	172,162,090	146,789,046	17.3	121,816,452	104,114,756	88,637,824
Total liabilities	390,303,113	349,291,822	11.7	298,514,992	258,628,122	193,307,744
Of which: customer deposits	238,704,678	229,593,793	4.0	199,298,705	167,932,436	148,801,045
Share capital	3,127,055	3,127,055	(0.0)	3,127,055	2,705,228	2,705,228
Equity attributable to shareholders of the Bank	30,951,596	23,811,912	30.0	21,292,995	15,903,023	13,479,271
Total equity	32,459,912	23,811,912	36.3	21,292,995	15,903,023	13,479,271

## 2.2 Financial Indicators

<i>(All amounts expressed in percentage unless otherwise stated)</i>	For the year ended December 31,					
	2017	2016	Year-on-year change between 2017 and 2016	2015	2014	2013
<b>Profitability indicators (%)</b>			<b>Change</b>			
Average return on assets <sup>(1)</sup>	<b>0.95</b>	1.01	(0.06)	1.07	1.17	1.28
Average return on equity attributable to shareholders of the Bank <sup>(2)</sup>	<b>13.2</b>	15.5	(2.3)	17.0	19.2	21.4
Net interest spread <sup>(3)</sup>	<b>1.89</b>	2.23	(0.34)	2.29	2.56	2.61
Net interest margin <sup>(4)</sup>	<b>2.11</b>	2.38	(0.27)	2.52	2.81	2.81
Net fee and commission income to operating income	<b>16.78</b>	20.06	(3.28)	17.60	12.15	10.97
Cost-to-income ratio <sup>(5)</sup>	<b>22.00</b>	23.72	(1.72)	30.69	31.02	32.37
<b>Asset quality indicators (%)</b>			<b>Change</b>			
Non-performing loan ratio <sup>(6)</sup>	<b>1.35</b>	0.96	0.39	0.97	0.69	0.39
Provision for impairment to non-performing loans <sup>(7)</sup>	<b>210.16</b>	293.35	(83.19)	243.98	318.87	526.36
Provision for impairment to total loans <sup>(8)</sup>	<b>2.85</b>	2.80	0.05	2.37	2.19	2.06
<b>Indicators of capital adequacy ratio (%)</b>			<b>Change</b>			
Core tier I capital adequacy ratio <sup>(9)</sup>	<b>8.62</b>	9.82	(1.20)	10.49	9.63	10.82
Tier I capital adequacy ratio	<b>10.24</b>	9.82	0.42	10.49	9.63	10.82
Capital adequacy ratio <sup>(9)</sup>	<b>13.60</b>	11.79	1.81	11.63	11.00	13.26
Total equity to total assets	<b>7.68</b>	6.38	1.30	6.66	5.79	6.52
<b>Other indicators (%)</b>			<b>Change</b>			
Loan-to-deposit ratio <sup>(10)</sup>	<b>74.24</b>	65.78	8.46	62.60	63.39	60.82
Liquidity ratio <sup>(11)</sup>	<b>79.55</b>	60.05	19.50	55.32	52.53	56.98
Percentage of loans to the single largest customer <sup>(12)</sup>	<b>2.28</b>	4.52	(2.24)	4.00	4.62	5.09
Percentage of loans to the top ten customers <sup>(13)</sup>	<b>17.19</b>	29.24	(12.05)	30.79	25.21	22.84

*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 equity attributable to shareholders of the Bank 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 expense (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 tier I capital adequacy ratio, tier I capital adequacy ratio and capital adequacy ratio were calculated in accordance with the latest guidance promulgated by China Banking Regulatory Commission (the “**CBRC**”) (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.

### 3. MANAGEMENT DISCUSSIONS AND ANALYSIS

#### 3.1 Financial Review

In 2017, China's economy made progress while maintaining stability. As driven by the continuous improvement in quality of the supply side, the faster structural transformation and optimisation and the accelerated transition of the new and old growth drivers, China's economy maintained medium to high growth rate. However, the growing complexity of global political and economic environment and the increasing uncertainty led to huge challenges to the continuous steady growth of China's economy. Faced with a number of changes and challenges including economic structural adjustment, transformation of development mode, increasingly fierce competition among peers and stricter regulation in the industry, the Group proactively took appropriate measures to accelerate business transformation, strictly prevent and manage risk exposures and organise various operational and managerial tasks to achieve its strategic objectives. The Group recorded a net profit of RMB3,764.20 million in 2017, representing a year-on-year increase of RMB262.03 million or 7.5%.

As at December 31, 2017, the total assets of the Group amounted to RMB422,763.03 million, representing an increase of RMB49,659.29 million or 13.3% as compared to the end of the previous year. The Group 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. As a result, net loans and advances to customers grew by RMB25,373.04 million, or 17.3%, to RMB172,162.09 million as compared to the end of the previous year, while the non-performing loan ratio was at 1.35%, which is higher than that at the end of the previous year. While striving for stable growth in service networks and business volume, the Group remained customer-centric by actively exploring online financial products and services and continuously accelerating its business transformation and upgrading to meet customers' increasing demands for diversification of asset allocation. The Group adopted an innovative approach to deposit management and optimised its pricing practices of funding to meet the requirements for the liberalisation of interest rates. As at December 31, 2017, the amount of customer deposits increased by RMB9,110.89 million to RMB238,704.68 million, representing an increase of 4.0% as compared to the end of the previous year, providing a stable source of funds for the healthy development of the Group's credit, inter-bank and other intermediary businesses. Alongside the increase in income from the main business operations, the Group strictly controlled its expenses and realised a continuous decline in its cost-to-income ratio which recorded a year-on-year decrease of 1.72 percentage points to 22.00% in 2017, representing a persistent rise in operating efficiency of the Group.

As at December 31, 2017, the Group's capital adequacy ratio, tier I capital adequacy ratio and core tier I capital adequacy ratio were 13.60%, 10.24% and 8.62% respectively, representing an increase of 1.81 percentage points, an increase of 0.42 percentage point and a decrease of 1.20 percentage points as compared with the end of the previous year. All indicators had fulfilled the latest regulatory requirements on capital adequacy ratios applicable to the PRC banking industry.

## 3.2 Analysis of the Financial Statements

### 3.2.1 Analysis of the Income Statement

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,		Change in amount	Change in percentage (%)
	2017	2016		
Interest income	<b>18,920,176</b>	16,226,274	2,693,902	16.6
Interest expense	<b>(10,805,081)</b>	(8,548,876)	(2,256,205)	26.4
<b>Net interest income</b>	<b>8,115,095</b>	7,677,398	437,697	5.7
Net fee and commission income	<b>1,680,056</b>	1,926,017	(245,961)	(12.8)
Net trading losses	<b>(21,220)</b>	(50,666)	29,446	(58.1)
Net gains on investment securities	<b>140,480</b>	348	140,132	40,267.8
Other operating income	<b>100,395</b>	49,937	50,458	101.0
Operating income	<b>10,014,806</b>	9,603,034	411,772	4.3
Operating expenses	<b>(2,298,865)</b>	(2,537,298)	238,433	(9.4)
Impairment losses	<b>(2,999,164)</b>	(2,411,134)	(588,030)	24.4
Share of profit of associates	<b>178,378</b>	3,910	174,468	4,462.1
Profit before income tax	<b>4,895,155</b>	4,658,512	236,643	5.1
Income tax expenses	<b>(1,130,958)</b>	(1,156,345)	25,387	(2.2)
<b>Net profit</b>	<b>3,764,197</b>	3,502,167	262,030	7.5

In 2017, the interest-earning assets of the Group grew steadily with net interest income achieving a year-on-year increase of RMB437.70 million or 5.7%; and net fee and commission income recorded a year-on-year decrease of RMB245.96 million or 12.8%; net gains on investment securities significantly increased by RMB140.13 million or 40,267.8% as compared to last year; operating expenses decreased by RMB238.43 million or 9.4% as compared to last year; share of profit of associates significantly increased by RMB174.47 million or 4,462.1% as compared to last year; meanwhile, faced with non-performing loans pressure, impairment losses increased by RMB588.03 million or 24.4% as compared to last year. Hence, the Group achieved a profit before income tax of RMB4,895.16 million, representing a year-on-year increase of RMB236.64 million or 5.1%; and net profit was RMB3,764.20 million, representing a year-on-year increase of RMB262.03 million or 7.5%.

### 3.2.1.1 Net interest income

In 2017, the Group's net interest income amounted to RMB8,115.10 million, representing a year-on-year increase of RMB437.70 million or 5.7%. Net interest income accounted for 81.03% of our total operating income.

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,		Change in amount	Change in percentage (%)
	2017	2016		
Interest income	<b>18,920,176</b>	16,226,274	2,693,902	16.6
Interest expense	<b>(10,805,081)</b>	(8,548,876)	(2,256,205)	26.4
<b>Net interest income</b>	<b><u>8,115,095</u></b>	<b><u>7,677,398</u></b>	<b><u>437,697</u></b>	5.7



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 yield on assets or average cost ratio of liabilities during the years indicated.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2017			For the year ended December 31, 2016		
	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	164,265,249	9,403,877	5.72	141,793,221	8,256,513	5.82
Investment securities	128,413,972	6,958,327	5.42	94,283,651	5,852,130	6.21
Balances with central bank	38,415,688	578,520	1.51	36,019,704	543,694	1.51
Due from other banks and financial institutions	52,777,040	1,899,824	3.60	48,915,300	1,435,073	2.93
Financial assets at fair value through profit or loss	1,427,609	79,628	5.58	1,953,447	138,864	7.11
<b>Total interest-earning assets</b>	<b>385,299,558</b>	<b>18,920,176</b>	<b>4.91</b>	<b>322,965,323</b>	<b>16,226,274</b>	<b>5.02</b>
<b>LIABILITIES</b>						
Customer deposits	226,696,516	5,342,854	2.36	210,105,347	5,236,158	2.49
Due to other banks and financial institutions	51,856,549	2,159,215	4.16	58,299,500	1,975,392	3.39
Debt securities issued	79,566,027	3,303,012	4.15	37,835,574	1,337,326	3.53
<b>Total interest-bearing liabilities</b>	<b>358,119,092</b>	<b>10,805,081</b>	<b>3.02</b>	<b>306,240,421</b>	<b>8,548,876</b>	<b>2.79</b>
<b>Net interest income</b>		<b>8,115,095</b>			<b>7,677,398</b>	
<b>Net interest spread<sup>(1)</sup></b>			<b>1.89</b>			<b>2.23</b>
<b>Net interest margin<sup>(2)</sup></b>			<b>2.11</b>			<b>2.38</b>

Notes:

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

In 2017, the average balance of interest-earning assets of the Group increased by RMB62,334.24 million or 19.3% to RMB385,299.56 million as compared to the previous year. The average yield on interest-earning assets of the Group decreased by 11 basis points to 4.91% as compared to the previous year.

In 2017, the average balance of interest-bearing liabilities of the Group increased by RMB51,878.67 million or 16.9% to RMB358,119.09 million as compared to the previous year. The average cost ratio of interest-bearing liabilities of the Group increased by 23 basis points to 3.02% as compared to the previous year.

As a result of the overall impact of the above-mentioned factors, the net interest spread decreased by 34 basis points to 1.89% as compared to the previous year, while net interest margin of the Group decreased by 27 basis points to 2.11% as compared to the previous year.

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	<b>Due to changes in volume</b>	<b>Due to changes in interest rate</b>	<b>Change in interest income and expense</b>
<b>ASSETS</b>			
Loans and advances to customers	1,286,481	(139,117)	1,147,364
Investment securities	1,849,409	(743,212)	1,106,197
Balances with central bank	36,082	(1,256)	34,826
Due from other banks and financial institutions	139,012	325,739	464,751
Financial assets at fair value through profit or loss	(29,330)	(29,906)	(59,236)
<b>Change in interest income</b>	<b><u>3,281,654</u></b>	<b><u>(587,752)</u></b>	<b><u>2,693,902</u></b>
<b>LIABILITIES</b>			
Customer deposits	391,026	(284,330)	106,696
Due to other banks and financial institutions	(268,273)	452,096	183,823
Debt securities issued	1,732,350	233,336	1,965,686
<b>Change in interest expense</b>	<b><u>1,855,103</u></b>	<b><u>401,102</u></b>	<b><u>2,256,205</u></b>

### 3.2.1.2 Interest income

In 2017, the Group's interest income amounted to RMB18,920.18 million, representing a year-on-year increase of RMB2,693.90 million or 16.6%.

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2017			For the year ended December 31, 2016		
	Average balance	Interest income	Average yield ratio (%)	Average balance	Interest income	Average yield ratio (%)
Loans and advances to customers	164,265,249	9,403,877	5.72	141,793,221	8,256,513	5.82
Investment securities	128,413,972	6,958,327	5.42	94,283,651	5,852,130	6.21
Balances with central bank	38,415,688	578,520	1.51	36,019,704	543,694	1.51
Due from other banks and financial institutions	52,777,040	1,899,824	3.60	48,915,300	1,435,073	2.93
Financial assets at fair value through profit or loss	<u>1,427,609</u>	<u>79,628</u>	<u>5.58</u>	<u>1,953,447</u>	<u>138,864</u>	<u>7.11</u>
<b>Total interest-earning assets</b>	<b><u>385,299,558</u></b>	<b><u>18,920,176</u></b>	<b>4.91</b>	<b><u>322,965,323</u></b>	<b><u>16,226,274</u></b>	<b>5.02</b>

#### (1) Interest income from loans and advances to customers

In 2017, the Group's interest income from loans and advances to customers amounted to RMB9,403.88 million, representing a year-on-year increase of RMB1,147.36 million or 13.9%, primarily due to the increase in average balance on loans and advances to customers by 15.8% offset by the decrease in average yield by 10 basis points as compared to those of the previous year.

#### (2) Interest income from investment securities

In 2017, the Group's interest income from investment securities amounted to RMB6,958.33 million, representing a year-on-year increase of RMB1,106.20 million or 18.9%, primarily due to the increase of 36.2% in average balance offset by the decrease of 79 basis points in average yield on investment securities as compared to those of the previous year.

(3) Interest income from balances with central bank

In 2017, the Group's interest income from balances with central bank amounted to RMB578.52 million, representing a year-on-year increase of RMB34.83 million or 6.4%, primarily due to the year-on-year increase of 6.7% in average balance while the average yield on balances with central banks basically the same as those of the previous year.

(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 Group's amounts due from other banks and financial institutions are set forth as follows:

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2017			For the year ended December 31, 2016		
	Average balance	Interest income	Average yield ratio (%)	Average balance	Interest income	Average yield ratio (%)
Due from other banks and financial institutions for deposits and loans	21,097,913	781,097	3.70	12,450,601	331,138	2.66
Financial assets held under resale agreements	<u>31,679,127</u>	<u>1,118,727</u>	3.53	<u>36,464,699</u>	<u>1,103,935</u>	3.03
<b>Total amounts due from other banks and financial institutions</b>	<b><u>52,777,040</u></b>	<b><u>1,899,824</u></b>	<b>3.60</b>	<b><u>48,915,300</u></b>	<b><u>1,435,073</u></b>	<b>2.93</b>

In 2017, the interest income from the Group's amounts due from other banks and financial institutions for deposits and loans amounted to RMB781.10 million, representing a significant year-on-year increase of RMB449.96 million or 135.9%, primarily due to the significant increase of 69.5% in average balance of amounts due from other banks and financial institutions for deposits and loans while the average yield ratio increased by 104 percentage points as compared to those of the previous year.

