



2017 Annual Report

CHONGQING RURAL COMMERCIAL BANK
Stock Code: 3618



重庆农村商业银行
CHONGQING RURAL COMMERCIAL BANK

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

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Financial Summary

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2017	2016	Comparison between 2017 and 2016 (%)	2015	2014	2013
Operating results			Rate of Changes (%)			
Net interest income	21,500.7	19,404.7	10.80	20,166.5	18,348.7	15,703.2
Net fee and commission income	2,295.6	2,118.4	8.36	1,494.9	1,069.6	679.7
Operating income	23,970.0	21,661.7	10.66	21,889.0	19,802.4	16,315.8
Operating expenses	(8,329.5)	(8,451.0)	(1.44)	(9,076.1)	(8,400.8)	(7,207.8)
Impairment (loss) of assets	(3,710.6)	(2,676.5)	38.64	(3,236.0)	(2,297.2)	(1,181.3)
Profit before tax	11,959.8	10,644.8	12.35	9,587.4	9,109.8	7,916.7
Net profit	9,008.4	8,001.3	12.59	7,227.8	6,813.1	6,015.1
Net profit attributable to equity holders of the Bank	8,936.0	7,944.7	12.48	7,223.3	6,828.5	5,991.0
Based on per share (RMB)			Changes			
Net assets per share attributable to equity holders of the Bank	6.37	5.66	0.71	5.03	4.45	3.90
Basic earnings per share	0.94	0.85	0.09	0.78	0.73	0.64
Profitability indicators (%)			Changes			
Average return on assets ⁽¹⁾	1.05	1.05	–	1.08	1.22	1.28
Weighted average return on shareholders' equity ⁽²⁾	15.61	15.99	(0.38)	16.38	17.06	17.27
Net interest spread ⁽³⁾	2.44	2.57	(0.13)	2.99	3.14	3.19
Net interest margin ⁽⁴⁾	2.62	2.74	(0.12)	3.20	3.37	3.41
Net fee and commission income to operating income	9.58	9.78	(0.20)	6.83	5.40	4.17
Cost-to-income ratio ⁽⁵⁾	33.96	35.95	(1.99)	34.69	35.74	37.66

(Expressed in RMB million, unless otherwise stated)	As at 31 December					
	2017	2016	Comparison between 2017 and 2016	2015	2014	2013
Scale indicators			Rate of Changes (%)			
Total assets	905,778.1	803,157.7	12.78	716,805.2	618,889.0	502,446.0
Among which: loans and advances to customers, net	324,109.6	288,116.4	12.49	257,540.9	233,520.2	198,150.6
Total liabilities	840,532.4	748,967.9	12.23	668,517.4	576,040.6	465,556.7
Among which: deposits from customers	572,184.3	518,185.9	10.42	470,228.2	409,719.8	347,883.4
Share capital	10,000.0	9,300.0	7.53	9,300.0	9,300.0	9,300.0
Equity attributable to equity holders of the Bank	63,688.7	52,593.2	21.10	46,762.8	41,425.9	36,251.4
Non-controlling interests	1,557.0	1,596.6	(2.48)	1,525.0	1,422.5	637.9
Total equity	65,245.7	54,189.8	20.40	48,287.8	42,848.4	36,889.3
Assets quality indicators⁽⁶⁾(%)			Changes			
Non-performing loan ratio	0.98	0.96	0.02	0.98	0.78	0.80
Allowances to non-performing loans	431.24	428.37	2.87	420.03	459.79	430.60
Allowances to total loans	4.21	4.10	0.11	4.11	3.58	3.46
Capital adequacy indicators (%)			Changes			
Core Tier 1 capital adequacy ratio ⁽⁷⁾	10.39	9.85	0.54	9.88	10.12	11.85
Tier 1 capital adequacy ratio ⁽⁷⁾	10.40	9.86	0.54	9.89	10.12	11.85
Capital adequacy ratio ⁽⁷⁾	13.03	12.70	0.33	12.09	12.45	13.64
Total equity to total assets	7.20	6.75	0.45	6.74	6.92	7.34
Other indicators (%)			Changes			
Loan-to-deposit ratio ⁽⁸⁾	59.13	57.98	1.15	57.12	59.11	59.00

Financial Summary

- (1) Representing the net profit for the year (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets at the beginning and the end of the year.
- (2) Representing the net profit for the year (including profit attributable to non-controlling interests) as a percentage of the weighted average balance of shareholders' equity for the year, calculated according to the requirements of "Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share" (Revision 2010) issued by CSRC. 2017 and 2016 represent the net profit attributable to equity holders of the Bank as a percentage of the weighted average balance of shareholders' equity for the year. 2015, 2014 and 2013.
- (3) Calculated as the difference between the average yield rate on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing total operating expenses (excluding taxes and surcharges) by operating income.
- (6) Non-performing loan ratio, allowances to non-performing loans and allowances to total loans were calculated on basis of the contractual amount of loans.
- (7) Calculated in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" promulgated by the CBRC.
- (8) The calculation criteria of loan-to-deposit ratio: the loan-to-deposit ratio was calculated on basis of the contractual amount of loans.

Basis of preparation of certain financial indicators

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

Company Information

Basic Information

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

Company Information

Auditors	PricewaterhouseCoopers Certified Public Accountants 22/F, Prince's Building, Central, Hong Kong PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC
Legal advisor as to PRC laws	Exceedon & Partners 7/F, Block A, Fortune Mansion, No. 2 Fortune Road, Liangjiang New Area, Chongqing, the PRC
Legal advisor as to Hong Kong laws	Clifford Chance 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Domestic Share Registrar	China Securities Depository and Clearing Co., Ltd. Beijing Branch 5/F, Jinyang Building, No. 26 Jin Rong Street, Xi Cheng District, Beijing, the PRC

Awards and ranking in 2017

- The Bank ranked No. 166 among the “Top 1,000 World Banks 2017”, moved up by 4 ranks as compared to last year, and ranked No. 22 among the shortlisted 126 Chinese-funded banks in The Banker of the UK.
- The Bank ranked No. 152 among the “Top 500 World Banking Brand 2017”, moved up by 25 ranks as compared to last year, and ranked No. 21 among the shortlisted Chinese-funded banks in The Banker of the UK.
- The Bank ranked No. 404 among the “2017 Top 500 Enterprises in China” and No. 150 among the “2017 Top 500 Enterprises in China’s Service Industry” of China Enterprise Confederation and China Enterprise Directors Association.
- The Bank was awarded as one of the “2017/2018 Third Batch of Benchmark Rural Commercial Banks” by the Rural Financial Institutions Supervision Department of CBRC and ranked the first among the benchmark banks in large and medium-sized cities in China.
- The Bank ranked No. 21 among the “Top 100 Banking Institutions in China (in terms of net core tier 1 capital)” of China Banking Association.
- The Bank won the “Best Investment Value Award” and “Best Investor Relation Award” at the China Financial Market Awards 2017 jointly organized by China Financial (a famous financial magazine in Hong Kong) and The Listed Companies Council of Chinese Enterprises Association.
- The Bank won the “2017 Best Direct-sales Bank Function Award” issued by China Financial Certification Authority (CFCA).
- The Bank was included in the “2017 List of Leading Medium and Small-sized Banks in China – Overall Benefits Category” of National Business Daily (NBD).

Company Information

- The Bank was recognized as the Best Bank in Performance of Social Responsibility, the Best Bank in Innovation of Internet Financial Services and the Best Bank in Rural Financial Services in the “2017 Chongqing Recommendation – 11th China (Chongqing) Wealth Management Reviews” jointly organized by people.cn, chinanews.com, Chongqing Municipal Federation of Trade Unions and Chongqing Times.
- The Bank was recognized as the “2017 Best Financial Institution in Economic Contribution” and the “2017 Contributive Enterprise in Finance Poverty Alleviation” in the 2017 “Chongqing Financial Oscar” awards organized by the Journal of Contemporary Financial Research.
- The Bank won the “2017 Chongqing Financial Industry Media Awards – Public Welfare Support Award” and the “2017 Chongqing Financial Industry Media Awards – Bank of Most Brand Influence” issued by Chongqing Broadcasting Group (Station). The “Demonstrative Project of Finance Poverty Alleviation in Lantian Village of Chengkou County by Chongqing Rural Commercial Bank” won the “2017 Chongqing Financial Industry Media Awards – Classic Example of Targeted Poverty Alleviation”.
- The Bank won the “2017 Golden Penguin Award” and “2017 Best Mobile Finance Award” issued by cq.qq.com; and the “Building up Your Fortune” and “Happy life in the Ba-Yu Region” wealth management products of the Bank were rated as the “2017 Most Popular Wealth Management Product in Chongqing”.
- The Bank won the awards of “Financial Institution of the Year with Outstanding Contribution in Serving Real Economy”, “Bank of the Year with Outstanding Contribution in Supporting the Development of Small and Micro Enterprises” and “Most Popular Mobile Bank of the Year” in the 2017 Jinding Awards organized by Chongqing Economic Times.
- “Jiangyu Mobile Finance” of the Bank was rated as the “Most Popular Mobile Banking Brand among Metro Passengers” in the “2017 List of Brands Recommended by Metro Passengers in looking for most popular brands” jointly organized by Chongqing Daily Newspaper Group, Chongqing Rail Transit Group and Metro Hot News.