In 2017, the interest income from the Group's financial assets held under resale agreements amounted to RMB1,118.73 million, representing a year-on-year increase of RMB14.79 million or 1.3%, primarily attributable to the decrease of 13.1% in average balance offset by the increase of 50 basis points in average yield on financial assets held under resale agreements as compared to those of the previous year.

As a result of the foregoing factors, the Group's total interest income due from other banks and financial institutions in 2017 increased by RMB486.19 million or 33.9% to RMB1,921.26 million as compared to that of the previous year.

(5) Financial assets at fair value through profit or loss

In 2017, the Group's interest income from financial assets at fair value through profit or loss amounted to RMB79.63 million, representing a year-on-year decrease of RMB59.24 million or 42.7%, primarily due to the decrease in average balance of financial assets at fair value through profit or loss by 26.9% and the decrease in average yield by 153 basis points as compared to those of the previous year.

*3.2.1.3 Interest expense*

In 2017, the Group's interest expense amounted to RMB10,805.08 million, representing a year-on-year increase of RMB2,256.21 million or 26.4%.

(1) Interest expense on customer deposits

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2017			For the year ended December 31, 2016		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
<b>Corporate deposits</b>						
Demand	67,561,188	504,358	0.75	61,166,803	496,131	0.81
Time	<u>84,743,805</u>	<u>2,545,799</u>	3.00	<u>83,052,220</u>	<u>2,829,726</u>	3.41
<b>Subtotal</b>	<u>152,304,993</u>	<u>3,050,157</u>	2.00	<u>144,219,023</u>	<u>3,325,857</u>	2.31
<b>Individual deposits</b>						
Demand	10,341,769	40,380	0.39	9,805,786	38,344	0.39
Time	<u>54,869,821</u>	<u>2,107,245</u>	3.84	<u>42,991,302</u>	<u>1,683,123</u>	3.92
<b>Subtotal</b>	<u>65,211,590</u>	<u>2,147,625</u>	3.29	<u>52,797,088</u>	<u>1,721,467</u>	3.26
<b>Other deposits</b>	9,179,933	145,072	1.58	13,089,236	188,834	1.44
<b>Total customer deposits</b>	<u>226,696,516</u>	<u>5,342,854</u>	2.36	<u>210,105,347</u>	<u>5,236,158</u>	2.49

In 2017, the Group's interest expense on customer deposits was RMB5,342.85 million, representing a year-on-year increase of RMB106.70 million or 2.0%, primarily due to a year-on-year increase in the average balance of customer deposits by 7.9%, offset by a decrease in average cost ratio of customer deposits by 14 basis points as compared to that of the previous year.

(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 Group's amount due to other banks and financial institutions are set forth as follows:

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2017			For the year ended December 31, 2016		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Deposits and loans from other banks	40,769,752	1,836,925	4.51	38,060,488	1,402,753	3.69
Borrowings from central bank	1,391,155	43,940	3.16	2,762,620	80,502	2.91
Financial assets sold under repurchase agreements	9,695,642	278,350	2.87	17,476,392	492,137	2.82
<b>Total borrowings from financial institutions</b>	<b>51,856,549</b>	<b>2,159,215</b>	<b>4.16</b>	<b>58,299,500</b>	<b>1,975,392</b>	<b>3.39</b>

In 2017, the Group's total interest expense on borrowings from financial institutions was RMB2,159.22 million, representing a year-on-year increase of RMB183.82 million or 9.3%, primarily due to the year-on-year decrease in average balance of borrowings from financial institutions by 11.1%, offset by the year-on-year increase in average cost ratio by 77 basis points.

(3) Interest expense on issuance of debt securities

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2017			For the year ended December 31, 2016		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Subordinated debts	6,210,137	304,910	4.91	2,086,885	111,890	5.36
Financial debts for small and micro enterprises	3,000,000	146,582	4.89	3,000,000	146,820	4.89
Inter-bank certificates of deposits	70,355,890	2,851,520	4.05	32,748,689	1,078,616	3.29
<b>Subtotal</b>	<b>79,566,027</b>	<b>3,303,012</b>	<b>4.15</b>	<b>37,835,574</b>	<b>1,337,326</b>	<b>3.53</b>

In 2017, the Group's interest expense on issuance of debts securities amounted to RMB3,303.01 million, representing a significant year-on-year increase of RMB1,965.69 million or 147.0%, primarily due to the following reasons:

- (1) In March 2017, the Bank issued Tier II Capital debts of RMB6.00 billion within China's inter-bank bond market;
- (2) In 2017, the Group issued a total of 205 inter-bank certificates of deposit by discounting. As at December 31, 2017, 124 issued inter-bank certificates of deposit were outstanding with a total nominal value of RMB79.77 billion.

#### *3.2.1.4 Net interest spread and net interest margin*

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

In 2017, the Group's net interest spread was 1.89%, representing a year-on-year decrease of 34 basis points. The decrease in net interest spread was primarily due to a year-on-year decrease of 11 basis points in average yield on interest-earning assets and a year-on-year increase of 23 basis points in average cost ratio of interest-bearing liabilities.

In 2017, the Group's net interest margin was 2.11%, representing a year-on-year decrease of 27 basis points, primarily due to a year-on-year increase of RMB437.70 million or 5.7% in net interest income, a year-on-year increase of RMB62,334.24 million or 19.3% in average balance on interest-earning assets; and the increase in average balance on interest-earning assets exceeded the increase in net interest income, resulting in decline in net interest margin.



### 3.2.1.5 Non-interest income

#### (1) Net fee and commission income

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	<b>For the year</b>		Change in amount	Change in percentage (%)
	<b>ended December 31, 2017</b>	2016		
<b>Fee and commission income</b>	<b>1,940,881</b>	2,021,337	(80,456)	(4.0)
Financial advisory and consulting services	<b>159,698</b>	66,103	93,595	141.6
Wealth management agency services	<b>887,823</b>	854,787	33,036	3.9
Custodian services	<b>358,836</b>	671,746	(312,910)	(46.6)
Bank card services	<b>280,296</b>	206,940	73,356	35.4
Guarantees and Credit commitments	<b>140,016</b>	149,599	(9,583)	(6.4)
Settlement and agency services	<b>114,212</b>	72,162	42,050	58.3
<b>Fee and commission expense</b>	<b>(260,825)</b>	(95,320)	(165,505)	173.6
<b>Net fee and commission income</b>	<b><u>1,680,056</u></b>	<b><u>1,926,017</u></b>	<b><u>(245,961)</u></b>	(12.8)

In 2017, the Group's net fee and commission income amounted to RMB1,680.06 million, representing a decrease of RMB245.96 million or 12.8% as compared to the previous year and accounting for 16.78% of operating income, down by 3.28 percentage points as compared to the same period in the previous year, primarily due to the significant decrease in commission from custodian services and the significant increase in fee and commission expense. In particular, the commission income from custodian services significantly decreased by RMB312.91 million or 46.6% as compared to the previous year; while the fee and commission expense significantly increased by RMB165.51 million or 173.6% as compared to the previous year.

Commission income from financial advisory and consulting services amounted to RMB159.70 million, representing a year-on-year increase of RMB93.60 million or 141.6%, primarily due to the increase in overall demand for such services under the changes in macroeconomic condition.

Commission income from wealth management agency services amounted to RMB887.82 million, representing a year-on-year increase of RMB33.04 million or 3.9%, primarily due to the steady development and continuous scale expansion in wealth management services.

Commission income from custodian services amounted to RMB358.84 million, representing a significant year-on-year decrease of RMB312.91 million or 46.6%, primarily due to the decline in demand of such services.

Commission income from bank card services amounted to RMB280.30 million, representing a year-on-year increase of RMB73.36 million or 35.4%, primarily due to the accelerated growth in number of issued bank cards and volume of settled transactions.

Commission income from credit commitments amounted to RMB140.02 million, representing a year-on-year decrease of RMB9.58 million or 6.4%, primarily due to the slower growth in demand of such services.

Commission income from settlement and agency services amounted to RMB114.21 million, representing a year-on-year increase of RMB42.05 million or 58.3%, primarily due to the faster growth in entrusted agency business.

For fee and commission expense, commission expense from bank card services amounted to RMB26.23 million, representing a year-on-year increase of 49.6%, and a commission expense of RMB144.32 million was newly incurred for online products of third parties.

(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) include 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 2017, the Group's exchange gains amounted to RMB8.58 million, mainly due to the appreciation 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 adjustment of the trading securities into fair value. In 2017, the Group's net losses from interest rate products amounted to RMB29.80 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 2017, the Group's net trading losses amounted to RMB21.22 million.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,		Change in	Change in
	2017	2016	amount	percentage (%)
Exchange gains	8,581	10,904	(2,323)	(21.3)
Net losses from interest rate products	<u>(29,801)</u>	<u>(61,570)</u>	<u>31,769</u>	<u>(51.6)</u>
<b>Total</b>	<b><u>(21,220)</u></b>	<b><u>(50,666)</u></b>	<b><u>29,446</u></b>	<b><u>(58.1)</u></b>

(3) Net gains/(losses) on investment securities

In 2017, the Group's net gains on investment securities amounted to RMB140.48 million, representing a rapid year-on-year increase of 40,267.8%.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,		Change in amount	Change in percentage (%)
	2017	2016		
Net (losses)/gains arising from de-recognition of held-for-trading financial assets	(33,389)	12,082	(45,471)	NA
Net (losses)/gains arising from de-recognition of available-for-sale financial assets	<u>173,869</u>	<u>(11,734)</u>	<u>185,603</u>	NA
<b>Total</b>	<b><u>140,480</u></b>	<b><u>348</u></b>	<b><u>140,132</u></b>	40,267.8

3.2.1.6 Operating expenses

In 2017, the Group's operating expenses were RMB2,298.87 million, representing a year-on-year decrease of RMB238.43 million or 9.4%.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,		Change in amount	Change in percentage (%)
	2017	2016		
Staff costs	1,282,237	1,162,439	119,798	10.3
Tax and surcharges	95,112	259,774	(164,662)	(63.4)
Depreciation and amortisation	184,088	170,804	13,284	7.8
General and administrative expense	592,466	800,819	(208,353)	(26.0)
Others	<u>144,962</u>	<u>143,462</u>	<u>1,500</u>	1.0
<b>Total operating expenses</b>	<b><u>2,298,865</u></b>	<b><u>2,537,298</u></b>	<b><u>(238,433)</u></b>	(9.4)

(1) Staff costs

Staff costs constitute the largest component of the Group's operating expenses, accounting for 55.78% and 45.81% of its total operating expenses for 2017 and 2016 respectively.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year		Change in amount	Change in percentage (%)
	ended December 31, 2017	2016		
Salaries and bonuses	860,806	743,419	117,387	15.8
Pension costs	156,083	152,021	4,062	2.7
Housing benefits and subsidies	80,783	77,853	2,930	3.8
Labour union and staff education fees	21,727	22,615	(888)	(3.9)
Other social security and welfare expenses	162,838	166,531	(3,693)	(2.2)
<b>Total staff costs</b>	<b>1,282,237</b>	<b>1,162,439</b>	<b>119,798</b>	<b>10.3</b>

In 2017, the Group's total staff costs amounted to RMB1,282.24 million, representing a year-on-year increase of RMB119.80 million or 10.3%, primarily because (1) the average remuneration and benefit per staff increased by 6.4% as compared to the previous year; and (2) the number of staff increased due to the expansion of business scale and the increase in number of branches. As at December 31, 2017, the Group had 4,066 full-time employees, representing an increase of 43 employees or 1.1% as compared to the end of the previous year.

(2) Tax and surcharges

Tax 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 services. In 2017, tax and surcharges were RMB95.11 million, representing a significant year-on-year decrease of RMB164.66 million or 63.4%.

(3) Depreciation and amortisation

The depreciation and amortisation in 2017 increased by RMB13.28 million or 7.8% to RMB184.09 million from the previous year as the growth of property and equipment of the Group remained stable.

#### (4) General and administrative expense

The general and administrative expenses in 2017 decreased by RMB208.35 million or 26.0% to RMB592.47 million from the previous year as the Group strictly controlled its administrative expenses.

##### 3.2.1.7 Impairment losses

In 2017, the provisions for impairment losses recorded RMB2,999.16 million, representing an increase of RMB588.03 million or 24.4% as compared to the previous year. The increase in provisions for impairment was primarily due to the increasing loan value and the migration ratio of risk classification of loans.

The following table sets forth the principal components of impairment losses for the years indicated:

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,		Change in amount	Change in percentage (%)
	2017	2016		
Loans and advances to customers	2,352,241	1,881,063	471,178	25.0
– Collectively assessed	416,418	1,008,258	(591,840)	(58.7)
– Individually assessed	1,935,823	872,805	1,063,018	121.8
Loans and receivables	631,693	528,545	103,148	19.5
Others	15,230	1,526	13,704	898.0
<b>Impairment losses</b>	<b>2,999,164</b>	<b>2,411,134</b>	<b>588,030</b>	<b>24.4</b>

##### 3.2.1.8 Investment in associates

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,	
	2017	2016
Balance at the beginning of the year	238,394	29,214
Additional investment in associates	696,374	205,270
Share of profit of associates	178,378	3,910
<b>Balance at the end of the year</b>	<b>1,113,146</b>	<b>238,394</b>

On May 5, 2011, the Group invested RMB22 million in Xingyi Wanfeng Village Bank Co., Ltd., and held 20% of equity interest of RMB110 million registered capital.

On June 15, 2015, the Group invested RMB54 million in Mashang Consumer Finance Co., Ltd. On August 14, 2016, the Group increased the investment to RMB205.27 million, accounting for 15.79% of equity interest of RMB1.30 billion registered capital. On July 13, 2017, the Group increased the investment to RMB338.34 million, accounting for 15.31% of equity interest of RMB2.21 billion registered capital.

Pursuant to the resolution of board meeting of Chongqing Three Gorges Bank Co., Ltd. (“**Three Gorges Bank**”) on 21 April, 2017, the Bank appointed a director to board of Three Gorges Bank on that day, and therefore, the Group had significant influence on Three Gorges Bank. Three Gorges Bank became the associated company of the Group. The registered capital of invested company is RMB4,846.94 million and 4.97% of equity interest is held by the Group. The investment cost of the Group amounted to RMB379.02 million.

### 3.2.1.9 Income tax

The income tax rate applicable to the Group was 25%. The effective tax rates of the Group in 2017 and 2016 were 23.10% and 24.82% respectively.