Chairman's Statement

Dear Shareholders,

In 2017, with the success of the 19th National Congress of CPC, socialism with Chinese characteristics entered a new era. The reform and development of the financial industry also embarked on a new journey. The Board of Directors adjusted to the requirements of the era, shouldered the mission of the enterprise, actively embraced the new era, enthusiastically practiced new ideas, and worked hard to achieve new results. It led the whole bank to strive for reform and progress, and successfully completed the targets set at the beginning of the year.

The operating performance has reached a new level. With steady growth, the Group's total assets exceeded RMB900 billion, and its net profit exceeded RMB9 billion, representing a year-on-year increase of 12.6%. **Risk prevention and control achieved new results.** The quality remained stable; the non-performing loan ratio remained below 1%, the provision coverage ratio rose to 431.2%, the risk compensation capability continued to increase. **Reform and innovation have taken new steps.** Operating with unique characteristics, the Bank has cultivated the county and small- and micro-markets deeply, served 80% of customers in Chongqing, launched 30% of agriculture-related loans in Chongqing, and supported more than 50% of small and micro enterprises in Chongqing. **The brand image has been upgraded.** Its influence towards the market has increased. The Bank ranked 152th on the list of the "Global Bank Brands" issued by the magazine The Banker and ranking 21st in domestic commercial banks and has been awarded as "a benchmark bank" in the nationwide agricultural business system.

These achievements have benefited from the full trust and support of the majority of shareholders and the community, and also from the fact that the 16,000 employees of the Bank have always had a dream and stride forward. Hereby, I would like to express my sincere thanks on behalf of the Board of Directors. In 2018, the Board of Directors is full of confidence and ready to set out. With the spirit of the 19th National Congress of CPC as a guideline, it will focus on the three major tasks of "serving the real economy, preventing and controlling financial risks, and deepening financial reform" put forward by the National Financial Work Conference, and make every effort to advance high quality development.

We promote development with reforms and innovations and accelerate the transformation and upgrading. Reform and innovation are the fundamental driving forces for the development. The reformers are the only the ones who improve, the innovators are only the ones who are strong, and the reformers and innovators are the only winners. The Board of Directors will focus on promoting the Three Key Tasks of A-share listing, direct-selling bank construction, and financial technology innovation, so as to further enhance capital strength, brand image and shareholder value. And the two-wheel drive and deep integration of modern financial technology and traditional financial services will be realized.

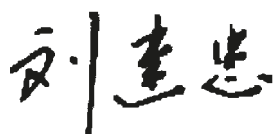
We strengthen business with service entities and create operating characteristics. The Board of Directors would be adhering to serving the real economy, doing the fine support for agriculture and small professions, and focusing on promoting rural revitalization strategies, etc. We will strongly support the integration of the primary, the secondary, and the third industries in rural areas, and support the modern agriculture and new urbanization, and promote the integration of urban and rural development. The Board of Directors will dock with the country's major strategies and development opportunities in Chongqing, focusing on supporting the Belt and Road initiative, the establishment of the Free Trade Zone, and the China-Singapore projects. We will continue to create and consolidate the advantages of characteristic operations, and continue to enhance the financial service real economy.

Chairman's Statement

We strengthen basic management with a solid foundation to build a firm bottomline for risk.

The Board of Directors will vigorously implement the strategy of Prosper with Talents, promote the introduction and training of various types of professional and compound talents, and pay attention to the systematic construction of training. We continuously promote the strategy of Prosper with Science and Technology, increase investment in information system construction, and fully run the data backup system of "two locations and three centres". We always adhere to stringent discipline, improve overall risk management, enhance risk pre-judgment analysis and disposition of response capacity, and ensure the safe and stable operation of the Bank.

This year is the tenth anniversary of the establishment of the Rural Commercial Bank. The Board of Directors will remain true to our original aspiration and keep our mission firmly in mind, uphold the concept of sound management, promote reform, innovation and development, and strive to create a new glory of the Rural Commercial Bank. On the new journey, I would like to make concerted efforts with all shareholders and endeavor for a long-lasting enterprise of the Rural Commercial Bank.



LIU Jianzhong
Chairman

29 March 2018

President's Statement

Dear Shareholders:

2017 is a significant year, in which the 19th CPC National Congress was successfully convened, and socialism with Chinese characteristics entered a new era. Facing the new situation of economic and financial development, the entire Bank remained true to our original aspiration, kept our mission firmly in mind, and forged ahead to endeavor. We turned in a satisfactory answer sheet to the Shareholders and investors.

As of the end of 2017, the Group's total assets exceeded RMB900 billion, reaching RMB905.8 billion, representing a growth rate of 12.8%. The deposit balance was RMB572.2 billion, representing a growth rate of 10.4%. The balance of loans was RMB338.3 billion, representing a growth rate of 12.6%. The non-performing rate was 0.98%; the provision coverage ratio was 431.2%; the core tier 1 capital adequacy ratio was 10.39%; and the capital adequacy ratio was 13.03%. The operating income was RMB24 billion, representing a growth rate of 10.7%. The net profit was RMB9 billion, representing a growth rate of 12.6%. The average return on assets was 1.05%; the return on weighted average equity was 15.61%. Its overall competence remained at the forefront among similar financial institutions nationwide, ranking 166th in the "Top 1000 World Banks 2017" issued by the British magazine *The Banker of the UK* and ranking 22nd in Chinese-funded commercial banks.

During the previous year, we always kept in mind the mission of our business and service for entities. We actively implemented the revitalization of rural areas and helped with accurate poverty alleviation. The balance of agricultural loans invested was RMB148 billion, exceeding for 1/4 of Chongqing's total sum. We made efforts to serve the real economy, focused on returning to the origin of finance, and increased credit supply to the manufacturing industry. Manufacturing loans was increased by RMB9.3 billion over the beginning of the year, representing an increase of 17%. We persisted in the market positioning and created distinctive brands. Our retail customers exceeded 25 million, small and micro enterprises loan balance reaching RMB105.5 billion, and 110,000 households were served. We successfully distributed the city's first knowledge-valued credit loan.

During the previous year, we always promoted the spirit of courageous reform and innovation. We continued to increase investment in technology research and development, speeded up the upgrading of scientific and technological information systems, and became the first company to launch a new generation of core systems among similar financial institutions across the country, significantly increased business processing capabilities. Comprehensive use of all types of modern smart tools enriched and improved, such as mobile banking, WeChat banking, e-commerce platform and other functions, mobile financial customers reaching more than 6.8 million and the cumulative transaction amount exceeding RMB4 trillion. The Bank successfully obtained the qualifications of government bond underwriting and trial market makers, and passed the examination and acceptance of the B-type independent main underwriting qualification, which further enriched our new financial services and products.

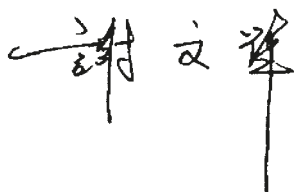
President's Statement

During the previous year, we always adhered to the concept of prudent operation and risk-oriented. The Bank continued to improve its comprehensive risk management system, improved its overall prevention and control capabilities such as liquidity risk and market risk. We focused on prevention of risk points such as overcapacity and concentration, and strictly controlled high-liability corporate financing to ensure that no regional systemic risks occurred. We comprehensively used market-based methods such as asset securitization for risk elimination and debt collection so as to maintain the stability of asset quality.

These achievements cannot be separated from the correct decision of the Board of Directors, the diligent supervision of the Board of Supervisors, the enthusiasm of the management, the full support of Shareholders, but also attributed to the continuous strenuous effort paid by 16,000 colleagues.

The year 2018 is the tenth anniversary of the reform and establishment of Chongqing Rural Commercial Bank, and also the fortieth anniversary of the reform and the opening up. It is also a crucial year for the transformation and upgrading of the Bank and to scale new heights. We understand the transformative power that financial technology brings to financial services profoundly. To this end, the Board of Directors has formulated a strategic plan for the transition to financial technology, and the operation team will strive to promote the two-wheel drive of "online + offline" and integrate development with big data, cloud computing, artificial intelligence and other innovative technologies to mine customer behavior and scene data. Products and marketing strategies will be innovated; customer experience optimization will be improved; and the transformation and development of the Bank will be promoted. While emphasizing innovation and seeking change, we will continue to adhere to compliance management and steady development. We are fully aware that the essence of finance is to manage risk. Only when we walk steadily can we go far.