The following table sets forth the profit before income tax and income tax for the year ended December 31, 2017 and December 31, 2016, respectively.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,		Change in amount	Change in percentage (%)
	2017	2016		
Profit before income tax	<b>4,895,155</b>	4,658,512	236,643	5.1
Tax calculated at a tax rate of 25%	<b>1,223,789</b>	1,164,628	59,161	5.1
Tax effect arising from non-taxable income	<b>(169,544)</b>	(106,387)	(63,157)	59.4
Tax effect of expenses that are not deductible for tax purposes	<b>153,364</b>	98,811	54,553	55.2
Income tax adjustment for prior years	<b>(76,651)</b>	(707)	(75,944)	10,741.7
<b>Income tax</b>	<b><u>1,130,958</u></b>	<b><u>1,156,345</u></b>	<b><u>(25,387)</u></b>	<b>(2.2)</b>

### 3.2.2 Analysis of the Statement of Financial Position

#### 3.2.2.1 Assets

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	177,206,904	41.9	151,020,641	40.5
Provision for impairment losses				
on loans and advances to customers	(5,044,814)	(1.2)	(4,231,595)	(1.2)
Net loans and advances to customers	172,162,090	40.7	146,789,046	39.3
Investment securities <sup>(1)</sup>	158,726,899	37.5	119,430,754	32.0
Investments in associates	1,113,146	0.3	238,394	0.1
Cash and balances with central bank	43,727,432	10.3	42,813,488	11.5
Due from other banks and financial institutions	37,000,091	8.8	55,706,352	14.9
Financial assets at fair value through profit or loss	702,202	0.2	881,977	0.2
Fixed assets	2,866,257	0.7	2,691,236	0.7
Deferred income tax assets	1,380,953	0.3	1,005,271	0.3
Other assets	5,083,955	1.2	3,547,216	1.0
<b>Total assets</b>	<b>422,763,025</b>	<b>100.0</b>	<b>373,103,734</b>	<b>100.0</b>

*Note:*

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

As at December 31, 2017, the Group's total assets amounted to RMB422,763.03 million, representing an increase of RMB49,659.29 million or 13.3% as compared to the end of the previous year. An analysis of the breakdown of the Group's total assets as at December 31, 2017 is as follows:



Total loans and advances to customers increased by RMB26,186.26 million or 17.3% to RMB177,206.90 million as compared to the end of the previous year. This was primarily due to the Group increased loans to prime projects and key customers under effective risk control, whilst extending its support for loans to small and medium-sized enterprises and small and micro enterprises with good market potential and robust customer demand that is in line with the characteristics of the economic development of Chongqing and the industry structure.

Investment securities increased by RMB39,296.15 million or 32.9% to RMB158,726.90 million as compared to the end of the previous year, primarily due to the Group's increased holdings of financial bonds of commercial banks with steady yields, as well as monetary funds and various bond investments with controllable risk exposures and higher yield.

Cash and balances with central bank increased by RMB913.94 million or 2.1% to RMB43,727.43 million as compared to the end of the previous year, primarily due to the steady growth in customer deposits resulting in an increase of RMB1,475.40 million or 4.5% in statutory deposit reserves as compared to the end of the previous year, while the surplus deposit reserves decreased by RMB567.21 million or 5.9% as compared to the end of the previous year.

Total amount due from other banks and financial institutions decreased by RMB18,706.26 million or 33.6% to RMB37,000.09 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 RMB176.58 million or 1.0%, and (2) the significant decrease of RMB18,882.84 million or 50.3% in financial assets held under resale agreements.

(1) Loans and advances to customers

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Loans to corporate entities</b>	<b>114,582,499</b>	<b>64.7</b>	110,188,826	73.0
– Corporate loans	109,780,133	62.0	105,349,815	69.8
– Discounted bills	4,802,366	2.7	4,839,011	3.2
<b>Retail loans</b>	<b>62,624,405</b>	<b>35.3</b>	40,831,815	27.0
– Mortgage loans	17,235,358	9.7	18,331,192	12.1
– Personal consumer loans	30,024,576	16.9	7,161,329	4.8
– Credit card advances	4,193,902	2.4	3,395,551	2.2
– Personal business loans	11,170,569	6.3	11,943,743	7.9
<b>Total loans and advances to customers</b>	<b>177,206,904</b>	<b>100.0</b>	151,020,641	100.0

As at December 31, 2017, the Group's total loans and advances to customers amounted to RMB177,206.90 million, representing an increase of RMB26,186.26 million or 17.3% as compared to the end of the previous year.

Loans and advances to corporate customers (excluding discounted bills) amounted to RMB109,780.13 million, representing an increase of RMB4,430.32 million or 4.2% as compared to the end of the previous year, and accounting for 62.0% of total loans and advances to customers, decreased by 7.8 percentage points from the end of the previous year. During the Reporting Period, the Group 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 the water conservancy, environment and public facility management industry, industry for production and supply of electricity, gas and water, citizen service, maintenance and other service industry, scientific research and technical services amounted to RMB7,099.43 million, RMB1,182.85 million, RMB899.50 million and RMB650.54 million respectively.

Discounted bills amounted to RMB4,802.37 million, representing a slight decrease of RMB36.65 million or 0.8% as compared to the end of the previous year, primarily due to the decrease in market demand.

Retail loans amounted to RMB62,624.41 million, representing an increase of RMB21,792.59 million or 53.4% as compared to the end of the previous year, and accounting for 35.3% of total loans and advances to customers, up by 8.3 percentage points from the end of the previous year. Specifically, mortgage loans decreased by RMB1,095.83 million or 6.0% as compared to the end of the previous year; personal consumer loans significantly increased by RMB22,863.25 million or 319.3% as compared to the end of the previous year, mainly because the Group optimized the product structure of individual consumer loans, actively explored Internet online loans, and cooperated with third-parties to launch products such as "Wei Li Dai (微粒贷)", "Kuai E Dai (快E贷)" and "Jie e Dai (捷e贷)", which realized the rapid growth of loan balance; credit card advances increased by RMB798.35 million or 23.5% as compared to the end of the previous year; and personal business loans decreased by RMB773.17 million or 6.5% as compared to the end of the previous year. During the period, the Group took active measures to manage credit risk, actively adjusted the credit structure, satisfied credit demand of personal customers in priority and made more efforts to expand personal consumption 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 and advances to customers by type of collateral for the dates indicated.

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

	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateralised loans	69,308,295	39.1	78,018,314	51.7
Pledged loans	15,063,354	8.5	16,179,930	10.7
Guaranteed loans	75,927,183	42.8	48,515,413	32.1
Unsecured loans	16,908,072	9.5	8,306,984	5.5
<b>Total loans and advances to customers</b>	<b>177,206,904</b>	<b>100.0</b>	<b>151,020,641</b>	<b>100.0</b>

## Movements on impairment allowance for loans to customers

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

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

	As at December 31, 2017		As at December 31, 2016	
	Collective impairment	Individual impairment	Collective impairment	Individual impairment
<b>Balance at beginning of the year</b>	<b>3,501,050</b>	<b>730,545</b>	2,492,792	460,142
Impairment allowances for loans charged to profit or loss	970,173	2,213,935	1,344,786	1,320,137
Reversal of impairment allowances for loans	(553,755)	(278,112)	(336,528)	(447,332)
Net impairment allowances for loans charged to profit or loss	416,418	1,935,823	1,008,258	872,805
Unwinding discount on allowances during the year	-	(117,090)	-	(112,399)
Loans written off during the year	-	(1,673,174)	-	(548,287)
Recoveries of doubtful debts written off	-	251,242	-	58,284
<b>Balance at the end of the year</b>	<b>3,917,468</b>	<b>1,127,346</b>	<b>3,501,050</b>	<b>730,545</b>

In 2017, in strict accordance with the relevant requirements of accounting standards and the regulatory authorities, the Group 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, 2017, the balance of impairment allowance for loans and advances to customers was RMB5,044.81 million, representing an increase of RMB813.22 million or 19.2% as compared to the end of the previous year; and the impairment allowance for non-performing loans ratio decreased by 83.19 percentage points to 210.16% from that as at the end of the previous year.

(2) Investment securities

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Financial assets at fair value through profit or loss</b>				
– Corporate bonds	512,321	0.3	684,729	0.6
– Treasury bonds	189,763	0.1	197,248	0.1
– Derivative financial instruments	118	0.0	–	0.0
<b>Subtotal</b>	<b>702,202</b>	<b>0.4</b>	<b>881,977</b>	<b>0.7</b>
<b>Investment securities – receivable</b>				
– Trust companies	32,052,648	20.1	35,237,101	29.3
– Securities companies	24,702,954	15.5	14,455,970	12.0
– Fund companies	–	0.0	151,023	0.1
– Commercial banks	25,220,801	15.8	8,423,514	7.0
– Assets management companies	14,140,904	8.9	14,186,078	11.8
– Government	5,707,900	3.6	4,096,900	3.5
Impairment allowances	(1,217,482)	(0.8)	(799,831)	(0.7)
<b>Subtotal</b>	<b>100,607,725</b>	<b>63.1</b>	<b>75,750,755</b>	<b>63.0</b>
<b>Investment securities -available-for-sale financial assets</b>				
– Policy banks	2,985,313	1.9	3,581,372	3.0
– Enterprises	28,932,697	18.2	16,570,761	13.8
– Commercial banks	49,955	0.0	50,564	0.0
– Trust companies	61,728	0.0	311,354	0.2
– Fund companies	4,401,106	2.8	2,600,000	2.2
– Government	181,394	0.1	194,728	0.2
– Equity investment at fair value	494,592	0.3	576,664	0.5
– Others	14	0.0	14	0.0
<b>Subtotal</b>	<b>37,106,799</b>	<b>23.3</b>	<b>23,885,457</b>	<b>19.9</b>
<b>Investment securities -held-to-maturity investments</b>				
– Government	17,450,368	11.0	16,167,633	13.4
– Policy banks	3,182,007	2.0	3,176,909	2.7
– Commercial banks	350,000	0.2	420,000	0.3
– Enterprises	30,000	0.0	30,000	0.0
<b>Subtotal</b>	<b>21,012,375</b>	<b>13.2</b>	<b>19,794,542</b>	<b>16.4</b>
<b>Total</b>	<b>159,429,101</b>	<b>100.0</b>	<b>120,312,731</b>	<b>100.0</b>

As at December 31, 2017, the Group's total financial assets at fair value through profit or loss and other investment securities amounted to RMB159,429.10 million, representing an increase of RMB39,116.37 million or 32.5% as compared to the end of the previous year. Financial assets at fair value through profit or loss was RMB702.20 million, representing a decrease of RMB179.18 million or 20.4% as compared to the end of the previous year, primarily due to the normal repayment of corporate bonds principal. The balance of investment in receivables was RMB100,607.73 million, representing an increase of RMB24,856.97 million or 32.8% as compared to the end of last year, mainly due to the increase in the Group's holdings of financial bonds of commercial bank with stable income. The balance of available-for-sale financial assets was RMB37,106.80 million, representing an increase of RMB13,221.34 million or 55.4% as compared to the end of the previous year, primarily due to the additional holding of monetary funds and other bonds to increase the Group's return on investment. The balance of held-to-maturity investment securities was RMB21,012.38 million, representing an increase of RMB1,217.83 million or 6.2% as compared to the end of the previous year, primarily due to the increase in the Group's holdings of treasury bonds with low risks and stable income.

### 3.2.2.2 Liabilities

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Due to other banks and financial institutions	55,771,252	14.3	60,350,785	17.3
Customer deposits	238,704,678	61.2	229,593,793	65.7
Other liabilities	6,741,338	1.7	4,453,933	1.3
Taxes payable	358,515	0.1	295,059	0.1
Bonds issued	88,727,330	22.7	54,598,252	15.6
<b>Total liabilities</b>	<b>390,303,113</b>	<b>100.0</b>	<b>349,291,822</b>	<b>100.0</b>

As at December 31, 2017, the Group's total liabilities amounted to RMB390,303.11 million, representing an increase of RMB41,011.29 million or 11.7% as compared to the end of the previous year. Customer deposits are the Group's largest source of capital, which stably increased by RMB9,110.89 million or 4.0% as compared to the end of the previous year; amounts due to other banks and financial institutions decreased by RMB4,579.53 million or 7.6% as compared to the end of the previous year; bonds issued significantly increased by RMB34,129.08 million or 62.5% as compared to the end of the previous year, primarily due to: (1) in March 2017, the Bank issued RMB6 billion Tier II capital bonds within China's inter-bank bond market; (2) the Group issued a total of 205 inter-bank certificates of deposit by discounting in 2017 and 124 inter-bank certificates of deposit issued were outstanding as at December 31, 2017 with a nominal value of RMB79.77 billion in aggregate.

(1) Customer deposits

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate demand deposits	69,460,773	29.1	68,206,142	29.7
Corporate time deposits	83,239,393	34.9	86,326,675	37.6
Individual demand deposits	10,275,560	4.3	9,681,691	4.2
Individual time deposits	57,445,728	24.1	49,013,416	21.4
Other deposits	18,283,224	7.6	16,365,869	7.1
<b>Total customer deposits</b>	<b>238,704,678</b>	<b>100.0</b>	<b>229,593,793</b>	<b>100.0</b>
Of which: Security deposits	6,601,609	2.8	11,115,432	4.8

As at December 31, 2017, the balance of the Group's customer deposits amounted to RMB238,704.68 million, representing an increase of RMB9,110.89 million or 4.0% as compared to the end of the previous year. Corporate deposits balance was RMB152,700.17 million, representing a decrease of RMB1,832.65 million or 1.2% as compared to the end of the previous year; individual deposits balance was RMB67,721.29 million, representing an increase of RMB9,026.18 million or 15.4% as compared to the end of the previous year; corporate and individual demand deposits balance amounted to RMB79,736.33 million, representing an increase of RMB1,848.50 million or 2.4% as compared to the end of the previous year; corporate and individual time deposits balance amounted to RMB140,685.12 million, representing an increase of RMB5,345.03 million or 3.9% as compared to the end of the previous year.

(2) Debt securities issued

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Subordinated debts</b>				
Fixed rate subordinated debt – 2022	-	-	796,523	1.5
Fixed rate Tier II Capital debt – 2026	1,497,390	1.7	1,497,168	2.7
Fixed rate Tier II Capital debt – 2027	5,996,454	6.7	-	-
<b>Financial debts</b>				
Fixed rate financial debt – 2018	2,999,074	3.4	2,995,894	5.5
Inter-bank certificates of deposit	78,234,412	88.2	49,308,667	90.3
<b>Total</b>	<b>88,727,330</b>	<b>100.0</b>	<b>54,598,252</b>	<b>100.0</b>

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 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 exercised the redemption right to redeem the bonds at par value on March 21, 2017.

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

Pursuant to a resolution of the general meeting passed on May 16, 2014 and the “Approval for Bank of Chongqing Co., Ltd. to Issue Tier II 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 million Tier II Capital bonds within the domestic inter-bank bond market of China in February, 2016. Such Tier II 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 II 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 II capital bonds are qualified as Tier II Capital Instruments in accordance with the CBRC requirements.

Pursuant to a resolution of the general meeting passed on June 17, 2016 and the “Approval for Bank of Chongqing to Issue Tier II Capital Bonds” (《關於重慶銀行發行二級資本債券的批覆》) (Yu Yin Jian Fu [2016] No. 162) by the CBRC on November 30, 2016, the Bank issued the RMB6,000 million Tier II Capital bonds within the domestic inter-bank bond market of China on March 20, 2017. Such Tier II Capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.80% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on March 21, 2022.

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 million in the domestic inter-bank bond market of China on April 25 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 2017, the Group issued a total of 205 inter-bank certificates of deposit by discounting with a tenor of one month to one year. As at December 31, 2017, 124 inter-bank certificates of deposit issued were outstanding with a total nominal value of RMB79,770 million.

As of December 31, 2017, there were no defaults of principal and interest or other breaches with respect to these bonds since their issuances.