Standing at the starting point of new development, we will condense and forge ahead with the spirit of the 19th CPC National Congress and guide the direction by the strategic deployment of the Board of Directors. We believe that with the strong leadership of the Board of Directors, the strong support of all Shareholders, the cooperative support of the management team, and the unity of all the staff, the Bank will be able to work out its well-being and write a new chapter in the high-quality development of a new era!



XIE Wenhui
President

29 March 2018

Management Discussion and Analysis

Financial Review

In 2017, the world economy recovered steadily, and the rising momentum of advanced economies was strong. The rapid growth of emerging economies and developing countries became the main driving force for the strong recovery of the global economy. The world trade has risen in both volume and price, and the financial market has been generally stable. In 2017, faced a complex domestic and international economic environment and focused on promoting structural reforms on the supply side. The economic operation has been slow and stable and better. The economy shows the features including smooth production, improved efficiency, continuous structural optimization, and accelerated conversion of kinetic energy. In the process of a steady recovery of the world economy, our country continues to play a catalytic role.

In 2017, China's GDP was RMB8.27122 trillion, representing a year-on-year increase of 6.9%. The secondary and tertiary industrial structure continued to be adjusted, and the contribution of the tertiary industry to economic growth continued to increase. The contribution rate of the tertiary industry to economic growth was 22.5 percentage points higher than that of the secondary industry, representing 1.3 percentage points growth over the previous year. The growth rate of industrial production has been accelerating. At the same time, the prices of industrial products have risen sharply. The efficiency of enterprises has been significantly better than that of the previous year. In 2017, the industrial added value grew by 6.4% over the previous year and the growth rate increased by 0.4 percentage points. Emerging industries such as strategic emerging industries and high-tech industries have maintained relatively high growth, and new kinetic energy has become an important driving force for maintaining stable economic growth. The nation's money supply was basically stable. At the end of December, the balance of broad money (M2) was RMB167.68 trillion, representing a year-on-year increase of 8.2%. The growth rate was 0.9 percentage points lower compared with the end of last month and 3.1 percentage points lower compared with the same period of 2016. The balance of RMB loans was RMB120.13 trillion, representing a year-on-year increase of 12.7%; the RMB deposit balance was RMB164.1 trillion, representing a year-on-year increase of 9%.

In 2017, Chongqing city adhered to the guideline of socialist thought with Chinese characteristics in the new era of Xi Jinping, conscientiously implemented the spirit of The 19th National Congress of CPC and the decision and deployment of the Central Committee, and comprehensively practiced the spirit of the important speech made by General Secretary Xi Jinping when he inspected Chongqing. Chongqing city made plans to promote the overall layout of the "Five-in-One", coordinated and promoted the strategic plan of "Four Comprehensives", deepened the supply-side structural reforms, and did a solid job in stabilizing growth, promoting reforms, adjusting the structure, benefiting people's livelihood, and preventing risks. Chongqing's economy will achieve sustained and stable development.

In 2017, Chongqing city's GDP reached RMB1,950.027 billion, representing a year-on-year increase of 9.3%, 2.4 percentage points higher than the national level. The value added output of industrial enterprises above designated size of Chongqing city increased by 9.6% year-on-year, and its growth rate was 3 percentage points higher than the national average. The consumer price was basically stable, and the CPI rose by 1.0% compared with that of last year. Investment in fixed assets remained stable, representing a year-on-year growth of 9.5%. The total amount of money and credit grew steadily. The balance of deposits in Chongqing city's domestic and foreign currencies was RMB3.49 trillion, representing a year-on-year increase of 8.38% and 3.37 percentage points lower than that of the same period of last year. Chongqing city's domestic and foreign currency loan balance was RMB2.84 trillion, representing a year-on-year increase of 11.34%, which was 0.15 percentage points higher than that of the same period of last year.

1. Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2017	2016		
Net interest income	21,500.7	19,404.7	2,096.0	10.80
Net fee and commission income	2,295.6	2,118.4	177.2	8.36
Other net non-interest income	173.7	138.6	35.1	25.32
Operating income	23,970.0	21,661.7	2,308.3	10.66
Operating expenses	(8,329.5)	(8,451.0)	121.5	(1.44)
Impairment loss on assets	(3,710.6)	(2,676.5)	(1,034.1)	38.64
Net profit on disposal of available-for-sale financial assets	25.1	64.7	(39.6)	(61.21)
Net profit or loss on disposal of investments of debt securities classified as receivables	4.8	45.9	(41.1)	(89.54)
Profit before tax	11,959.8	10,644.8	1,315.0	12.35
Income tax expense	(2,951.4)	(2,643.5)	(307.9)	11.65
Net profit	9,008.4	8,001.3	1,007.1	12.59

In 2017, the profit before tax of the Group amounted to RMB11,960 million, representing an increase of 12.35% as compared to the previous year; net profit amounted to RMB9,008 million, representing an increase of 12.59% as compared to the previous year. The increase in profit before tax and net profit was primarily attributed to the Group's strengthened efforts in product innovation and marketing while maintaining a stable growth of interest-earning assets. The net interest income was RMB21,501 million, representing an increase of RMB2,096 million or 10.80% over the same period of last year. The net fee and commission income increased by RMB177 million or 8.36% as compared with last year; and a decrease of RMB122 million or 1.44% in operating expenses as compared with last year as a result of further intensified cost budget management by the Group.

(I) Net Interest Income

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2017	2016		
Interest income	39,288.4	32,866.2	6,422.2	19.54
Interest expense	(17,787.7)	(13,461.5)	(4,326.2)	32.14
Net interest income	21,500.7	19,404.7	2,096.0	10.80

In 2017, the net interest income of the Group amounted to RMB21,501 million, representing an increase of RMB2,096 million or 10.80% as compared to the previous year and accounting for 89.70% of the total operating income.

Management Discussion and Analysis

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	321,453.5	16,776.8	5.22	287,500.1	15,489.1	5.39
Debt securities investments	272,592.8	13,587.6	4.98	225,235.5	10,714.2	4.76
Balances with Central bank	85,632.6	1,356.3	1.58	75,530.0	1,183.7	1.57
Due from banks and other financial institutions	140,237.8	5,961.3	4.25	121,352.5	4,678.0	3.85
Total interest-earning assets⁽¹⁾	819,916.7	37,682.0	4.60	709,618.1	32,065.0	4.52
Liabilities						
Deposits from customers	553,635.0	8,542.7	1.54	507,855.8	8,083.1	1.59
Borrowings from Central bank	29,838.2	929.6	3.12	16,755.8	511.8	3.05
Due to banks and other financial institutions	73,721.0	2,770.5	3.76	81,426.2	2,542.1	3.12
Bonds payable	93,612.7	3,989.3	4.26	43,184.8	1,491.1	3.45
Total interest-bearing liabilities⁽¹⁾	750,806.9	16,232.1	2.16	649,222.6	12,628.1	1.95
Net interest income		21,449.9			19,436.9	
Net interest spread			2.44			2.57
Net interest margin			2.62			2.74

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

In 2017, the average yield on overall interest-earning assets increased by 8 basis points from the previous year to 4.60%. The average cost rate of the overall interest-bearing liabilities increased by 21 basic points from the previous year to 2.16%. The net interest spread decreased by 13 basic points from the previous year to 2.44%, whereas the net interest margin dropped by 12 basis points from the previous year to 2.62%.

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

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Changes in interest income/ expense
Assets			
Loans and advances to customers	1,772.4	(484.7)	1,287.7
Debt securities investments	2,358.4	515.0	2,873.4
Balances with Central bank	159.6	13.0	172.6
Due from banks and other financial institutions	802.6	480.7	1,283.3
Changes in interest income	<u>5,093.0</u>	<u>524.0</u>	<u>5,617.0</u>
Liabilities			
Deposits from customers	705.0	(245.4)	459.6
Due to Central bank, banks and other financial institutions	192.0	454.2	646.2
Bonds payable	2,148.2	350.0	2,498.2
Changes in interest expense	<u>3,045.2</u>	<u>558.8</u>	<u>3,604.0</u>

An increase of RMB2,048 million of net interest income arising from changes in the average balance of various assets and liabilities, and a decrease of RMB35 million in net interest income attributable to the changes in the average yield or the average cost rate.

1. Interest Income

In 2017, the interest income of the Group amounted to RMB39,288 million, representing an increase of RMB6,422 million or 19.54% as compared to the previous year. The analysis below does not take into account of the interest income generated from the capital-preserve type of customer-driven wealth management products or non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation.

Management Discussion and Analysis

(1) Interest Income from Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	206,578.9	10,069.9	4.87	180,287.0	9,482.1	5.26
Retail loans	103,368.3	6,251.1	6.05	96,686.8	5,721.4	5.92
Discounted bills	11,506.3	455.8	3.96	10,526.3	285.6	2.71
Total loans and advances to customers	321,453.5	16,776.8	5.22	287,500.1	15,489.1	5.39

Interest income from loans and advances to customers increased by RMB1,288 million or 8.31% to RMB16,777 million as compared to the previous year, primarily attributable to the increase of RMB1,772 million in interest income driven by the increase in the average balance of loans and advances to customers.

(2) Interest Income from Debt Securities Investments

In 2017, the Group's interest income from debt securities investments increased by RMB2,873 million or 26.82% to RMB13,588 million as compared to the previous year, primarily attributable to the increase in average balance and the average yield rate of debt securities investment over the previous year as a result of timely grasping favorable market opportunities by actively expanding the scale of investment in debt securities.

(3) Interest Income from Balances with Central Bank

In 2017, the Group's interest income from balances with Central Bank increased by RMB173 million or 14.58% to RMB1,356 million as compared to the previous year, mainly due to the increase in average balance with Central Bank over the previous year.

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

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Deposits and placements with banks and other financial institutions	127,151.1	5,576.7	4.39	108,632.8	4,115.8	3.79
Financial assets held under resale agreements	<u>13,086.7</u>	<u>384.6</u>	<u>2.94</u>	<u>12,719.7</u>	<u>562.2</u>	<u>4.42</u>
Total due from banks and other financial institutions	<u>140,237.8</u>	<u>5,961.3</u>	<u>4.25</u>	<u>121,352.5</u>	<u>4,678.0</u>	<u>3.85</u>

In 2017, the interest income from deposits and placements with banks and other financial institutions of the Group increased by RMB1,461 million or 35.49% to RMB5,577 million as compared to the previous year, primarily attributable to the increases in the average balance and the average yield rate of deposits and placements with banks and other financial institutions as compared to the previous year.

In 2017, the interest income from financial assets held under resale agreements decreased by RMB178 million or 31.59% to RMB385 million as compared to the previous year, primarily attributable to the decrease in the average balances and the average yield of financial assets held under resale agreements as compared to last year.

Management Discussion and Analysis

2. Interest Expense

In 2017, the Group's interest expense increased by RMB4,326 million or 32.14% to RMB17,788 million as compared to the previous year. The analysis below does not take into account of the interest expense generated from the capital-preserve type of customer-driven wealth management products or non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation.

(1) Interest Expense on Deposits from Customers

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Average balance	Interest expense	Average yield (%)	Average balance	Interest expense	Average yield (%)
Corporate deposits						
Demand	117,821.6	832.0	0.71	108,155.9	733.1	0.68
Time	26,558.2	669.1	2.52	27,497.1	687.5	2.50
Subtotal	<u>144,379.8</u>	<u>1,501.1</u>	<u>1.04</u>	<u>135,653.0</u>	<u>1,420.6</u>	<u>1.05</u>
Retail deposits						
Demand	109,545.5	342.2	0.31	104,378.5	315.9	0.30
Time	299,709.7	6,699.4	2.24	267,824.3	6,346.6	2.37
Subtotal	<u>409,255.2</u>	<u>7,041.6</u>	<u>1.72</u>	<u>372,202.8</u>	<u>6,662.5</u>	<u>1.79</u>
Total deposits from customers	<u>553,635.0</u>	<u>8,542.7</u>	<u>1.54</u>	<u>507,855.8</u>	<u>8,083.1</u>	<u>1.59</u>

In 2017, interest expense on deposits from customers of the Group amounted to RMB8,543 million, representing an increase of RMB460 million, or 5.69% as compared to last year, which was primarily attributable to a year-on-year increase in the average balance of deposits from customers under the premise of effective cost control of the Group.

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

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Average balance	Interest expense	Average yield (%)	Average balance	Interest expense	Average yield (%)
Deposits and placements from banks and other financial institutions	58,285.9	2,292.9	3.93	59,258.9	1,954.8	3.30
Financial assets sold under repurchase agreements	15,435.1	477.6	3.09	22,167.3	587.3	2.65
Total due to banks and other financial institutions	73,721.0	2,770.5	3.76	81,426.2	2,542.1	3.12

In 2017, the Group's interest expense on deposits and placements from banks and other financial institutions amounted to RMB2,293 million, representing an increase of RMB338 million, or 17.30% over the previous year, which was primarily due to the increase in the average cost rate of deposits and placements from banks and other financial institutions.

In 2017, the interest expense on financial assets sold under repurchase agreements of the Group decreased by RMB110 million or 18.68% to RMB478 million as compared to the previous year, primarily due to the decrease in the average balance of financial assets sold under repurchase agreements as compared to the previous year.

(3) Bonds payable

In 2017, the interest expense on bonds payable of the Group was RMB3,989 million, representing an increase of RMB2,498 million or 167.54% as compared to that of last year, mainly attributable to the optimization of debts structure and increase in the scale of deposit of certificate issued in other banks.

3. Net Interest Spread and Net Interest Margin

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

In 2017, the net interest spread of the Group decreased by 13 basis points to 2.44% as compared to the previous year, the decrease of which reflected a higher decrease rate in the average yield of interest-earning assets over the previous year than that in the average cost rate of interest-bearing liabilities over the previous year. In 2017, the net interest margin of the Group was 2.62%, representing a decrease of 12 basis points from the previous year.

(II) Non-interest Income

In 2017, the total of non-interest income amounted to RMB2,469 million, representing an increase of RMB212 million or 9.41% over the previous year.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2017	2016		
Fee and commission income	2,454.3	2,223.9	230.4	10.36
Settlement and clearing fees	131.1	174.4	(43.3)	(24.83)
Bank card fees	333.0	385.2	(52.2)	(13.55)
Agency and fiduciary service fees	445.3	401.5	43.8	10.91
Wealth management fees	1,406.8	1,136.3	270.5	23.81
Others	138.1	126.5	11.6	9.17
Less: Fee and commission expense	(158.7)	(105.5)	(53.2)	50.43
Net fee and commission income	2,295.6	2,118.4	177.2	8.36
Net trading gain or loss	(368)	(15.6)	(21.2)	135.90
Net other business gain	210.5	154.2	56.3	36.51
Other net non-interest income	173.7	138.6	35.1	25.32
Total net non-interest income	2,469.3	2,257.0	212.3	9.41

1. Net Fee and Commission Income

In 2017, the net fee and commission income amounted to RMB2,296 million, representing an increase of RMB177 million or 8.36% over the previous year.

Settlement and clearing fees income amounted to RMB131 million, representing a year-on-year decrease of RMB43 million or 24.83%, which was mainly due to the fact that the Group closely followed the pace of internet finance and focused on the application and promotion of innovative payment and settlement methods.

Income from agency and fiduciary service fees amounted to RMB445 million, representing a year-on-year increase of RMB44 million or 10.91%.

Wealth management fees income amounted to RMB1,407 million, representing a year-on-year increase of RMB271 million, or 23.81%, which was mainly attributed to the Group actively adjusted its product structure, improved its refined management and increased its intermediate income.

2. *Other Non-interest Income*

Net trading (losses) gain primarily comprises changes in the fair value of trading debt securities held and (losses) gain arising from trading. In 2017, the Group's net trading loss was RMB37 million, representing an increase of RMB21 million year-on-year.

In 2017, other operating income of the Group, net, increased by RMB56 million to RMB211 million.

(III) Operating Expenses

In 2017, the operating expenses of the Group decreased by RMB122 million, or 1.44% to RMB8,330 million as compared to the previous year.

(Expressed in RMB million, unless otherwise stated)	For the year ended		Change in amount	Change (%)
	31 December 2017	2016		
Staff costs	5,480.1	5,296.3	183.8	3.47
Taxes and surcharges	188.5	662.8	(474.3)	(71.56)
Depreciation and amortisation	805.7	696.6	109.1	15.66
Others	1,855.2	1,795.3	59.9	3.34
Total operating expenses	8,329.5	8,451.0	(121.5)	(1.44)

Management Discussion and Analysis

1. Staff Costs

Staff costs are the largest component of operating expenses of the Group, accounting for 65.79% and 62.67% of its total operating expenses for the years ended 31 December 2017 and 2016 respectively.

(Expressed in RMB million, unless otherwise stated)	For the year ended		Change in amount	Change (%)
	31 December			
	2017	2016		
Salaries, bonuses and allowances	3,531.7	3,527.6	4.1	0.12
Staff welfare, social insurance and housing funds	1,256.0	1,237.1	18.9	1.53
Others	692.4	531.6	160.8	30.25
Total staff costs	<u>5,480.1</u>	<u>5,296.3</u>	<u>183.8</u>	<u>3.47</u>

In 2017, staff costs of the Group increased by RMB184 million or 3.47% to RMB5,480 million as compared to the previous year, which was primarily due to the Group's reassessment of the range of employees included in the annuity plan in accordance with policy requirements.

2. Taxes and Surcharges

Taxes and surcharges mainly relate to revenue generated from our provision of financial products and services with respect to lending (interest income), transfer of securities and other financial businesses. In 2017, taxes and surcharges decreased by RMB474 million or 71.56% to RMB189 million as compared to the previous year, primarily affected by the reform of replacing business tax with value-added tax.