(3) Due to other banks and financial institutions

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Due to central bank	1,745,881	3.1	1,957,148	3.2
Deposits from banks	36,832,862	66.1	28,190,198	46.7
Deposits from other financial institutions	5,098,009	9.1	12,126,278	20.1
Placements from banks and other financial institutions	6,100,000	10.9	2,585,950	4.3
Notes sold under repurchase agreements	-	-	12,506,491	20.7
Securities sold under repurchase agreements	5,994,500	10.8	2,984,720	5.0
<b>Total</b>	<b>55,771,252</b>	<b>100.0</b>	<b>60,350,785</b>	<b>100.0</b>

As at December 31, 2017, the Group's balance due to other banks and financial institutions amounted to RMB55,771.25 million, representing a decrease of RMB4,579.53 million or 7.6% as compared to the end of the previous year. The Group's balance due to central bank decreased by RMB211.27 million or 10.8% as compared to the end of the previous year; its deposits from banks increased by RMB8,642 million or 30.7% as compared to the end of the previous year; deposits from other financial institutions decreased by RMB7,028.27 million or 58.0% as compared to the end of the previous year; the Group's placements from banks and other financial institutions increased by RMB3,514.05 million or 135.9%; notes sold under repurchase agreements decreased to 0; and securities sold under repurchase agreements increased substantially by RMB3,009.78 million or 100.8% as compared to the end of the previous year.

### 3.2.2.3 Shareholders' equity

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	3,127,055	9.7	3,127,055	13.1
Preferred shares	4,909,307	15.1	–	–
Capital reserve	4,680,638	14.4	4,680,638	19.7
Other reserves	6,637,648	20.5	6,145,647	25.8
Retained earnings	11,596,948	35.7	9,858,572	41.4
Total equity attributable to shareholders of the Bank	30,951,596	95.4	23,811,912	100.0
Non-controlling interests	1,508,316	4.6	–	–
<b>Total equity</b>	<b>32,459,912</b>	<b>100.0</b>	<b>23,811,912</b>	<b>100.0</b>

As at December 31, 2017, the Group had paid-in capital of RMB3,127.06 million, preferred shares of RMB4,909.31 million, capital reserve of RMB4,680.64 million, other reserves of RMB6,637.65 million, and retained earnings of RMB11,596.95 million. Among other reserves, (1) surplus reserve increased by RMB372.59 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 RMB704.94 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.

### 3.2.3 Loan quality analysis

#### 3.2.3.1 Breakdown of loans by the five-category classification

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Pass	167,870,228	94.73	143,592,658	95.08
Special mention	6,936,217	3.91	5,985,484	3.96
Substandard	1,449,377	0.82	780,628	0.52
Doubtful	807,165	0.46	590,655	0.39
Loss	143,917	0.08	71,216	0.05
<b>Total loans and advances to customers</b>	<b>177,206,904</b>	<b>100.00</b>	<b>151,020,641</b>	<b>100.00</b>
Amount of non-performing loans	<u>2,400,459</u>	<u>1.35</u>	<u>1,442,499</u>	<u>0.96</u>

In 2017, facing the difficult challenges posed by macro-economic dynamics, the Group accelerated the construction of a comprehensive risk management system, continued to strengthen the prevention and control of credit risk, and conducted in-depth research on new model for centralised management of distressed assets. The new credit risk management system was put into operation in May 2017. The quality of the Group's credit assets was relatively good compared to other banks. As at December 31, 2017, the balance of non-performing loans was RMB2,400.46 million, representing an increase of RMB957.96 million as compared to the end of the previous year; non-performing loan ratio was 1.35%, representing an increase of 0.39 percentage point as compared to the end of the previous year. The amount of loans under special mention category accounted for 3.91% of total loans, representing a decrease of 0.05 percentage point as compared to that of the end of the previous year.

### 3.2.3.2 Concentration of loans

#### (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.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2017				As at December 31, 2016			
	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	15,544,339	8.8	568,151	3.66	18,591,598	12.3	451,802	2.43
Wholesale and retail	14,587,355	8.2	684,360	4.69	15,955,891	10.6	253,255	1.59
Construction	10,961,064	6.2	107,338	0.98	9,067,295	6.0	168,222	1.86
Real estate	13,997,831	7.9	35,000	0.25	17,168,657	11.4	35,000	0.20
Leasing and commercial services	13,373,813	7.5	14,215	0.11	13,353,418	8.8	13,333	0.10
Water conservation, environment and public facility administration	21,426,164	12.1	248	0.00	14,326,733	9.5	6,016	0.04
Transportation, warehousing and postal service	2,075,708	1.2	15,015	0.72	2,035,713	1.3	11,780	0.58
Mining	2,710,914	1.5	221,325	8.16	3,117,867	2.1	61,517	1.97
Electricity, gas and water production and supply	3,319,765	1.9	4,800	0.14	2,136,919	1.4	0	0.00
Agriculture, forestry, animal husbandry and fishery	2,101,230	1.2	13,170	0.63	1,613,366	1.1	26,247	1.63
Household services, maintenance and other services	2,832,632	1.6	4,600	0.16	1,933,136	1.3	2,705	0.14
Education	768,353	0.4	0	0.00	783,484	0.5	0	0.00
Financing	90,446	0.1	0	0.00	238,061	0.2	0	0.00
Scientific research and technology services	1,044,204	0.6	0	0.00	393,669	0.3	0	0.00
Information transmission, software and information technology services	460,005	0.3	2,481	0.54	609,579	0.4	3,880	0.64
Accommodation and catering	954,832	0.5	18,965	1.99	572,051	0.4	11,465	2.00
Culture, sports and entertainment	257,500	0.1	0	0.00	261,315	0.2	0	0.00
Public administration, social security and social organisations	1,867,000	1.1	0	0.00	2,365,000	1.6	0	0.00
Health and social welfare	1,406,978	0.8	0	0.00	826,063	0.5	3,000	0.36
Discounted bills	4,802,366	2.7	0	0.00	4,839,011	3.2	0	0.00
Retail loans	62,624,405	35.3	710,791	1.14	40,831,815	27.0	394,277	0.97
<b>Total</b>	<b>177,206,904</b>	<b>100.0</b>	<b>2,400,459</b>	<b>1.35</b>	<b>151,020,641</b>	<b>100.0</b>	<b>1,442,499</b>	<b>0.96</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.

In 2017, in the face of the macro conditions of slower economic growth, the Bank continued to optimise its industry-specific credit entry and exit criteria for customers and further refined the management of industry quotas.

Non-performing loan ratio as at the end of 2017 increased significantly as compared to the end of 2016. Major industries experienced the following changes:

The amount of non-performing loans in the manufacturing industry increased by RMB116.35 million as compared to the end of the previous year, and the non-performing loan ratio increased by 1.22 percentage points, mainly because the metal smelting and rolling industry and the Liquor production industry were greatly impacted by the market, thus leading to the increase in non-performing loan ratio in these industries;

The amount of non-performing loans in the wholesale and retail industry increased by RMB431.11 million as compared to the end of the previous year, and the non-performing loan ratio increased by 3.10 percentage points, mainly because the coal and steel trading enterprises and automobile selling enterprises were greatly impacted by the market, thus suffered difficulties in collecting account receivables;

The amount of non-performing loans in the mining industry increased by RMB159.81 million as compared to the end of the previous year, and the non-performing loan ratio increased by 6.19 percentage points, mainly because the overdue repayment of loan by a customer;

The non-performing retail loans increased by RMB316.51 million as compared to the end of the previous year, and the non-performing loan ratio increased by 0.17 percentage point, mainly due to suspension or closing down of some small and micro enterprises and the consequent failure in repayment of personal business loans and commercial mortgage loans by small and micro business owners;

Moreover, through our active management and collection of non-performing loans, the non-performing loan ratio in the construction industry dropped to 0.98% from 1.86% at the end of the previous year, the non-performing loan ratio in the water conservation, environment and public facility administration industry dropped to 0 from 0.04% at the end of the previous year, the non-performing loan ratio in the agriculture, forestry, animal husbandry and fishery industry dropped to 0.63% from 1.63% at the end of the previous year, the non-performing loan ratio in the information transmission, software and information technology service industry dropped to 0.54% from 0.64% at the end of the previous year, and the non-performing loan ratio in the health and social welfare industry dropped to 0 from 0.36% at the end of the previous year.

## (2) Concentration of borrowers

As at the end of 2017, the Bank's total loans to its largest single borrower accounted for 2.28% of its net capital while total loans to its top ten customers accounted for 17.19% of its net capital, which were in compliance with regulatory requirements. As at the end of 2017, all of the Bank's loans to top ten single borrowers were loans under pass category.

a. Indicators of concentration

Major regulatory indicators	Regulatory standard	As at December 31, 2017	As at December 31, 2016	As at December 31, 2015
Loan concentration ratio for the largest single customer (%)	<=10	2.28	4.52	4.00
Loan concentration ratio for the top ten customers (%)	<=50	17.19	29.24	30.79

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

b. Loans to top ten single borrowers

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	Industry	As at December 31, 2017	
		Amount	Percentage of total loans (%)
Customer A	Household services, maintenance and other services	945,000	0.53
Customer B	Public administration, social security and social organisation	900,000	0.51
Customer C	Manufacturing	850,000	0.48
Customer D	Leasing and commercial services	750,000	0.42
Customer E	Real estate	700,000	0.40
Customer F	Leasing and commercial services	650,000	0.37
Customer G	Water conservation, environment and public facility administration	600,000	0.34
Customer H	Real estate	590,000	0.33
Customer I	Wholesale and retail	580,825	0.33
Customer J	Manufacturing	570,000	0.32

(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.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2017			As at December 31, 2016		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
<b>Loans and advances to</b>						
<b>corporate entities</b>	109,780,133	1,689,668	1.54	105,349,815	1,048,222	0.99
Short-term loans	31,664,977	1,048,240	3.31	40,877,943	868,726	2.13
Medium- and long-term loans	78,115,156	641,428	0.82	64,471,872	179,496	0.28
<b>Retail loans</b>	62,624,405	710,791	1.14	40,831,815	394,277	0.97
Residential mortgage and personal commercial property loans <sup>(1)</sup>	17,223,965	90,061	0.52	18,296,295	76,677	0.42
Personal business and re-employment loans	11,170,569	430,757	3.86	11,943,743	213,577	1.79
Others <sup>(2)</sup>	34,229,871	189,973	0.55	10,591,777	104,023	0.98
<b>Discounted bills</b>	4,802,366	0	0.00	4,839,011	0	0.00
<b>Total</b>	<b>177,206,904</b>	<b>2,400,459</b>	<b>1.35</b>	<b>151,020,641</b>	<b>1,442,499</b>	<b>0.96</b>

*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 (長江卡循環貸款), 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), Kuai E Dai (快E貸), Kuai I Dai (快I貸), Jie e Dai (捷e貸), Xin e Dai (薪e貸) and Fenqile Co-Branded Loans(分期樂聯合貸款).

As at December 31, 2017, the balance of non-performing loans and advances to corporate entities was RMB1,689.67 million, representing an increase of RMB641.45 million as compared to the end of the previous year. Non-performing loan ratio of loans and advances to corporate entities increased by 0.55 percentage point to 1.54% as compared to the end of the previous year, and the balance of non-performing retail loans was RMB710.79 million, representing an increase of RMB316.51 million as compared to the end of the previous year. Non-performing loan ratio of retail loans increased by 0.17 percentage point to 1.14% as compared to the end of the previous year.

(4) Overdue loans and advances to customers

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Past due within 90 days	4,257,704	52.71	3,310,940	59.22
Past due 90 days to 1 year	2,197,658	27.20	1,662,321	29.73
Past due over 1 year and within 3 years	1,562,371	19.34	567,092	10.14
Past due over 3 years	60,838	0.75	50,520	0.91
<b>Total overdue loans and advances to customers</b>	<b>8,078,571</b>	<b>100.00</b>	<b>5,590,873</b>	<b>100.00</b>

As at December 31, 2017, the total overdue loans and advances amounted to RMB8,078.57 million, representing an increase of RMB2,487.70 million as compared to the end of the previous year. Overdue loans and advances accounted for 4.56% of total loans, representing an increase of 0.86 percentage point as compared to the end of the previous year.

### **3.2.4 Analysis of capital adequacy ratio**

With an aim to satisfy the regulatory requirements on capital management and continuously enhance its capital risk resistance and capital return, the Group 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 Group's sustainable development, transformation of growth modes, coordination of its capital operations and capital preservation, and to further enhance capital preservation awareness among operating institutions, the Group has recently paid attention to the capital consumption and earnings of various institutions in performance appraisal, and further improved its risk adjustment methods and performance appraisal plan, 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, through introducing proper capital distribution and establishing and improving a sound balancing mechanism between capital occupancy and risk assets, to ensure continuous compliance for capital adequacy.



### 3.2.4.1 Capital adequacy ratio

The Group is in compliance with the Administrative Measures for the Capital of Commercial Banks (for 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 ratio, 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 Group was in strict compliance with CBRC's requirements for minimum capital, capital reserve and counter-cyclical capital during the transition period.

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>Core capital:</b>		
Share capital	<b>3,127,055</b>	3,127,055
Counted part of capital surplus	<b>4,325,902</b>	4,911,433
Surplus reserve and general risk reserves	<b>6,992,384</b>	5,914,852
Counted part of retained earnings	<b>11,596,948</b>	9,858,572
Capital contribution through non-controlling interests	<b>361,481</b>	–
<b>Core Tier I Capital deductibles items:</b>		
Full deductibles items	<b>(100,340)</b>	(96,014)
Threshold deduction items	–	–
<b>Core Tier I Capital, net</b>	<b>26,303,430</b>	23,715,898
<b>Other Tier I Capital, net</b>	<b>4,957,505</b>	–
<b>Tier II Capital, net</b>	<b>10,240,749</b>	4,752,209
<b>Net capital</b>	<b>41,501,684</b>	28,468,107
On-balance sheet risk-weighted assets	<b>276,140,999</b>	214,620,993
Off-balance sheet risk-weighted assets	<b>10,969,438</b>	9,927,931
Risk-weighted assets for exposure to counterparty credit risk	<b>8,449</b>	–
<b>Total credit risk-weighted assets</b>	<b>287,118,886</b>	224,548,924
<b>Total market risk-weighted assets</b>	<b>544,914</b>	905,495
<b>Total operational risk-weighted assets</b>	<b>17,605,686</b>	15,946,736
Total risk-weighted assets before applying capital base	<b>305,269,486</b>	241,401,155
Total risk-weighted assets after applying capital base	<b>305,269,486</b>	241,401,155
<b>Core Tier I Capital adequacy ratio (Expressed in percentage)</b>	<b>8.62%</b>	9.82%
<b>Tier I Capital adequacy ratio (Expressed in percentage)</b>	<b>10.24%</b>	9.82%
<b>Capital adequacy ratio (Expressed in percentage)</b>	<b>13.60%</b>	11.79%

As at the end of the Reporting Period, the Group’s capital adequacy ratio was 13.60%, representing an increase of 1.81 percentage points as compared to the end of the previous year. Tier I Capital adequacy ratio was 10.24%, representing an increase of 0.42 percentage point as compared to the end of the previous year. Core Tier I Capital adequacy ratio was 8.62%, representing a decrease of 1.20 percentage points 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 replenishment of Tier II Capital and the increase in capital adequacy ratio as a result of the successful issuance of RMB6,000 million Tier II Capital debt by the Bank in March 2017; (2) the replenishment of Tier I Capital and the increase in Tier I Capital adequacy ratio as a result of the successful issuance of USD750 million overseas preference shares by the Bank in December 2017; and (3) a decline in capital adequacy ratio to certain extent as a result of sound development of various operations and growth of total on- and off-balance sheet risk-weighted risk assets.

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)).