3. Depreciation and Amortisation

Depreciation and amortisation for 2017 increased by RMB109 million or 15.66% to RMB806 million over the previous year as in recent years, the Group has accelerated the promotion of modern information technology and purchased and promoted the application of intelligent electronic devices, which improved the customer experience.

4. Others

For the year 2017, other general and administrative expenses amounted to RMB1,855 million, representing an increase of RMB60 million or 3.34% as compared to the corresponding period of last year, of which no significant increase was found due to effective cost control of the Group.

(IV) Impairment loss on Assets

Impairment loss on assets consists primarily of provisions charged on loans and advances to customers and other assets. Provisions charged for impairment loss on assets was RMB3,711 million for the year ended 31 December 2017, representing an increase of RMB1,034 million or 38.64% over the previous year.

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2017	2016		
Loans and advances to customers	3,284.4	2,372.9	911.5	38.41
Other assets	426.2	303.6	122.6	40.38
Total impairment loss on assets	3,710.6	2,676.5	1,034.1	38.64

In 2017, provisions of impairment loss for loans and advances to customers were RMB3,284 million, representing an increase of RMB912 million as compared with 2016, primarily due to the increase in provision for loans of the Group based on the strategy of prudential operation and full consideration of the uncertainties hanging over the macro economy.

In 2017, the provisions for impairment on other assets were RMB426 million, representing an increase of RMB123 million as compared with 2016, which was mainly due to the provision of impairment provided for non-credit financial assets.

(V) Income Tax Expense

The applicable income tax rate of the Group was 25%. The effective tax rate of the Group in 2017 and 2016 was 24.68% and 24.83% respectively. The effective tax rate decreased by 0.15 percentage points over the previous year.

The following table sets forth the profit before tax and income tax expense for the years ended 31 December 2017 and 2016.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2017	2016		
Profit before tax	11,959.8	10,644.8	1,315.0	12.35
Tax calculated at applicable statutory tax rate	2,957.5	2,627.7	329.8	12.55
Add/(less) the tax effect of the following items:				
Non-deductible expenses	159.8	153.6	6.2	4.04
Non-taxable income	(178.6)	(137.8)	(40.8)	29.61
Deductible losses for which no deferred income tax asset was recognized	12.7	–	12.7	100.00
Income Tax Expense	2,951.4	2,643.5	307.9	11.65

II. Analysis on Statement of Financial Position

(I) Assets

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total (%)	Amount	% of Total (%)
Loans and advances to customers, gross	338,346.6	37.35	300,421.4	37.40
Allowances for impairment on loans and advances to customers	(14,237.0)	(1.57)	(12,305.0)	(1.53)
Loans and advances to customers, net	324,109.6	35.78	288,116.4	35.87
Investment securities ⁽¹⁾	316,967.9	34.99	259,135.3	32.26
Cash and balances with the Central Bank	97,012.1	10.71	85,836.0	10.69
Deposits with banks and other financial institutions	45,380.4	5.01	34,582.8	4.31
Placements with banks and other financial institutions	102,641.4	11.33	112,571.4	14.02
Financial assets held under resale agreements	2,443.7	0.27	3,699.9	0.46
Financial assets held for trading	519.2	0.06	3,511.9	0.44
Financial assets designated at fair value through profit or loss	–	–	1,009.4	0.13
Goodwill	440.1	0.05	440.1	0.05
Other assets ⁽²⁾	16,263.7	1.80	14,254.5	1.77
Total Assets	905,778.1	100.00	803,157.7	100.00

Notes:

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

Management Discussion and Analysis

As at 31 December 2017, the Group's total assets amounted to RMB905,778 million, representing an increase of RMB102,620 million, or 12.78% as compared to the end of the previous year, among which:

The amount of gross loans and advances to customers increased by RMB37,925 million, or 12.62%, as compared to the end of the previous year. This was primarily due to the fact the Group, through further optimizing credit resources allocation under the environment of state macro economy and requirement of financial regulations, while continuously increasing industry credit loans to industries including small and micro enterprises and Sannong (三農), increased efforts in product innovation and continuously expanded channels for credit investment;

Investment securities increased by RMB57,833 million, or 22.32% as compared to the end of the previous year, primarily due to the increase in debt securities in an effort to moderately adjust investment structure basing on the balance of risk and revenue;

Total cash and balances with the Central Bank amounted to RMB97,012 million, increased by RMB11,176 million, or 13.02% as compared to the end of the previous year, primarily due to the rise of the statutory reserve of deposit as a result of the increase of the customer savings;

The total amounts of deposits with banks and other financial institutions and placements with banks and other financial institutions increased by RMB868 million or 0.59% as compared to the end of the previous year;

Financial assets held under resale agreements decreased by RMB1,256 million or 33.95% as compared to the end of the previous year, primarily due to revision of the fund utilization structure based on the overall allocation requirements of assets and liabilities which reduced the financial assets scale held under resale agreements.

1. Loans and Advances to Customers (Contractual Amount)

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total (%)	Amount	% of Total (%)
Corporate loans	214,752.5	63.47	189,912.3	63.22
Short-term loans ⁽¹⁾	87,303.8	25.80	76,785.7	25.56
Medium-and long-term loans ⁽²⁾	127,448.7	37.67	113,126.6	37.66
Retail loans	113,551.3	33.56	98,181.6	32.68
Residential mortgage and personal commercial property loans ⁽³⁾	50,185.5	14.83	43,614.6	14.52
Personal business and re-employment loans ⁽⁴⁾	38,120.6	11.27	35,054.0	11.67
Others ⁽⁵⁾	25,245.2	7.46	19,513.0	6.49
Discounted bills	10,042.8	2.97	12,327.5	4.10
Loans and advances to customers, gross	338,346.6	100.00	300,421.4	100.00

Notes:

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

As at 31 December 2017, the amount of gross loans and advances to customers of the Group increased by RMB37,925 million, or 12.62% to RMB338,347 million as compared to the end of the previous year. In respect of gross loans and advances to customers, balance of loans with fixed interest rates amounted to RMB32,414 million, the proportion to gross loans and advances to customers is 9.58%.

Corporate loans (excluding discounted bills) increased by RMB24,840 million, or 13.08% to RMB214,753 million as compared to the end of the previous year, and accounted for 63.47% of gross loans and advances to customers, 0.25 percentage point higher than that of the end of previous year. Among which, additional loans to the manufacturing industry, the water conservancy, environment and public facilities management industry and leasing and business services industry amounted to RMB9,289 million and RMB5,636 million and RMB4,277million respectively, in the aggregate accounting for 77.30% of the total amount of additional corporate loans.

Our retail loans increased by RMB15,370 million or 15.65% to RMB113,551 million as compared to the end of the previous year, which accounted for 33.56% of total loans and advances to customers, representing an increase of 0.88 percentage point as compared to the end of previous year. Confronted with complicated market changes, the Group took active measures to avoid systemic risks in markets, focused on meeting credit consumption needs of premium individual customers. It promoted the transformation of retail loans to the consumption field and vigorously developed credit loan business such as automobile mortgage and loans for personal consumption.

Discounted bills decreased by RMB2,285 million or 18.53% to RMB10,043 million as compared to the end of the previous year, largely due to the adjustment to the structure of short-term financing customers on the basis that the requirements on assets and liabilities management could be satisfied.

Management Discussion and Analysis

Distribution of Loans by Type of Collateral

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total (%)	Amount	% of Total (%)
Unsecured loans	43,481.3	12.85	29,521.7	9.83
Guaranteed loans	97,902.0	28.94	77,858.0	25.92
Collateralised loans	152,766.0	45.15	156,242.7	52.00
Pledged loans	44,197.3	13.06	36,799.0	12.25
Loans to customers, gross	338,346.6	100.00	300,421.4	100.00

Allowance for Impairment Losses on Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	Allowance for impairment Losses on loans and advances which is collectively assessed ⁽¹⁾	Allowance for impairment losses on identified impaired loans and advances ⁽²⁾		Total
		For which allowance is collectively assessed	For which allowance is individually assessed	
As at 1 January 2017	10,346.0	1,190.9	768.1	12,305.0
Charge for the year	7,499.5	488.5	1,444.7	9,432.7
Reverse for the year	(5,799.8)	(264.6)	(83.9)	(6,148.3)
Written off and transferred out for the year	–	(610.0)	(986.6)	(1,596.6)
Recovery of loans and advances previously written off	–	219.6	95.8	315.4
Unwinding of discount on allowance	–	(22.7)	(48.5)	(71.2)
The balance as at 31 December 2017	<u>12,045.7</u>	<u>1,001.7</u>	<u>1,189.6</u>	<u>14,237.0</u>

Notes:

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

In 2017, the Group adhered to its prudent principle and was in strict compliance with the relevant requirements of accounting standards, so as to provide sufficient allowances for impaired loans and advances whilst fully taking into account of external economic dynamics and macro monitoring policies. As at 31 December 2017, balance of allowances for impairment losses on loans and advances to customers increased by RMB1,932 million to RMB14,237 million over the end of the previous year, and the allowances for impairment losses to non-performing loans increased by 2.87 percentage points to 431.24% as compared to the end of previous year.