#### 3.2.4.2 Leverage ratio

As at the end of the Reporting Period, the Bank’s leverage ratio was 6.89%, above the regulatory requirement of the CBRC.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Leverage ratio (%)	<b>6.89</b>	5.93
Tier I Capital	<b>31,361,275</b>	23,811,912
Deductions from Tier I Capital	<b>100,340</b>	96,014
Tier I Capital, net	<b>31,260,935</b>	23,715,898
On-balance sheet assets after adjustment	<b>422,662,686</b>	373,007,720
Off-balance sheet assets after adjustment	<b>31,243,712</b>	26,634,099
On- and off-balance sheet assets after adjustment	<b>453,906,397</b>	399,641,819

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

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.

### 3.2.5 Segment information

#### 3.2.5.1 Summary of geographical segment

<i>(Expressed in percentage)</i>	As at December 31,							
	2017		2016		2015		2014	
	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Deposits	84.36	15.64	81.55	18.45	81.19	18.81	77.49	22.51
Loans	76.18	23.82	74.93	25.07	75.82	24.18	74.00	26.00
Assets	87.34	12.66	85.88	14.12	83.37	16.63	81.40	18.60
Loan-to-deposit ratio	60.85	102.57	58.73	86.84	56.99	78.43	59.21	71.60
Non-performing loan ratio	1.09	2.71	0.76	1.64	0.65	2.02	0.31	1.80
Impairment allowance to non-performing loans	286.65	131.98	372.68	183.92	347.34	136.75	704.36	128.30

<i>(Expressed in percentage)</i>	For the year ended December 31,							
	2017		2016		2015		2014	
	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Return on average total assets	2.35	(1.41)	1.07	0.63	1.27	0.05	1.24	0.94
Net fee and commission income to operating income	19.23	13.08	21.53	13.02	19.34	14.14	13.25	7.65
Cost-to-income ratio	20.61	33.35	22.85	30.11	29.58	40.47	30.60	31.85

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

#### 3.2.5.2 Summary of business segment

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2017				
	Corporate banking	Retail banking	Treasury	Unallocated	Total
Net interest income/(expense) from external customers	4,224,549	(163,526)	4,054,072	-	8,115,095
Inter-segment net interest income/(expense)	1,542,406	1,443,877	(2,986,283)	-	-
<b>Net interest income</b>	<b>5,766,955</b>	<b>1,280,351</b>	<b>1,067,789</b>	<b>-</b>	<b>8,115,095</b>
<b>Net fee and commission income</b>	<b>320,783</b>	<b>185,592</b>	<b>1,173,681</b>	<b>-</b>	<b>1,680,056</b>

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2016				Total
	Corporate banking	Retail banking	Treasury	Unallocated	
Net interest income 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>

### 3.2.6 Analysis of off-balance-sheet items

Off-balance-sheet items of the Group mainly include contingent liabilities and commitments, such as the credit commitments, capital 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, 2017, the balance of unused credit card limits was RMB2,868.18 million, representing an increase of RMB302.00 million or 11.8% as compared to the end of the previous year; the balance of guarantees, commitments and letters of credit was RMB24,346.51 million, representing a decrease of RMB3,809.05 million or 13.5% as compared to the end of the previous year; the balance of operating lease commitments was RMB157.01 million, representing a decrease of RMB14.28 million or 8.3% as compared to the end of the previous year; the balance of capital expenditure commitments was RMB378.81 million, representing an decrease of RMB65.93 million or 14.8% as compared to the end of the previous year. In the meantime, the additional financial lease-out commitments of RMB180.00 million were made during the year.

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

	As at December 31, 2017			Total
	Within 1 year	1 to 5 years	Over 5 years	
Unused credit card limits	2,868,179	-	-	2,868,179
Guarantees, acceptances and letters of credit	21,127,588	3,218,275	650	24,346,513
Financial lease-out commitments	180,000	-	-	180,000
Irrevocable loan commitments	46,990	63,024	-	110,014
Operating lease commitments	42,949	88,803	25,255	157,007
Capital expenditure commitments	332,453	46,360	-	378,813
<b>Total</b>	<b>24,598,159</b>	<b>3,416,462</b>	<b>25,905</b>	<b>28,040,526</b>

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2016			Total
	Within 1 year	1 to 5 years	Over 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
Irrevocable loan commitments	34,704	53,491	–	88,195
Operating lease commitments	51,925	94,905	24,459	171,289
Capital expenditure commitments	389,238	55,503	–	444,741
<b>Total</b>	<b>27,873,578</b>	<b>3,527,029</b>	<b>25,358</b>	<b>31,425,965</b>

### 3.3 Risk Management

#### 3.3.1 Credit risk

Credit risk refers to the risk of losses resulting from the defaults, rating downgrade, or decline 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 and stopped 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 of inventory assets 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 Customers of Bank of Chongqing Group 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.

### ***3.3.2 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.

### ***3.3.3 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. °

#### ***3.3.3.1 Interest rate risk of trading accounts***

The financial instruments exposing the Group 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 2017, the Group 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.

### *3.3.3.2 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 Group seeks to ensure that the adverse impact of exchange rate fluctuations falls within an acceptable range.

### **3.3.4 Liquidity risk management**

The liquidity risk management of the Group aims to fully identify, effectively measure, constantly monitor and properly control the overall liquidity risk of the Bank and the liquidity risks within its products, business lines, business links, 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. The Financial Market Department and 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 Group 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 Group 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 Group has liquidity risk measurement and monitoring mechanisms in place to conduct periodic audits over the Group's overall money-market balance, liquidity reserves, liquidity exposure and related supervisory indicators. At the same time, the Group'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 Group continuously carried out liquidity risk stress tests (at least once a quarter) so that it can discover the weak links in 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 2017 indicated that the liquidity risks remained within an acceptable range even under stressful conditions. Meanwhile, the Group 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 2017, all of the major indicators of the Group's liquidity position met the regulatory requirements.

The Group uses liquidity gap analysis to assess liquidity risk. As at the end of 2017, the liquidity gap of the Group calculated from our undiscounted contractual cash flows categorized by contractual maturities was as follows:

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	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, 2017</b>									
Net liquidity gap	(77,373,892)	25,004,418	(21,781,720)	(42,354,149)	55,370,773	48,354,213	32,595,206	8,150,227	27,965,076
<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>									
<b>December 31, 2016</b>									
Net liquidity gap	(75,590,726)	(2,909,552)	8,910,031	(19,017,862)	33,218,992	38,708,420	32,504,012	4,885,362	20,708,677

In 2017, the Group's cumulative gap for all maturities was RMB27,965.08 million, an increase of RMB7,256.40 million over the previous year-end. Although there was a shortfall in on-demand repayment of RMB77,373.89 million, the Group'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 Group's real liquidity was not significant.

#### Liquidity coverage ratio of the Bank

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	<b>December 31 2017</b>	<b>December 31 2016</b>
Qualified high-quality liquid assets	<b>54,275,756</b>	54,146,110
Net cash outflow in the next 30 days	<b>27,932,208</b>	56,680,289
<b>Liquidity coverage ratio (%)</b>	<b>194.31</b>	95.53



The latest Administrative Measures for Liquidity Risk Management of Commercial Banks of the CBRC requires that commercial banks' liquidity coverage ratios must reach 90% and 100% by the end of 2017 and 2018 respectively. The Group 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, 2017, the Group's liquidity coverage ratio was 194.31%, representing an increase of 98.78 percentage points as compared to the end of the previous year, which was in compliance with the regulatory requirements of the CBRC.

### ***3.3.5 Market risk management***

#### *3.3.5.1 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 bank 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 resulting the effective yield is lower than the expected yield or the real cost is higher than the expected cost. The main interest rate risk the Bank faced 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 interest rate sensitivity gap on a regular basis, evaluates interest rate risk through gap analysis, and further assesses the impact of interest rate changes on net interest income and corporate net value in varied interest rate scenarios.

The interest rate liberalization 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 liberalization 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.

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

	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, 2017</b>							
<b>Assets</b>							
Cash and balances with central bank	43,157,747	-	-	-	-	569,685	43,727,432
Due from other banks and financial institutions	25,429,214	4,056,175	7,514,702	-	-	-	37,000,091
Financial assets at fair value through profit or loss	18,126	-	1,379	492,934	189,763	-	702,202
Loans and advances to customers	52,690,767	12,274,666	64,298,713	41,060,547	1,837,397	-	172,162,090
Investment securities							
- Loans and receivables	10,027,273	9,767,628	23,519,085	36,685,129	20,242,759	365,851	100,607,725
- Available-for-sale	6,218,750	4,928,849	6,889,131	14,251,804	4,314,467	503,798	37,106,799
- Held-to-maturity	-	30,000	2,548,911	11,065,634	7,367,830	-	21,012,375
Other financial assets	-	-	-	-	-	4,743,013	4,743,013
<b>Total assets</b>	<b>137,541,877</b>	<b>31,057,318</b>	<b>104,771,921</b>	<b>103,556,048</b>	<b>33,952,216</b>	<b>6,182,347</b>	<b>417,061,727</b>
<b>Liabilities</b>							
Due to other banks and financial institutions	(16,264,661)	(4,431,933)	(34,505,296)	(569,362)	-	-	(55,771,252)
Customer deposits	(91,012,041)	(14,603,994)	(46,327,235)	(84,206,121)	(2,555,287)	-	(238,704,678)
Debt securities issued	(7,062,534)	(27,947,297)	(46,223,656)	-	(7,493,843)	-	(88,727,330)
Other financial liabilities	-	-	-	-	-	(5,893,391)	(5,893,391)
<b>Total liabilities</b>	<b>(114,339,236)</b>	<b>(46,983,224)</b>	<b>(127,056,187)</b>	<b>(84,775,483)</b>	<b>(10,049,130)</b>	<b>(5,893,391)</b>	<b>(389,096,651)</b>
<b>Total interest rate sensitivity gap</b>	<b>23,202,641</b>	<b>(15,925,906)</b>	<b>(22,284,266)</b>	<b>18,780,565</b>	<b>23,903,086</b>	<b>288,956</b>	<b>27,965,076</b>

	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
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>4,622,872</b>	<b>369,029,757</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>844,622</b>	<b>20,708,677</b>

As at December 31, 2017, the Group's accumulated gap for all maturities amounted to RMB27,965.08 million, representing an increase of RMB7,256.40 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 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 are as follows:

### 3.3.5.2 Interest rate sensitivity analysis

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	Change of net interest income	
	December 31, 2017	December 31, 2016
+ 100 basis points parallel move in all yield curves	6,077	44,645
- 100 basis points parallel move in all yield curves	(6,077)	(44,645)
 <i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	 Change of other comprehensive income	
	December 31, 2017	December 31, 2016
+ 100 basis points parallel move in all yield curves	(583,862)	(570,673)
- 100 basis points parallel move in all yield curves	646,770	602,614

### 3.3.5.3 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%.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	Estimated pre-tax profit/(loss) change	
	December 31, 2017	December 31, 2016
+1% upward change of foreign exchange rate	2,282	1,444
-1% downward change of foreign exchange rate	(2,282)	(1,444)

## 3.4 Outlook

In 2018, it is expected that the global economy will see continuous recovery. Driven by cyclical factors and increased inherent growth momentum, improved financial environment and recovering market demand, the trend of recovery will be reinforced. Benefiting from robust domestic demand and easing macro policies, China's economy is expected to maintain medium-to-high growth rate, with further improvement in both quality and efficiency in economic development.

In respect of financial reform and risk control, industry regulatory policies will be continuously promulgated with stricter regulation. Rectification of the disordered financial market and prevention of risks from financial system will be the focus of financial regulatory authorities. With the implementation of all projects, there will be further enhancement of the innovation and optimisation of the financial control, and the systems of financial enterprises as well as system of financial market will be reinforced and improved. By enforcing the establishment of a modern financial regulatory framework, accelerating the transformation of financial development, improving the rule of law in financial market and safeguarding the national financial system security, a better and more stable environment will be created for the development of the banking industry.

As China's largest municipality, the most developed urban centre in Western China and the largest port city on the upper reaches of the Yangtze River, Chongqing enjoyed the geographical advantage of being situated at the connecting point of "One Belt, One Road" and Yangtze River Economy Zone, the two main national strategies of China. Chongqing has become a rapid growing and opened inland city. In 2017, Chongqing's regional gross domestic product (GDP) reached a growth of 9.3%, among the top of all provinces, cities and autonomous regions across the country, achieving an outstanding performance. In 2018, with the continuous improvement of regional economic development policy, as well as the implementation of measures for steady growth and structural adjustment, Chongqing is expected to maintain a favourable momentum of rapid development in its economic growth.

In 2018, the Group will continue to implement the restructuring and upgrading of various businesses, further enhance its operational and management standards, deepen its reform of internal governance systems, strictly control and manage all types of risks and strive for sustainable innovations and breakthroughs in business development with an aim to provide the Group's customers with more comprehensive financial products and services.

Based on its strategic development objective of professionalism, comprehensive management and Internet banking, the Group will push on adjustments in business and customer structure, and continue to enhance its capability of sustainable development. Leveraging a competitive advantage in small and micro business, corporate business, personal business and inter-bank financing, the Group will continue to improve operation and services in these areas. In the meantime, under the national policy and supervisory system, the Group will explore its business scope, enrich its business type and seek new profit growing points. By adopting an analytical approach to the regional and macro-economic financial situation, the Group will enhance the forecast ability and initiative of operational management. By continuing to develop a comprehensive risk management system and striving to realize healthy, rapid and sustainable development objectives, the Group aims at generating better returns for its shareholders and investors.

#### **4. MAJOR ASSET PURCHASES, SALES AND MERGERS**

In December 29, 2016, CBRC approved the Bank to establish the Chongqing Xinyu Financial Leasing Co., Ltd. (the "**Financial Leasing Company**"). On March 22, 2017, the Chongqing Bureau of CBRC approved the commencement of operation of the Financial Leasing Company. The registered capital of the Financial Leasing Company is RMB3 billion, and the Bank holds 51% of its equity. The Financing Leasing Company is a subsidiary of the Bank, and its results have been incorporated into the financial report of the Bank. For details relating to the establishment of the Financial Leasing Company, please refer to the announcements of the Bank dated January 3, 2017 and March 23, 2017.

Apart from the establishment of the Financial Leasing Company, during the Reporting Period, the Group did not conduct any other major asset purchases, sales or mergers.

## 5. OTHER INFORMATION

### 5.1 Corporate Governance Code

The Bank is dedicated to improving the transparency and accountability of its corporate governance and ensuring high standards of corporate governance practices to protect the interests of shareholders and enhance corporate value and commitment.

In order to maintain a high standard of corporate governance, the Bank established a dedicated, professional and accountable Board, board of supervisors and experienced senior management. The members of the Bank's Board and board of supervisors, except for employee supervisors, are all elected by the shareholders at the shareholders' general meeting.

During the Reporting Period, the Bank had fully complied with the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and, where appropriate, adopted the recommended best practices therein, apart from the following deviated matter:

#### *Code Provision A.2.1*

The President, Mr. RAN Hailing, also once acted as Chairman of the Board for a temporary arrangement, which deviated from Code Provision A.2.1 of the Corporate Governance Code. This deviation was due to the resignation of Mr. GAN Weimin as an executive director of the Bank and chairman of the board due to his career move on June 28, 2017. And on August 18, 2017, the Bank's first extraordinary general meeting of shareholders in 2017 reviewed and approved the appointment of Ms. LIN Jun as an Executive Director of the Bank, and the Board of Directors proposed and approved the election of Ms. LIN Jun as Chairlady of the Board on the same day. During the transitional period prior to Ms. LIN's assumption of office, Mr. RAN along with many experienced personnel of the Group, who were responsible for day-to-day business operations, fully ensured the overall best interests of the Group during this temporary deviation.

The qualifications of Ms. LIN Jun as a director of the Bank and the appointment of the chairlady of the board were approved by the China Banking Regulatory Commission Chongqing Office ("CBRC Chongqing Office") on March 9, 2018 and became effective on the same day. Therefore, as of the date of publication of this results announcement, the Bank fully complied with the Corporate Governance Code without deviation.

### 5.2 The Bank's Directors, Supervisors and Senior Management

The organizational structure of the Bank's Board, board of supervisors and senior management are as follows:

As of the date of publication of this results announcement, the Board of the Bank had a total of thirteen directors, of which there were four executive directors, namely Ms. LIN Jun (chairlady of the Board), 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 board of supervisors of the Bank had a total of eight supervisors, of which there were three employee supervisors, namely Mr. YANG Xiaotao, Mr. HUANG Changsheng, and Mr. ZHOU Xiaohong; two shareholder supervisors, namely Mr. CHEN Yan and Mr. WU Bing; and three external supervisors, namely Mr. CHEN Zhong, Mr. CHEN Zhengsheng and Mr. YIN Xianglong.

The senior management of the Bank comprised a total of eight members, namely Mr. RAN Hailing, Mr. SUI Jun, Mr. LIU Jianhua, Ms. YANG Shiyin, Mr. ZHOU Guohua, Ms. PENG Yanxi, Mr. HUANG Ning and Mr. WONG Wah Sing.

### **5.3 Changes in Directors, Supervisors and Senior Management**

#### ***Changes in Directors***

On August 18, 2017, the Bank's first extraordinary general meeting of shareholders in 2017 reviewed and approved the appointment of Ms. LIN Jun as an Executive Director of the Bank, and the Board of Directors proposed and approved the election of Ms. LIN Jun as Chairlady of the Board on the same day. The qualifications of Ms. LIN Jun as a director of the Bank were approved by CBRC Chongqing Office on March 9, 2018 and became effective on the same day.

On June 28, 2017, the Board approved Mr. GAN Weimin's resignation as executive director, chairman of the Board, chairman of the Strategic Committee of the Board, chairman of the Information Technology Guidance Committee of the Board, member of Risk Management Committee of the Board and authorized representative (as defined under Rule 3.05 of the Listing Rules) due to career move. Mr. GAN Weimin's resignation became effective on the same day.

#### ***Changes in Supervisors***

On February 28, 2018, the Bank received a resolution from the board of supervisors of the Bank on the proposed appointment of Mr. PENG Daihui as external supervisor. The appointment of Mr. PENG Daihui will take effect upon the approval of the Bank's shareholders.

On May 26, 2017, the Board of Supervisors approved Mr. LIN Min's resignation as employee supervisor of the Bank due to work re-designation.

On February 3, 2017, Mr. CHEN Zhengsheng resigned from the position as 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.

#### ***Changes in Senior Management***

On June 9, 2017, the CBRC Chongqing Office approved the qualification of Mr. SUI Jun for serving as the vice president of the Bank. The term of office of Mr. SUI Jun has become effective from the date of approval.

On March 21, 2017, the Board approved Mr. ZHOU Wenfeng's resignation from the position as company secretary, acting secretary of the Board and 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 company secretary, acting secretary of the Board and the authorized representative of the Bank with effect from March 21, 2017.

#### **5.4 Securities Transactions by Directors and Supervisors**

In respect of securities transactions by directors, supervisors and senior management, the Bank has adopted the Administrative Measures on the Holding and Change of Holding of Shares by Directors, Supervisors and Senior Management of Bank of Chongqing Co., Ltd. (the "**Measures**") 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 of the Bank, all directors and supervisors of the Bank have confirmed that they have complied with such code of conduct and the Measures throughout the Reporting Period.

#### **5.5 Profits and Dividends**

The Bank's revenue for the year ended December 31, 2017 and the Bank's financial position as at the same date are set out in the section headed "Financial Report" of this results announcement.

The distribution of a final dividend of RMB0.291 (tax inclusive) per share for the year ended December 31, 2016 ("**2016 Final Dividend**"), amounting to a total dividend of RMB909,972,948.26 (tax inclusive) based on the profit and number of shares issued for the year ended December 31, 2016, was considered and approved at the 2016 annual general meeting held on May 26, 2017. The final dividend for the year 2016 was distributed to holders of H Shares and domestic shares on July 21, 2017.

The Board of the Bank has proposed a final dividend of RMB0.118 per share (tax inclusive) for the year ended December 31, 2017 ("**2017 Final Dividend**"), amounting to an aggregate amount of RMB368,992,466.99 (tax inclusive) to all shareholders of the Bank. The dividend distribution proposal will be submitted to the 2017 annual general meeting for approval. If the proposal is approved at the 2017 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 on June 30, 2018. The proposed dividend will be denominated in RMB. Dividends to holders of domestic shares shall be paid in RMB, and dividends to holders of H Shares shall be paid in Hong Kong dollars. The exchange rate of RMB to HK\$ to be adopted shall be the average middle rates of the five business days preceding the date of declaration of such dividends by the Bank at the 2017 annual general meeting (being May 25, 2018, inclusive) as announced by the People's Bank of China. The register of members of the Bank will be closed from Monday, June 25, 2018 to Saturday, June 30, 2018 (both days inclusive), during such period no transfer of domestic shares or H Shares will be registered. In order to be entitled to the 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, Wan Chai, Hong Kong by no later than 4:30 p.m. on Friday, June 22, 2018.



The Board of the Bank proposed to distribute the 2017 final dividends on Friday, July 20, 2018. If there are any expected changes to the 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)*

	2016	2015	2014
Cash dividend (tax inclusive)	909.97	825.54	735.82
As a percentage of profit for the year	25.98%	26.04%	26.03%

## 5.6 Annual General Meeting of 2017 and Closure of Register of Members

The Bank's 2017 annual general meeting will be held on Friday, May 25, 2018. In order to determine the holders of H Shares who are eligible to attend and vote at the 2017 annual general meeting, the register of members of the Bank will be closed from Tuesday, April 24, 2018 to Friday, May 25, 2018 (both days inclusive), and during such period no transfer of shares will be registered. Holders of H Shares of the Bank who wish to attend and vote at the 2017 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, Wan Chai, Hong Kong no later than 4:30 p.m. on Monday, April 23, 2018.

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

During the Reporting Period, the Bank had not purchased, sold or redeemed any listed securities of the Bank.

## 5.8 Issuance of Offshore Preference Shares

With approvals by the Chongqing Bureau of CBRC and the China Securities Regulatory Commission ("CSRC") for the Bank to issue offshore preference shares, the Bank successfully issued U.S.\$750,000,000 5.40% non-cumulative perpetual offshore preference shares (the "Offshore Preference Shares"), which were listed on Hong Kong Stock Exchange on December 21, 2017. The Offshore Preference Shares will have a par value of RMB100 each and will be issued as fully paid-up capital in U.S. dollars so that the total issuance price of the Offshore Preference Shares will be U.S.\$20 each. The Offshore Preference Shares will be issued in registered form and issued and transferable only in minimum amounts of U.S.\$200,000 (or 10,000 Offshore Preference Shares) and integral multiples of U.S.\$1,000 (or 50 Offshore Preference Shares) in excess thereof. A total of 37.5 million of Offshore Preference Shares were issued, and according to the Renminbi central parity rate as published by the China Foreign Exchange Trade System on December 20, 2017, the total proceeds from the issuance of the Offshore Preference Shares was approximately RMB4.95 billion. After deduction of the expense relating to the issuance, Subject to applicable laws and regulations and the approvals by the relevant regulatory authorities such as the CBRC and the CSRC, the proceeds will be used to replenish the Bank's additional tier I capital, increase the tier I capital adequacy ratio of the Bank and optimize the capital structure.

## 5.9 Review of Annual Results of 2017

The 2017 financial statements prepared in accordance with the IFRSs have been audited by PricewaterhouseCoopers in accordance with International Standards on Auditing.

The Board and the audit committee of the Board have reviewed and confirmed the Annual Results of the Bank.

## 6. FINANCIAL STATEMENTS

### BANK OF CHONGQING CO., LTD.

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	For the year ended 31 December	
	2017	2016
Interest income	18,920,176	16,226,274
Interest expense	(10,805,081)	(8,548,876)
<b>Net interest income</b>	<b>8,115,095</b>	<b>7,677,398</b>
Fee and commission income	1,940,881	2,021,337
Fee and commission expense	(260,825)	(95,320)
<b>Net fee and commission income</b>	<b>1,680,056</b>	<b>1,926,017</b>
Net trading losses	(21,220)	(50,666)
Net gains on investment securities	140,480	348
Other operating income	100,395	49,937
<b>Operating income</b>	<b>10,014,806</b>	<b>9,603,034</b>
Operating expenses	(2,298,865)	(2,537,298)
Impairment losses	(2,999,164)	(2,411,134)
<b>Operating profit</b>	<b>4,716,777</b>	<b>4,654,602</b>
Share of profit of associates	178,378	3,910
<b>Profit before income tax</b>	<b>4,895,155</b>	<b>4,658,512</b>
Income tax	(1,130,958)	(1,156,345)
<b>Net profit</b>	<b>3,764,197</b>	<b>3,502,167</b>

**BANK OF CHONGQING CO., LTD.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**  
*(All amounts expressed in thousands of RMB unless otherwise stated)*

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Revaluation reserve for AFS recognised in other comprehensive (loss)/income	(782,112)	(209,957)
Less: Related income tax impact	<u>195,528</u>	<u>52,489</u>
<b>Subtotal</b>	<u>(586,584)</u>	<u>(157,468)</u>
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of retirement benefits/(losses)	1,404	(320)
Less: Related income tax impact	<u>(351)</u>	<u>80</u>
<b>Subtotal</b>	<u>1,053</u>	<u>(240)</u>
<b>Total other comprehensive income, net of tax</b>	<u>(585,531)</u>	<u>(157,708)</u>
<b>Total comprehensive income for the year</b>	<u>3,178,666</u>	<u>3,344,459</u>
<b>Net profit attributable to:</b>		
Shareholders of the Bank	3,725,881	3,502,167
Non-controlling interests	<u>38,316</u>	<u>–</u>
	<u>3,764,197</u>	<u>3,502,167</u>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Bank	3,140,350	3,344,459
Non-controlling interests	<u>38,316</u>	<u>–</u>
	<u>3,178,666</u>	<u>3,344,459</u>
<b>Earnings per share attributable to the shareholders of the Bank (expressed in RMB per share)</b>		
– basic and diluted	<u>1.19</u>	<u>1.12</u>

**BANK OF CHONGQING CO., LTD.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(All amounts expressed in thousands of RMB unless otherwise stated)*

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and balances with central bank	<b>43,727,432</b>	42,813,488
Due from other banks and financial institutions	<b>37,000,091</b>	55,706,352
Financial assets at fair value through profit or loss	<b>702,202</b>	881,977
Loans and advances to customers	<b>172,162,090</b>	146,789,046
Investment securities		
– Loans and receivables	<b>100,607,725</b>	75,750,755
– Available-for-sale (“AFS”)	<b>37,106,799</b>	23,885,457
– Held-to-maturity (“HTM”)	<b>21,012,375</b>	19,794,542
Investment in associates	<b>1,113,146</b>	238,394
Property, plant and equipment	<b>2,866,257</b>	2,691,236
Deferred income tax assets	<b>1,380,953</b>	1,005,271
Other assets	<b>5,083,955</b>	3,547,216
	<hr/>	<hr/>
<b>Total assets</b>	<b>422,763,025</b>	<b>373,103,734</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
Due to other banks and financial institutions	<b>55,771,252</b>	60,350,785
Customer deposits	<b>238,704,678</b>	229,593,793
Current tax liabilities	<b>358,515</b>	295,059
Debt securities issued	<b>88,727,330</b>	54,598,252
Other liabilities	<b>6,741,338</b>	4,453,933
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>390,303,113</b>	<b>349,291,822</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Share capital	<b>3,127,055</b>	3,127,055
Preference shares	<b>4,909,307</b>	–
Capital surplus	<b>4,680,638</b>	4,680,638
Other reserves	<b>6,637,648</b>	6,145,647
Retained earnings	<b>11,596,948</b>	9,858,572
	<hr/>	<hr/>
<b>Equity attributable to shareholders of the Bank</b>	<b>30,951,596</b>	<b>23,811,912</b>
	<hr/> <hr/>	<hr/> <hr/>
Non-controlling interests	<b>1,508,316</b>	–
<b>Total equity</b>	<b>32,459,912</b>	<b>23,811,912</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities and equity</b>	<b>422,763,025</b>	<b>373,103,734</b>
	<hr/> <hr/>	<hr/> <hr/>

**BANK OF CHONGQING CO., LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2017  
*(All amounts expressed in thousands of RMB unless otherwise stated)*

	Equity attributable to shareholders of the Bank									Total
	Share capital	Preference shares	Capital surplus	Surplus reserve	General reserve	Revaluation reserve for available-for-sale securities	Remeasurement of retirement benefits	Retained earnings	Non-controlling interests	
Balance at 1 January 2017	3,127,055	-	4,680,638	1,872,431	4,042,421	233,262	(2,467)	9,858,572	-	23,811,912
Net profit for the year	-	-	-	-	-	-	-	3,725,881	38,316	3,764,197
Other comprehensive income	-	-	-	-	-	(586,584)	1,053	-	-	(585,531)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(586,584)</b>	<b>1,053</b>	<b>3,725,881</b>	<b>38,316</b>	<b>3,178,666</b>
Issuance of preference shares	-	4,909,307	-	-	-	-	-	-	-	4,909,307
Contribution of non-controlling shareholders	-	-	-	-	-	-	-	-	1,470,000	1,470,000
Dividends	-	-	-	-	-	-	-	(909,973)	-	(909,973)
Transfer to other reserves	-	-	-	372,588	704,944	-	-	(1,077,532)	-	-
<b>Balance at 31 December 2017</b>	<b>3,127,055</b>	<b>4,909,307</b>	<b>4,680,638</b>	<b>2,245,019</b>	<b>4,747,365</b>	<b>(353,322)</b>	<b>(1,414)</b>	<b>11,596,948</b>	<b>1,508,316</b>	<b>32,459,912</b>
Balance at 1 January 2016	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
Other comprehensive income	-	-	-	-	-	(157,468)	(240)	-	-	(157,708)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(157,468)</b>	<b>(240)</b>	<b>3,502,167</b>	<b>-</b>	<b>3,344,459</b>
Dividends	-	-	-	-	-	-	-	(825,542)	-	(825,542)
Transfer to other reserves	-	-	-	350,217	615,839	-	-	(966,056)	-	-
<b>Balance at 31 December 2016</b>	<b>3,127,055</b>	<b>-</b>	<b>4,680,638</b>	<b>1,872,431</b>	<b>4,042,421</b>	<b>233,262</b>	<b>(2,467)</b>	<b>9,858,572</b>	<b>-</b>	<b>23,811,912</b>

**BANK OF CHONGQING CO., LTD.****CONSOLIDATED STATEMENT OF CASH FLOWS***(All amounts expressed in thousands of RMB unless otherwise stated)*