2. *Investments*

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total (%)	Amount	% of Total (%)
Financial assets held for trading	519.2	0.16	3,511.9	1.33
Financial assets designated at fair value through profit or loss	–	–	1,009.4	0.38
Available-for-sale financial assets	165,780.6	52.22	90,141.8	34.19
Held-to-maturity investments	72,444.2	22.82	67,842.2	25.74
Debt securities classified as receivables	78,743.1	24.80	101,151.3	38.36
Total	317,487.1	100.00	263,656.6	100.00

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

Management Discussion and Analysis

Debt Securities Investments

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total (%)	Amount	% of Total (%)
Government bonds Public sector, and quasi-government bonds	31,789.9	10.04	19,869.8	7.54
Financial institution bonds	24,878.2	7.85	24,015.4	9.11
Corporate bonds	8,893.8	2.81	10,847.0	4.12
Debt instruments and other issued by financial institutions	50,120.3	15.82	45,520.0	17.28
Interbank deposit	199,545.8	62.96	160,991.3	61.10
	1,653.7	0.52	2,236.9	0.85
Total	316,790.7	100.00	263,480.4	100.00

(II) Liabilities

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total (%)	Amount	% of Total (%)
Deposits from customers	572,184.3	68.08	518,185.9	69.19
Deposits and placements from banks	139,806.1	16.63	149,992.5	20.03
Financial assets sold under repurchase agreements	7,545.0	0.90	8,965.5	1.20
Debt securities issued	103,901.3	12.36	58,487.0	7.81
Other liabilities ⁽¹⁾	17,095.7	2.03	13,337.0	1.77
Total liabilities	840,532.4	100.00	748,967.9	100.00

Note:

- (1) Other liabilities consist of accrued staff costs, taxes payable, interest payable and other payables etc.

As at 31 December 2017, total liabilities increased by RMB91,565 million or 12.23% to RMB840,532 million as compared to the end of the previous year. Deposits from customers are our largest source of capital, which grew by RMB53,998 million or 10.42% as compared to the end of the previous year. Deposits and placements from banks and borrowings from the Central Bank decreased by RMB10,186 million or 6.79% as compared to the end of the previous year. Debt securities issued increased by RMB45,414 million or 77.65% from the end of the previous year, primarily attributable to the increase in the scale of deposit of certificate issued in other banks.

Deposits from Customers

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total (%)	Amount	% of Total (%)
Corporate deposits	147,855.5	25.84	128,854.1	24.87
Demand deposits	121,315.2	21.20	110,898.2	21.40
Time deposits	26,540.3	4.64	17,955.9	3.47
Retail deposits	414,815.6	72.49	380,985.5	73.52
Demand deposits	107,609.1	18.81	106,221.8	20.50
Time deposits	307,206.5	53.68	274,763.7	53.02
Pledged deposits	9,417.9	1.65	8,232.3	1.59
Other deposits	95.3	0.02	114.0	0.02
Total deposits from customers	<u>572,184.3</u>	<u>100.00</u>	<u>518,185.9</u>	<u>100.00</u>

As at 31 December 2017, deposits from customers increased by RMB53,998 million or 10.42% to RMB572,184 million as compared to the end of the previous year. The percentage of retail deposits, which is the main source of the deposits from customers, accounted for 72.49% with respect to the customer structures of the Group. By virtue of the network strength spreading through urban and towns and customer base, the balance of retail deposits increased by RMB33,830 million or 8.88% as compared to the end of the previous year; the percentage of corporate deposits (exclude the pledged deposits) accounted for 25.84%, the balance of deposits increased by RMB19,001 million or 14.75% as compared to the end of the previous year. With respect to the maturity structure, demand deposits accounted for 40.01% of total deposits from customers, representing a decrease of 1.89 percentage points from the end of previous year, while the time deposits accounted for 58.32%, representing an increase of 1.83 percentage points over the end of the previous year.

(III) Shareholders' Equity

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total (%)	Amount	% of Total (%)
Share capital	10,000.0	15.33	9,300.0	17.16
Capital reserve	12,501.6	19.16	9,202.0	16.98
Investment revaluation reserve	(109.7)	(0.17)	53.2	0.10
Actuarial changes reserve	(130.7)	(0.20)	(313.4)	(0.58)
Surplus reserve	9,457.2	14.49	8,580.2	15.83
General reserve	10,726.3	16.44	9,473.9	17.48
Retained earnings	21,244.0	32.56	16,297.3	30.08
Equity attributable to equity holders of the Bank	63,688.7	97.61	52,593.2	97.05
Non-controlling interests	1,557.0	2.39	1,596.6	2.95
Total equity	65,245.7	100.00	54,189.8	100.00

As at 31 December 2017, total equity amounted to RMB65,246 million, representing an increase of RMB11,056 million as compared to the end of the previous year, mainly attributable to the increase in retained earnings. In particular, share capital increased RMB700 million from the end of the previous year, mainly due to the completion of the Group's directional issuance of new shares to the original Shareholders in 2017. Surplus reserve increased by RMB877 million as compared to the end of the previous year, primarily resulting from the provisions made for statutory surplus reserve. General reserve increased by RMB1,252 million as compared to the end of the previous year, as the general reserve was required to be not less than an amount equal to 1.5% of the balance of risk assets at the end of the previous year.

III. LOAN QUALITY ANALYSIS (THE GROUP)

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

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of Total (%)	Amount	% of Total (%)
Normal	326,590.8	96.52	289,426.1	96.34
Special mention	8,454.4	2.50	8,122.8	2.70
Substandard	1,753.9	0.52	1,464.9	0.49
Doubtful	1,514.8	0.45	1,407.6	0.47
Loss	32.7	0.01	–	–
Total loans and advances to customers	338,346.6	100.00	300,421.4	100.00
Amount of non-performing loans	3,301.4		2,872.5	
Non-performing loan ratio (%)		0.98		0.96

In 2017, subject to the increasingly complicated economic and financial circumstances in China and overseas, the Group upheld our baseline of thinking (底線思維), strictly implemented the national policies and financial regulatory requirements, strengthened the authorization management and control as well as active management of asset quality, and increased efforts in conducting industry study and analysis. Proactive actions were taken to optimize and adjust the credit structure and prevent and resolve the risks in advance. Greater efforts were devoted to collect, dispose of and write off non-performing assets. The quality of the Group credit assets was stable with risks under control. As at 31 December 2017, the balance of non-performing loans increased by RMB429 million from the end of the previous year to RMB3.301 billion; while the non-performing loan ratio was 0.98% which was 0.02 percentage points higher than that of the end of the previous year. The portion of special mention loans accounted for 2.5%, representing a decrease of 0.20 percentage points as compared to the end of the previous year.

(II) Concentration of Loans

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

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017				As at 31 December 2016			
	Loan amount	Percentage of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Percentage of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	214,752.5	63.47	2,066.9	0.96	189,912.3	63.22	1,482.7	0.78
Manufacturing	64,861.3	19.17	893.4	1.38	55,572.1	18.50	719.1	1.29
Production and supply of electricity, gas and water	14,185.6	4.19	-	-	11,679.6	3.89	0.9	0.01
Real estate	10,725.3	3.17	-	-	14,132.8	4.70	13.9	0.10
Leasing and commercial services	17,953.1	5.31	48.0	0.27	13,675.8	4.55	19.5	0.14
Water, environment and public utility management	46,746.1	13.82	-	-	41,109.9	13.68	-	-
Construction	7,512.1	2.22	82.5	1.10	6,400.5	2.13	36.3	0.57
Retail and whole sale	21,351.4	6.31	814.2	3.81	20,703.3	6.89	474.7	2.29
Other	31,417.6	9.28	228.8	0.73	26,638.3	8.88	218.3	0.82
Personal loans	113,551.3	33.56	1,234.5	1.09	98,181.6	32.68	1,389.8	1.42
Discounted bills	10,042.8	2.97	-	-	12,327.5	4.10	-	-
Total	338,346.6	100.00	3,301.4	0.98	300,421.4	100.00	2,872.5	0.96

In 2017, to cope with the tumultuous and ever-changing external economic conditions, the Group updated the industry specific guidelines on a regular basis, strictly adhered to the lending and exit criteria, strengthened the management and control of key industries and strictly implemented relevant national control policies. Both non-performing loans and non-performing loan ratios of the real estate industry recorded decrease.

2. Concentration of Borrowers

In the end of 2017, the Group's total loans to its largest single borrower accounted for 6.47% of its net capital while total loans to its top ten clients accounted for 30.87% of its net capital, both of which were in compliance with regulatory requirements. As at 31 December 2017, the Group's loans to top ten largest single borrowers were not non-performing loans.