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Profit before income tax	<b>4,895,155</b>	4,658,512
Adjustments:		
Depreciation and amortisation	<b>184,088</b>	170,804
Impairment losses on loans	<b>2,352,241</b>	1,881,063
Impairment losses on other assets	<b>646,923</b>	530,071
Net gains on disposal of property, plant and equipment and foreclosed assets	<b>(13,981)</b>	(1,462)
Fair value losses	<b>29,801</b>	61,570
Net gains arising from financial investments	<b>(163,022)</b>	(21,541)
Share of profit of associates	<b>(178,378)</b>	(3,910)
Interest income arising from investment securities	<b>(7,037,955)</b>	(5,990,994)
Interest expense arising from debt securities issued	<b>3,303,012</b>	1,337,326
Net (increase)/decrease in operating assets:		
Net increase in restricted deposit balances with central bank	<b>(1,552,442)</b>	(3,794,902)
Net increase in due from and placements to banks and other financial institutions	<b>(3,901,437)</b>	(2,414,399)
Net decrease/(increase) in financial assets held under resale agreements	<b>18,882,843</b>	(1,582,553)
Net increase in loans and advances to customers	<b>(28,345,429)</b>	(26,799,542)
Net increase in other operating assets	<b>(1,210,283)</b>	(974,945)
Net increase/(decrease) in operating liabilities:		
Net decrease in borrowings from central bank	<b>(211,267)</b>	(1,629,620)
Net decrease in due to and placements from banks and other financial institutions	<b>(445,241)</b>	(1,558,262)
Net decrease in financial assets sold under repurchase agreements	<b>(9,496,711)</b>	(9,696,888)
Net increase in customer deposits	<b>9,110,885</b>	30,295,088
Net increase/(decrease) in other operating liabilities	<b>7,464,668</b>	(3,101,739)
Income tax paid	<b>(1,247,656)</b>	(1,580,137)
<b>Net cash outflows from operating activities</b>	<b>(6,934,186)</b>	(20,216,460)

**BANK OF CHONGQING CO., LTD.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
*(All amounts expressed in thousands of RMB unless otherwise stated)*

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from investing activities:</b>		
Dividends received	22,542	21,193
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	53,018	26,989
Purchase of property, plant and equipment, intangible assets and other long-term assets	(378,525)	(225,497)
Proceeds from sale and redemption of investments	331,273,393	303,297,509
Purchase of investment securities	(364,687,137)	(310,322,729)
<b>Net cash outflows from investing activities</b>	<b>(33,716,709)</b>	<b>(7,202,535)</b>
<b>Cash flows from financing activities:</b>		
Capital contribution by non-controlling interests of a subsidiary	1,470,000	–
Proceeds from issuance of other equity instruments	4,909,307	–
Proceeds from issuance of debt securities and inter-bank certificates of deposit	152,353,023	66,874,788
Cash paid to redeem debt securities and inter-bank certificates of deposit issued	(121,080,000)	(31,850,000)
Interest paid in relation to debt securities issued	(263,800)	(197,800)
Dividends paid to shareholders	(915,048)	(822,567)
<b>Net cash inflows from financing activities</b>	<b>36,473,482</b>	<b>34,004,421</b>
<b>Impact from exchange rate changes on cash and cash equivalents</b>	<b>(185,939)</b>	<b>84,634</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,363,352)</b>	<b>6,670,060</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>24,788,329</b>	<b>18,118,269</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>20,424,977</b>	<b>24,788,329</b>

**BANK OF CHONGQING CO., LTD.**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
*(All amounts expressed in thousands of RMB unless otherwise stated)*

**1 BASIS OF PRESENTATION**

The consolidated financial statements of the Group 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 consolidated 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 consolidated 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 Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements will be disclosed in Annual Report.

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

From 2017 on, the Group has adopted the following amendments to IFRSs, which were applicable for the Group's financial year beginning on 1 January 2017 and the relevant impact is set out below:

Amendments to IAS 7	Statement of cash flows
Amendments to IAS 12	Income taxes
Amendments to IFRS 12	Annual Improvements to IFRSs (2014 – 2016 Cycle)

Amendments to IFRSs effective for the year ended 31 December 2017 do not have a material impact to the Group.

***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.



## 1 BASIS OF PRESENTATION (CONTINUED)

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

#### *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 12*

The IASB Annual Improvements 2014 – 2016 Cycle include the amendments to IFRS 12 Disclosure of Interest in Other Entities. These amendments clarify the scope of IFRS 12 by specifying that the disclosure requirements, except for those summarised financial information for subsidiaries, associates and joint ventures apply to an entity’s interests which are classified as held for sale or discontinued operations in accordance with IFRS 5. The adoption of the amendments does not have a significant impact on the Group’s consolidated financial statements.

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

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

		<b>Effective for annual period beginning on or after</b>
Amendments to IFRS 2	Share – based Payment	1 January 2018
Amendments to IAS 40	Transfer of Investment Property	1 January 2018
Amendments to IAS 28	IASB Annual Improvements 2014 – 2016 cycle	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
International Financial Reporting Interpretations Committee (“IFRIC”) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

## 1 BASIS OF PRESENTATION (CONTINUED)

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

#### *Amendments to IFRS 2*

On 20 June 2016, the IASB issued an amendment to IFRS 2, “Share-based Payment”, addressing three classification and measurement issues.

The amendment addresses the accounting for cash-settled share-based payments and equity-settled awards that include a “net settlement” feature in respect of withholding taxes.

The amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it is wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority. The adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

#### *Amendments to IAS 40*

On 8 December 2016, the IASB issued amendments to IAS 40 – Transfer of Investment Property. These amendments specify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred; They also clarify that the list of circumstances set out in IAS 40 is non-exhaustive list of examples of evidence that a change in use has occurred instead of an exhaustive list. The examples have been expanded to include assets under construction and development and not only transfers of completed properties. The adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

#### *Amendments to IAS 28*

The IASB Annual Improvements 2014 – 2016 Cycle include the amendments to IAS 28 – Investments in Associates and Joint Ventures. These amendments clarify that the election to measure investees at fair value through profit or loss is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

## 1 BASIS OF PRESENTATION (CONTINUED)

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

#### *IFRS 9*

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (IFRS 9), which replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). This final version includes requirements on: (1) Classification and measurement of financial assets and liabilities; (2) Impairment of financial assets; and (3) General hedge accounting.

IFRS 9 will be effective from 1 January 2018. According to the provisions for the transitional period, companies should retrospectively adjust the retained earnings or other comprehensive income at the beginning of the period instead of restating the comparable figures of the prior period.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments and certain financial guarantee contracts.

As at 31 December 2017, the Group's current estimate of the adoption of IFRS 9, subject to refinement, was an overall reduction of approximately 6% of the net assets of the Group, of which was primarily attributable to the adoption of the expected credit loss methodology.

#### *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. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and license 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. The adoption of this new standard will not have a significant impact on the Group's consolidated financial statements.

## 1 BASIS OF PRESENTATION (CONTINUED)

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

#### *International Financial Reporting Interpretations Committee (“IFRIC”) 22*

The IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The Group anticipates that the adoption of this interpretation will not have a significant impact on the Group’s consolidated financial statements.

#### *IFRS 16*

IFRS 16 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. The standard replaces IAS 17 ‘Leases’, and related interpretations.

IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value or the lease is short-term, in the consolidated statement of financial position. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability in the consolidated statement of comprehensive income, and also classifies cash repayments of the lease liability into principal portion and an interest portion for presentation in the consolidated statement of cash flows.

The standard will affect primarily the accounting for group’s operating leases when group as a lessee. As at 31 December 2017, the group has non-cancellable operating lease commitments of RMB157,007 thousand. The Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group’s profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group expects that, as a lessor, the adoption of IFRS 16 will not have a significant impact on the financial information.

#### *IFRIC 23*

In June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Group anticipates that the adoption of this interpretation will not have a significant impact on the Group’s consolidated financial statements.

## 2 SUBSIDIARY

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

As at 31 December 2017, details of the Bank's subsidiary are set out below:

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital	Proportion of equity Interest	Proportion of voting power	Principal activities
Chongqing Xinyu Financial Leasing Co., Ltd.	23 March 2017	Chongqing	3,000,000	51%	51%	Financial leasing
			<b>Assets</b>	<b>Liabilities</b>	<b>Revenue</b>	<b>Profit</b>
Chongqing Xinyu Financial Leasing Co., Ltd.			<u>9,096,024</u>	<u>6,017,828</u>	<u>289,743</u>	<u>78,196</u>

## 3 NET INTEREST INCOME

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

	2017	2016
<b>Interest income</b>		
Balances with central bank	578,520	543,694
Due from other banks and financial institutions	1,899,824	1,435,073
Loans and advances to customers	9,403,877	8,256,513
Investment securities	6,958,327	5,852,130
Financial assets at fair value through profit or loss	79,628	138,864
	<u>18,920,176</u>	<u>16,226,274</u>
<b>Interest expense</b>		
Due to other banks and financial institutions	(2,159,215)	(1,975,392)
Customer deposits	(5,342,854)	(5,236,158)
Debt securities issued	(3,303,012)	(1,337,326)
	<u>(10,805,081)</u>	<u>(8,548,876)</u>
<b>Net interest income</b>	<u>8,115,095</u>	<u>7,677,398</u>
	2017	2016
Interest income accrued on loans and advances to customers individually impaired	<u>117,090</u>	<u>112,399</u>

#### 4 NET FEE AND COMMISSION INCOME

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

	2017	2016
<b>Fee and commission income</b>		
Financial advisory and consulting services	159,698	66,103
Wealth management agency service	887,823	854,787
Custodian service	358,836	671,746
Bank card services	280,296	206,940
Guarantees and credit commitments	140,016	149,599
Settlement and agency services	114,212	72,162
	<u>1,940,881</u>	<u>2,021,337</u>
<b>Fee and commission expense</b>		
Third party online product services	(144,316)	–
Settlement and agency services	(56,764)	(55,312)
Bank card services	(26,234)	(17,533)
Others	(33,511)	(22,475)
	<u>(260,825)</u>	<u>(95,320)</u>
<b>Net fee and commission income</b>	<u><u>1,680,056</u></u>	<u><u>1,926,017</u></u>

#### 5 NET TRADING LOSSES

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

	2017	2016
Foreign exchange	8,581	10,904
Interest rate instruments	(29,801)	(61,570)
	<u>(21,220)</u>	<u>(50,666)</u>

Net gains/(losses) on foreign exchange mainly include gains or losses from the trading of spot contracts and translation of foreign currency monetary assets and liabilities into RMB.

The retranslation losses of foreign currency monetary assets and liabilities were RMB8,214 thousand for the year ended 31 December 2017 (31 December 2016: RMB1,554 thousand of retranslation gains).

Net (losses)/gains on interest rate instruments mainly include losses or gains generating from the fair value change of trading securities.

## 6 OTHER OPERATING INCOME

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

	2017	2016
Gains on sale of property, plant and equipment	13,455	351
Gains on sale of foreclosed assets	602	1,126
Dividend income from unlisted AFS investments	22,542	21,193
Government grants <sup>(a)</sup>	30,598	16,964
Rental income from investment properties	808	1,247
Income from dormant accounts	1,318	1,768
Compensation on breach of contract	24,316	1,352
Other miscellaneous income <sup>(b)</sup>	6,756	5,936
	<u>100,395</u>	<u>49,937</u>

(a) Government grants

For the year ended 31 December 2017, the government grants mainly include the government grants for agricultural loans of around RMB22,144 thousand and the other types of government grants of around RMB8,454 thousand.

For the year ended 31 December 2016, the government grants mainly include the awards for incremental small and micro loans in Chengdu branch, the credit availability and financial award for ecological development, the award for government bank assessment and for the contribution of local economic development and other government incentives.

(b) Other miscellaneous income mainly comprised cashier surplus and incomes from writing off other payables.

**7 OPERATING EXPENSES***(All amounts expressed in thousands of RMB unless otherwise stated)*

	2017	2016
Staff costs (including directors and supervisors' emoluments)	<b>1,282,237</b>	1,162,439
General and administrative expenses	<b>592,466</b>	800,819
Tax and surcharges	<b>95,112</b>	259,774
Depreciation of property, plant and equipment	<b>125,394</b>	117,260
Amortisation of intangible assets	<b>28,897</b>	23,224
Amortisation of land use rights	<b>4,705</b>	4,863
Depreciation of investment properties	<b>307</b>	311
Amortisation of long-term prepaid expenses	<b>24,785</b>	25,146
Rental expenses	<b>74,776</b>	93,064
Professional fees	<b>44,972</b>	30,681
Auditors' remuneration		
– Audit services	<b>3,328</b>	3,463
– Non-audit services	<b>550</b>	240
Donations	<b>13,662</b>	13,650
Others	<b>7,674</b>	2,364
	<b><u>2,298,865</u></b>	<b><u>2,537,298</u></b>

**8 STAFF COSTS (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS)***(All amounts expressed in thousands of RMB unless otherwise stated)*

	2017	2016
Salaries and bonuses	<b>860,806</b>	743,419
Pension expenses	<b>156,083</b>	152,021
Housing benefits and subsidies	<b>80,783</b>	77,853
Labour union and staff education funds	<b>21,727</b>	22,615
Other social security and benefit costs	<b>162,838</b>	166,531
	<b><u>1,282,237</u></b>	<b><u>1,162,439</u></b>
Total	<b><u>1,282,237</u></b>	<b><u>1,162,439</u></b>



**9 IMPAIRMENT LOSSES***(All amounts expressed in thousands of RMB unless otherwise stated)*

	2017	2016
Loans and advances to customers		
– Collectively assessed	<b>416,418</b>	1,008,258
– Individually assessed	<b>1,935,823</b>	872,805
Loans and receivables	<b>631,693</b>	528,545
Others	<b>15,230</b>	1,526
	<b>2,999,164</b>	2,411,134

**10 INCOME TAX EXPENSE***(All amounts expressed in thousands of RMB unless otherwise stated)*

	2017	2016
Current income tax	<b>1,311,112</b>	1,603,207
Deferred income tax	<b>(180,154)</b>	(446,862)
	<b>1,130,958</b>	1,156,345

Current income tax is calculated the statutory tax rate of 25% based on the taxable income of estimated assessable profit of the Group for the respective year as stipulated in PRC tax laws.

## 10 INCOME TAX EXPENSE (CONTINUED)

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

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% (2016: 25%) to profit before income tax can be reconciled as follows:

	2017	2016
Profit before income tax	4,895,155	4,658,512
Tax calculated at a tax rate of 25%	1,223,789	1,164,628
Tax effect arising from non-taxable income <sup>(a)</sup>	(169,544)	(106,387)
Tax effect of expenses that are not deductible for tax purposes <sup>(b)</sup>	153,364	98,811
Income tax adjustment for prior years	(76,651)	(707)
Income tax expense	<u>1,130,958</u>	<u>1,156,345</u>

- (a) The Group's non-taxable income mainly represents interest income arising from treasury bonds, which is non-taxable in accordance with PRC tax laws.
- (b) The Group'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.

## 11 BASIC AND DILUTED EARNINGS PER SHARE

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

- (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.

	2017	2016
Net profit attributable to shareholders of the Bank	<u>3,725,881</u>	<u>3,502,167</u>
Weighted average number of ordinary shares issued ( <i>in thousand</i> )	<u>3,127,055</u>	<u>3,127,055</u>
Basic earnings per share ( <i>in RMB</i> )	<u>1.19</u>	<u>1.12</u>

- (b) Diluted earnings per share

For the years ended 31 December 2017, there was no potential diluted ordinary share, so the diluted earnings per share was the same as the basic earnings per share (2016: nil).