(1) Indicator of concentration

Major Regulatory Indicators	Regulatory standard	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Loan ratio for the largest single borrower (%)	≤10%	6.47	6.11	6.21
Loan ratio for the single group borrower (%)	≤15%	7.88	6.97	6.79

(2) Loans to top ten single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	As at 31 December 2017	
		Amount	Percentage of the total amount of loans (%)
Borrower A	Manufacturing	5,170.0	1.53
Borrower B	Water, environmental and public utility management	4,260.0	1.26
Borrower C	Water, environmental and public utility management	2,951.0	0.87
Borrower D	Real estate	1,955.0	0.58
Borrower E	Real estate	1,918.0	0.57
Borrower F	Water, environmental and public utility management	1,825.0	0.54
Borrower G	Manufacturing	1,741.0	0.51
Borrower H	Water, environmental and public utility management	1,710.0	0.51
Borrower I	Leasing and commercial service	1,650.0	0.49
Borrower J	Finance	1,499.0	0.44

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

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017			As at 31 December 2016		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	214,752.5	2,066.9	0.96	189,912.3	1,482.7	0.78
Short-term loans	87,303.8	1,440.6	1.65	76,785.7	1,110.2	1.45
Medium-and long-term loans	127,448.7	626.3	0.49	113,126.6	372.5	0.33
Retail Loans	113,551.3	1,234.5	1.09	98,181.6	1,389.8	1.42
Residential mortgage and personal commercial property loans	50,185.5	307.1	0.61	43,614.6	301.2	0.69
Personal business and re-employment loans	38,120.6	534.0	1.40	35,054.0	622.2	1.77
Other loans	25,245.2	393.4	1.56	19,513.0	466.4	2.39
Discounted bills	10,042.8	-	-	12,327.5	-	-
Total	338,346.6	3,301.4	0.98	300,421.4	2,872.5	0.96

As at 31 December 2017, non-performing loan ratio of corporate loans increased by 0.18 percentage points to 0.96% as compared with the end of the previous year, whereas non-performing loan ratios of retail loans decreased by 0.33 percentage points to 1.09% as compared with the end of the previous year.

(IV) Rescheduled Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of the total loans and advances (%)	Amount	% of the total loans and advances (%)
Rescheduled loans and advances to customers	615.6	0.18	298.2	0.10

(V) Overdue Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017		As at 31 December 2016	
	Amount	% of the total loans and advances (%)	Amount	% of the total loans and advances (%)
Past due within 3 months	1,542.3	0.46	1,862.0	0.62
Past due for 3 months to 1 year	1,841.9	0.54	1,338.4	0.45
Past due for over 1 year and within 3 years	1,417.5	0.42	1,273.7	0.42
Past due for more than 3 years	200.9	0.06	118.1	0.04
Total overdue loans and advances to customers	<u>5,002.6</u>	<u>1.48</u>	<u>4,592.2</u>	<u>1.53</u>

As at 31 December 2017, the total overdue loans amounted to RMB5,003 million, representing an increase of RMB410 million from the end of the previous year. Overdue loans accounted for 1.48% of the total loans and advances, representing a decrease of 0.05 percentage points from the end of the previous year.

IV. Analysis of Capital Adequacy Ratio

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

(Expressed in RMB million, unless otherwise stated)	As 31 December 2017	As 31 December 2016
Core tier 1 capital adequacy ratio (%)	<u>10.39</u>	<u>9.85</u>
Tier 1 capital adequacy ratio (%)	<u>10.40</u>	<u>9.86</u>
Capital adequacy ratio (%)	<u>13.03</u>	<u>12.70</u>
Components of capital base		
Core tier 1 capital:		
Portion of paid-in capital that may be included	10,000.0	9,300.0
Portion capital reserve that may be included	12,261.2	8,941.7
Surplus reserve and general risk reserve	20,183.5	18,054.1
Unappropriate profit	21,244.0	16,297.4
Non-controlling interests	<u>561.5</u>	<u>667.6</u>
Total core tier 1 capital	<u>64,250.2</u>	<u>53,260.8</u>
Deductible items:		
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	<u>(103.8)</u>	<u>(70.6)</u>
Core tier 1 capital, net	<u>63,706.3</u>	<u>52,750.1</u>
Other tier 1 capital:		
Non-controlling interests	<u>74.9</u>	<u>46.9</u>
Net tier 1 capital	<u>63,781.2</u>	<u>52,797.0</u>
Tier 2 capital:		
Tier 2 capital instruments and related premium that may be included	9,000.0	9,000.0
Excessive loan allowances	7,012.6	6,098.6
Non-controlling interests	<u>148.0</u>	<u>95.9</u>
Net capital	<u>79,941.8</u>	<u>67,991.5</u>
Total risk-weighted assets	613,436.60	535,338.7
Credit risk weighted assets	568,017.0	493,986.7
Market risk weighted assets	3,344.4	1,926.7
Operational risk weighted assets	<u>42,075.2</u>	<u>39,425.3</u>

As at 31 December 2017, the capital adequacy ratio of the Group increased by 0.33 percentage points as compared with the end of the previous year to 13.03%, 2.53 percentage points higher than the 10.50% of the regulatory requirements. Core tier 1 capital adequacy ratio and tier 1 capital adequacy ratio were 10.39% and 10.40% respectively, both increased by 0.54 percentage points as compared with the end of the previous year. The increase in the capital adequacy ratio of the Group at the end of 2017 as compared with the beginning of the year was mainly because (i) core tier 1 capital was effectively replenished due to stable growth of net profit; and (ii) the increase in net capital was higher than the increase in risk weighted assets due to the fact that all proceeds from private placement of domestic shares during the year of nearly RMB4.0 billion was used to replenish the capital, while the asset scale expanded moderately and the risk weighted assets increased moderately.

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

V. Analysis of Leverage Ratio

As at 31 December 2017, the Group measured and disclosed its leverage ratio in accordance with Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》).

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

(Expressed in RMB million, unless otherwise stated)

No.	Item	As at 31 December 2017
1	Consolidated total assets	905,778.1
2	Consolidated adjustments	—
3	Customer assets adjustments	—
4	Derivatives adjustment	64.4
5	Securities financing transactions adjustments	—
6	Off balance sheet item adjustments	25,469.7
7	Other adjustments	(543.9)
8	The balance of assets on and off balance sheet after adjustments	<u>930,768.3</u>

Management Discussion and Analysis

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

(Expressed in RMB million, unless otherwise stated)		As at 31 December 2017
No.	Item	
1	Assets on the balance sheet (excluding derivatives and securities financing transactions)	903,164.8
2	Deduction: tier 1 capital deduction	(543.9)
3	The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	<u>902,620.9</u>
4	Replacement cost of various types of derivatives (net of qualified margins)	169.6
5	Potential risk exposure in various derivatives	64.4
6	The sum of collaterals deducted from the balance sheet	–
7	Deduction: assets receivables formed due to qualified margins	–
8	Deduction: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	–
9	Notional principal for sold credit derivatives	–
10	Deduction: the balance of sold credit derivatives assets which can be deducted	–
11	The balance of derivatives assets	<u>234.0</u>
12	The balance of accounting assets for securities financing transactions	2,443.7
13	Deduction: the balance of securities financing transactions assets which can be deducted	–
14	Counterparty credit risk exposure to securities financing transactions	–
15	The balance of securities financing transactions assets formed due to securities financing transactions by proxy	–
16	The balance of securities financing transactions assets	<u>2,443.7</u>
17	The balance of items off balance sheet	35,944.4
18	Deduction: the balance of items off balance sheet reduced due to credit conversion	(10,474.7)
19	The balance of items off balance sheet after adjustments	<u>25,469.7</u>
20	Tier 1 capital, net	63,781.2
21	The balance of assets on and off balance sheet after adjustments	930,768.3
22	Leverage ratio (%)	<u>6.85</u>

As at 31 December 2017, the leverage ratio of the Group was 6.85%, representing an increase of 0.44 percentage point as compared with the end of the previous year. The increase in the leverage ratio was mainly due to the fact that the increase rate of net tier-one capital was higher than the growth rate of asset size on and off balance sheet.