## 12 INVESTMENT SECURITIES

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

	As at 31 December	
	2017	2016
<b>Investment securities – loans and receivables</b>		
Debt securities – at amortised cost		
– Trust investments <sup>(a)</sup>	34,532,649	35,231,091
– Wealth management products purchased from financial institutions	22,920,801	8,423,514
– Directional asset management plans <sup>(b)</sup>	38,663,857	28,793,071
– Local government bonds	5,707,900	4,096,900
– Asset-Backed Securities	–	6,010
Less: Impairment allowances	(1,217,482)	(799,831)
	<u>100,607,725</u>	<u>75,750,755</u>
<b>Investment securities – AFS</b>		
Debt securities – at fair value		
– Listed outside Hong Kong	8,090,966	4,976,026
– Listed in Hong Kong	64,726	–
– Unlisted	28,456,501	18,332,753
	<u>36,612,193</u>	<u>23,308,779</u>
Equity securities – at fair value		
– Unlisted	494,592	576,664
Others	14	14
	<u>37,106,799</u>	<u>23,885,457</u>
<b>Investment securities – HTM</b>		
Debt securities – at amortised cost		
– Listed outside Hong Kong	11,827,162	13,750,809
– Unlisted	9,185,213	6,043,733
	<u>21,012,375</u>	<u>19,794,542</u>

**12 INVESTMENT SECURITIES (CONTINUED)***(All amounts expressed in thousands of RMB unless otherwise stated)*

Movement of impairment allowance for investment securities:

	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Total
<b>As at 1 January 2017</b>	<b>799,831</b>	–	–	<b>799,831</b>
Charge for the year	<b>657,996</b>	–	–	<b>657,996</b>
Reversal of the year	<b>(26,303)</b>	–	–	<b>(26,303)</b>
Written off in the year	<b>(214,042)</b>	–	–	<b>(214,042)</b>
<b>As at 31 December 2017</b>	<b><u>1,217,482</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>1,217,482</u></b>
	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Total
<b>As at 1 January 2016</b>	271,286	–	–	271,286
Charge for the year	541,021	–	–	541,021
Reversal of the year	(12,476)	–	–	(12,476)
<b>As at 31 December 2016</b>	<b><u>799,831</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>799,831</u></b>

**12 INVESTMENT SECURITIES (CONTINUED)***(All amounts expressed in thousands of RMB unless otherwise stated)*

Investment securities are analysed by counterparty as follows:

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
<b>Investment securities – loans and receivables</b>		
– Trust company	<b>32,052,648</b>	35,237,101
– Security company	<b>24,702,954</b>	14,455,970
– Fund company	–	151,023
– Commercial bank	<b>25,220,801</b>	8,423,514
– Asset management company	<b>14,140,904</b>	14,186,078
– Local government	<b>5,707,900</b>	4,096,900
Less: Impairment allowance	<b>(1,217,482)</b>	(799,831)
	<b><u>100,607,725</u></b>	<b><u>75,750,755</u></b>
<b>Investment securities – AFS</b>		
– Policy bank	<b>2,985,313</b>	3,581,372
– Corporate entity	<b>28,932,697</b>	16,570,761
– Commercial bank	<b>49,955</b>	50,564
– Trust company	<b>61,728</b>	311,354
– Fund company	<b>4,401,106</b>	2,600,000
– Government	<b>181,394</b>	194,728
– Equity investment at fair value	<b>494,592</b>	576,664
– Others	<b>14</b>	14
	<b><u>37,106,799</u></b>	<b><u>23,885,457</u></b>
<b>Investment securities – HTM</b>		
– Government	<b>17,450,368</b>	16,167,633
– Policy bank	<b>3,182,007</b>	3,176,909
– Commercial bank	<b>350,000</b>	420,000
– Corporate entity	<b>30,000</b>	30,000
	<b><u>21,012,375</u></b>	<b><u>19,794,542</u></b>

**12 INVESTMENT SECURITIES (CONTINUED)***(All amounts expressed in thousands of RMB unless otherwise stated)*

(a) Trust investments:

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Trust investments purchased from trust company		
– guaranteed by other bank	–	1,000,000
– guaranteed by guarantee company	<b>125,000</b>	565,000
– pledged by certificates of deposit	<b>280,100</b>	1,220,300
– collateralised by properties	<b>12,308,243</b>	17,785,743
– guaranteed by third-party company	<b>17,461,258</b>	7,461,000
– unsecured	<b>2,058,048</b>	468,048
	<hr/>	<hr/>
Subtotal	<b>32,232,649</b>	28,500,091
	<hr/>	<hr/>
Trust investments purchased from commercial bank		
– guaranteed by other bank	<b>2,300,000</b>	6,731,000
	<hr/>	<hr/>
Total	<b>34,532,649</b>	35,231,091
	<hr/> <hr/>	<hr/> <hr/>

**12 INVESTMENT SECURITIES (CONTINUED)***(All amounts expressed in thousands of RMB unless otherwise stated)*

(b) Directional asset management plans:

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Asset management plans purchased from securities company		
– guaranteed by other bank	–	721,000
– pledged by certificates of deposit	<b>200,000</b>	2,076,808
– collateralised by properties	<b>1,880,000</b>	880,000
– guaranteed by third-party company	<b>14,538,250</b>	2,539,010
– unsecured	<b>8,584,703</b>	6,382,672
Subtotal	<b>25,202,953</b>	12,599,490
Asset management plans purchased from commercial bank		
– guaranteed by other bank	–	1,856,480
Asset management plans purchased from asset management company		
– guaranteed by third-party company	<b>3,250,000</b>	380,000
– guaranteed by fund company	<b>362,216</b>	358,902
– unsecured	<b>9,848,688</b>	13,447,176
Subtotal	<b>13,460,904</b>	14,186,078
Asset management plans purchased from fund company		
– unsecured	–	151,023
Total	<b>38,663,857</b>	28,793,071
Net gains on investment securities include:		
	<b>2017</b>	<b>2016</b>
Net (losses)/gains arising from de-recognition of held-for-trading financial assets	<b>(33,389)</b>	12,082
Net gains/(losses) arising from de-recognition of available-for-sale financial assets	<b>173,869</b>	(11,734)
	<b>140,480</b>	348

### 13 INVESTMENT IN ASSOCIATES

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

	As at 31 December	
	2017	2016
Balance at the beginning of the year	238,394	29,214
Additional investment in associates	696,374	205,270
Share of profit of associates	178,378	3,910
	<u>1,113,146</u>	<u>238,394</u>

As at 5 May 2011, the Group 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 Group invested RMB54,000 thousand in Mashang Consumer Finance Co., Ltd. (“**Mashang Finance**”). As at 14 August 2016, the Group increased the investment to RMB205,270 thousand accounting for 15.79% of equity interest of RMB1.3 billion registered capital. As at 13 July 2017, the Group increased the investment to RMB338,346 thousand accounting for 15.31% of equity interest of RMB2.2 billion registered capital.

Pursuant to the resolution of board meeting of Chongqing Three Gorges Bank Co., Ltd. (“**Three Gorges Bank**”) on 21 April 2017, the Bank appointed a director to board of Three Gorges Bank that day, and therefore, the Group had significant influence on Three Gorges Bank. Three Gorges Bank became the associated company of the Group. The registered capital of invested company is RMB4,846,935 thousand and 4.97% of equity interest is held by the Group. The investment cost of the Group amounted to RMB379,024 thousand.

Investment in associates of the Group are unlisted corporation’s ordinary shares. Assets, liabilities, revenue and profit of associates are listed as follows:

	Place of incorporation	Assets	Liabilities	Revenue	(Loss)/ Profit	Interest held
<b>As at/for the year ended 31 December 2017</b>						
Xingyi Wanfeng	PRC	1,518,537	1,369,588	81,030	(15,682)	20.00%
Mashang Finance	PRC	31,800,455	29,019,064	4,667,970	577,665	15.31%
Three Gorges Bank	PRC	202,479,206	189,179,685	4,099,458	1,923,054	4.97%
		<u>204,798,206</u>	<u>190,568,337</u>	<u>4,788,458</u>	<u>1,964,997</u>	
<b>As at/for the year ended 31 December 2016</b>						
Xingyi Wanfeng	PRC	1,531,825	1,367,062	65,165	20,734	20.00%
Mashang Finance	PRC	7,629,866	6,336,434	157,911	6,522	15.79%
		<u>9,161,691</u>	<u>7,703,496</u>	<u>223,076</u>	<u>27,256</u>	



## 14 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

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

### Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit related commitments which the Group has committed to the customers:

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Guarantees	<b>4,630,967</b>	4,226,922
Letters of credit	<b>6,204,635</b>	4,223,832
Acceptances	<b>13,510,911</b>	19,704,807
Other commitments with an original maturity of		
– Within 1 year	<b>3,095,169</b>	2,600,883
– Over 1 year	<b>63,024</b>	53,491
	<b><u>27,504,706</u></b>	<b><u>30,809,935</u></b>

### Capital expenditure commitments

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Contracted but not provided for:		
– Capital expenditure commitments for buildings	<b>181,699</b>	161,235
– Acquisition of IT system	<b>142,093</b>	104,007
	<b><u>323,792</u></b>	<b><u>265,242</u></b>
Authorised but not contracted for:		
– Capital expenditure commitments for buildings	<b>55,021</b>	179,499
– Acquisition of IT system	<b>–</b>	–
	<b><u>55,021</u></b>	<b><u>179,499</u></b>

**14 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)**

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

**Operating lease commitments**

Where the Group is the lessee, the future minimum lease payments under irrevocable operating leases in respect of buildings are as follows:

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Within 1 year	<b>42,949</b>	51,925
After 1 year but within 5 years	<b>88,803</b>	94,905
After 5 years	<b>25,255</b>	24,459
	<hr/>	<hr/>
	<b>157,007</b>	171,289
	<hr/> <hr/>	<hr/> <hr/>

**External investment commitment**

As at 31 December 2017, the Group had not made the payment yet.

**Legal proceedings**

Legal proceedings are initiated by third parties against the Group as defendant. The Group has 16 outstanding legal claims of RMB281,358 thousand in total as at 31 December 2017 (31 December 2016: 9 outstanding legal claims for loan of RMB15,615 thousand in total). 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 Group.

## 15 DIVIDENDS

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

	2017	2016
Dividend declared during the year	<u>909,973</u>	<u>825,542</u>
Dividend per share (in RMB)(Based on prior year shares)	<u>0.291</u>	<u>0.264</u>

Under the *Company Law of the People's Republic of China* and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory consolidated 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 RMB0.118 per share in respect of profit for the year ended 31 December 2017 (2016: RMB0.291 per share), amounting to a total dividend of RMB368,992 thousand based on the number of shares issued as at 31 December 2017, will be proposed for approval at the annual general meeting. These consolidated financial statements do not reflect this dividend payable in liabilities.

## 16 SEGMENT ANALYSIS

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

The Group'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.

**16 SEGMENT ANALYSIS (CONTINUED)**

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

Unallocated classes of business perform the businesses not included in the above three segments or cannot be allocated on an appropriate basis.

	2017				Total
	Corporate Banking	Retail Banking	Treasury	Unallocated	
Net Interest income/(expense) from external customers	4,224,549	(163,526)	4,054,072	–	8,115,095
Inter-segment net interest income/(expense)	1,542,406	1,443,877	(2,986,283)	–	–
<b>Net interest income</b>	<b>5,766,955</b>	<b>1,280,351</b>	<b>1,067,789</b>	<b>–</b>	<b>8,115,095</b>
<b>Net fee and commission income</b>	<b>320,783</b>	<b>185,592</b>	<b>1,173,681</b>	<b>–</b>	<b>1,680,056</b>
Net trading income/(expense)	8,581	–	(29,801)	–	(21,220)
Net gains on investment securities	–	–	140,480	–	140,480
Share of profit of associates	–	–	178,378	–	178,378
Other operating income	–	25,936	22,542	51,917	100,395
Impairment losses	(2,223,317)	(128,925)	(631,693)	(15,229)	(2,999,164)
Operating expense	(1,213,687)	(845,734)	(210,656)	(28,788)	(2,298,865)
– Depreciation and amortisation	(97,189)	(67,725)	(16,869)	(2,305)	(184,088)
– Others	(1,116,498)	(778,009)	(193,787)	(26,483)	(2,114,777)
<b>Profit before income tax</b>	<b>2,659,315</b>	<b>517,220</b>	<b>1,710,720</b>	<b>7,900</b>	<b>4,895,155</b>
As at 31 December 2017					
<b>Capital expenditure</b>	<b>138,140</b>	<b>60,056</b>	<b>179,090</b>	<b>1,239</b>	<b>378,525</b>
<b>Segment assets</b>	<b>154,284,077</b>	<b>67,074,827</b>	<b>200,019,858</b>	<b>1,384,263</b>	<b>422,763,025</b>
<b>Segment liabilities</b>	<b>177,173,388</b>	<b>68,614,025</b>	<b>144,514,878</b>	<b>822</b>	<b>390,303,113</b>

**16 SEGMENT ANALYSIS (CONTINUED)**
*(All amounts expressed in thousands of RMB unless otherwise stated)*

	2016				Total
	Corporate Banking	Retail Banking	Treasury	Unallocated	
Net Interest income/(expense) from external customers	3,318,446	(558,257)	4,917,209	–	7,677,398
Inter-segment net interest income/(expense)	<u>1,758,464</u>	<u>1,321,079</u>	<u>(3,079,543)</u>	<u>–</u>	<u>–</u>
<b>Net interest income</b>	5,076,910	762,822	1,837,666	–	7,677,398
<b>Net fee and commission income</b>	154,327	217,398	1,554,292	–	1,926,017
Net trading income/(expense)	10,904	–	(61,570)	–	(50,666)
Net losses on investment securities	–	–	348	–	348
Share of profit of an associate	–	–	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	<u>(1,359,591)</u>	<u>(660,324)</u>	<u>(325,645)</u>	<u>(20,934)</u>	<u>(2,366,494)</u>
<b>Profit before income tax</b>	<u>1,955,022</u>	<u>229,294</u>	<u>2,482,894</u>	<u>(8,698)</u>	<u>4,658,512</u>

As at 31 December 2016

<b>Capital expenditure</b>	<u>90,118</u>	<u>24,837</u>	<u>109,932</u>	<u>610</u>	<u>225,497</u>
<b>Segment assets</b>	<u>149,108,552</u>	<u>41,093,619</u>	<u>181,891,889</u>	<u>1,009,674</u>	<u>373,103,734</u>
<b>Segment liabilities</b>	<u>(175,015,654)</u>	<u>(59,698,940)</u>	<u>(114,578,169)</u>	<u>941</u>	<u>(349,291,822)</u>

## 7. RELEASE OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement was published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.cqcbank.com](http://www.cqcbank.com)). The 2017 annual report prepared in accordance with the IFRSs will be released on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.cqcbank.com](http://www.cqcbank.com)), and will be dispatched to the holders of H Shares of the Bank in due course.

This results announcement was prepared in both Chinese and English versions, where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.

By order of the Board  
**Bank of Chongqing Co., Ltd.\***  
**WONG Wah Sing**  
*Joint Company Secretary*

Chongqing, the PRC, March 16, 2018

*As at the date of this announcement, the executive directors of the Bank are Ms. LIN Jun, Mr. RAN Hailing, Mr. LIU Jianhua and Mr. WONG Wah Sing; the non-executive directors are Mr. WONG Hon Hing, Mr. DENG Yong, Ms. LV Wei and Mr. YANG Jun; and the independent non-executive directors are Mr. LI He, Mr. TO Koon Man Henry, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu.*

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