VI. Segment Information

(I) Summary of Geographical Segment

(Expressed in percentage)	As at 31 December									
	2017		2016		2015		2014		2013	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Deposits	67.83	32.17	67.54	32.46	66.52	33.48	66.30	33.70	68.01	31.99
Loans	44.67	55.33	46.98	53.02	47.87	52.13	50.18	49.82	52.60	47.40
Assets	45.65	54.35	48.59	51.41	46.73	53.27	44.86	55.14	47.77	52.23
Loan-deposit ratio	38.94	101.70	40.33	94.70	41.10	88.95	44.74	87.40	45.63	87.43

(Expressed in percentage)	For the year ended 31 December									
	2017		2016		2015		2014		2013	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Return rate on average total assets	1.00	1.10	1.04	1.07	1.06	1.10	1.20	1.23	1.29	1.28
Net fee and commission income to operating income	9.33	9.80	9.84	9.72	5.60	8.08	4.18	6.62	2.90	5.57
Cost-to-income ratio	36.85	31.34	37.51	34.46	35.35	34.01	41.27	35.17	41.46	33.47

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

(II) Summary of Business Segment

Operating Income

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December									
	2017		2016		2015		2014		2013	
	Amount	% of Total (%)	Amount	% of Total (%)	Amount	% of Total (%)	Amount	% of Total (%)	Amount	% of Total (%)
Corporate banking business	8,133.6	33.94	7,252.6	33.48	7,714.8	35.25	6,557.3	33.11	5,992.4	36.73
Personal banking business	8,206.1	34.23	6,476.3	29.90	6,196.8	28.31	6,120.8	30.91	5,218.9	31.99
Treasury operations business	7,607.9	31.74	7,916.2	36.54	7,959.8	36.36	7,106.4	35.89	4,992.9	30.60
Unallocated	22.4	0.09	16.6	0.08	17.6	0.08	17.9	0.09	111.6	0.68
Total operating income	23,970.0	100.00	21,661.7	100.00	21,889.0	100.00	19,802.4	100.00	16,315.8	100.00

VII. Analysis of off-Balance-Sheet Items

Off-balance-sheet items of the Group include acceptance, letters of credit issued, letters of guaranteed funds issued, receivables under export letters of credit, foreign exchange funds receivables collected, foreign exchange funds collected, and foreign letters of credit by faith and wealth management. Among these items, acceptance, letters of guarantee issued and letters of credit issued were deemed as key business segments. The balances of acceptance, letters of guarantee issued and letters of credit issued were RMB14,502 million, RMB6,479 million and RMB1,541 million, respectively.

VIII. Significant Accounting Estimates and Judgments

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

Business Operation

I. Corporate Financial Business

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2017	For the year ended 31 December 2016	Changes (%)
Net interest income	7,425.4	6,647.2	11.71
Net fee and commission income	674.2	578.4	16.56
Other operating income, net	<u>34.0</u>	<u>27.0</u>	25.93
Operating income	8,133.6	7,252.6	12.15
Operating expenses	(2,800.0)	(2,866.5)	(2.32)
Loss on impairment of assets	<u>(2,276.2)</u>	<u>(1,382.4)</u>	64.66
Profit before tax	<u><u>3,057.4</u></u>	<u><u>3,003.7</u></u>	1.79

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017	As at 31 December 2016	Changes (%)
Segment assets	<u><u>217,486.7</u></u>	<u><u>181,361.6</u></u>	19.92

In 2017, the total profit before tax from the corporate financial business increased by 1.79% over the previous year to RMB3,057 million, accounting for 25.56% of the Group's profit before tax. The overall growth in corporate loans business of the Group had driven the corporate business assets to increase by 19.92% as compared with the previous year.

1. Corporate Deposits and Loans

In 2017, the Group strengthened the interactive linkage of corporate business with investment banking business and international business, and actively promoted development of emerging businesses including integration of cross-border direct loans and foreign exchange derivatives, debt financing instruments and wealth management direct financing instruments so as to ensure a fast growth of the corporate deposits and loans.

The Group strived to expand the corporate deposit market and continued to maintain steady growth in corporate deposits. As at 31 December 2017, the balance of corporate deposits of the Group reached RMB147,856 million, ranking the first in Chongqing, which accounted for 25.84% of the outstanding balance of total deposits of the Group whilst posting a growth of RMB19,001 million or 14.75% as compared with the end of the previous year.

For the loan policy on extending loans, the Group persisted in operating in compliance with laws and abided by the principle. The Group effectively observed the macroeconomic control policy of the country and the local economic operation situation and expanded its corporate loan business in a prudent, steady and appropriate manner. As at 31 December 2017, the outstanding balance of corporate loans (non-discounted) amounted to RMB214,752 million, representing an increase of RMB24,840 million or 13.08% as compared with the end of the previous year, remaining the first in Chongqing in balance market and one of the top three in Chongqing in respect of increment.

In respect of the structure of loan, with the main line of promoting the policy of Supply-Side Structural Reform and in adherence to the policy of “One Belt and One Road”, the strategies of Yangtze River Economic Belt, China-Singapore (Chongqing) Strategic Interconnection Demonstration Project and the positioning of the Chongqing Pilot Free Trade Zone, with focus on the construction of infrastructure, the transformation and upgrading of traditional industries and the development of ten strategic emerging industries, the Group focused on extending loans to the industries such as manufacturing, water conservation and environment and public utility management, wholesale and retail, leasing and commercial services and real estate, which accounted for (non-discounted) 30.2%, 21.77%, 9.94%, 8.36% and 4.99% of the total amount of loans of the Group as of 31 December 2017, respectively.

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

2. *Institutional Business*

The Bank continued to strengthen its cooperation channel construction with functional departments of the Chongqing Municipal Government, institutions at different levels and the financial industry. In 2017, the Bank won the award of “2016 Most Popular Financial Product among Technological Enterprises” issued by Chongqing Science & Technology Commission. The Bank also entered into cooperation agreement with Chongqing Logistics Financial Service Co., Ltd. (重慶物流金融服務股份有限公司). The increasing abundance of collaboration channel will effectively facilitate continuous healthy development of the Bank’s corporate banking business. The Bank launched the innovative business of payment of collaborative medical insurance for urban and rural residents in Wanzhou District to replace the traditional manual payment of medical insurance for urban and rural residents with mobile POS, mobile application and Wechat banking and payment channel, which introduced a new channel of non-cash payment of social insurance in Chongqing. In addition, the Bank was the only financial services bank to handle urban and rural pension insurance for residents in Chongqing City. 12 million people in the city have already paid and been distributed pension insurance through the Bank. The Bank also actively undertook emerging business in treasury sector. In 2017, the Bank underwrote 10.5% of the government bonds in Chongqing, actively participated in the tender of cash management of official funds at city level, and successfully obtained the qualification for capital management of official funds.

3. *Small and Micro Unsecured Loans Businesses*

Small and micro enterprises business was growing steadily. By the end of 31 December 2017, according to specifications prescribed by CBRC, the number of small and micro enterprise loans customers of the Bank (including small and micro enterprises according to specifications prescribed by four ministries and commissions of the nation, individual business owners, and small and micro enterprise owners) amounted to 108,656, representing an increase of 5,490 as compared with the same period of the previous year; the outstanding balance of small and micro enterprise loans according to specifications prescribed by CBRC amounted to RMB105,544 million, representing an increase of RMB12,111 million or 12.96% as compared to the beginning of the year and the growth rate is 2.08 percentage points higher than the average loan growth rate of the Bank; the success rate of applying for small and micro enterprise loans according to specifications prescribed by CBRC amounted to 99.11%. The number of small and micro enterprise loans customers according to specifications prescribed by CBRC accounted for 42.90% of the small and micro enterprise loans customers of Chongqing banking institutions; the outstanding balance of small and micro enterprise loans according to specifications prescribed by CBRC accounted for 15.80% of the outstanding balance of small and micro enterprise loans of Chongqing banking institutions.

- (1) Facilitated the characteristic operation of specialised branches for small and micro enterprises

The Bank continuously learnt from the experience of operation and management of specialised branches for small and micro enterprises, supervised specialised branches to ensure further consolidation of business position, exploitation of advantages and implementation of characteristic operation. Two specialised branches for small and micro enterprises, namely Hechuan Chengxi Branch and Jiangjin Shuangfu Branch, were selected for the pilot of automatic renewal function of personal loans for business purposes with a stock amount under RMB500,000, fully leveraging specialised branches as “testing fields” for new products and new businesses. By the end of December 2017, the number of loans customers of the 14 specialised branches increased by 1,513 as compared to the beginning of the year; the balance of loans increased by RMB1,001 million as compared to the beginning of the year; yields of new loans was 6.68%.

(2) Strengthened innovation and diversified and improved means of services

Since this year, based on the business transformation and upgrade driven by market demand, the Bank enhanced innovation of characteristics and differentiation of products and services and fully adapted to changes in financing demand of small and micro enterprise customers to strengthen the competitiveness of its small and micro enterprises business. Firstly, the Bank adopted innovative approaches such as value-added loan for manufacturing industry, income-secured loan for small hydropower, rent-secured loan, unsecured loan and value-added loan for personal customers. According to the needs of business expansion of branches and the actual situations of target customers, the Bank adapted to the financing needs of customers by way of financing projects based on its existing products. During the year, 29 personalized financing projects were approved for 23 branches. Secondly, through technological innovation, the Bank strengthened the foundation for business development and completed the development of the “Automatic Renewal” function and “Automatic Drawdown and Repayment” function of personal loans for business purposes with a stock amount under RMB500,000, which decreased the management cost, enhanced the working efficiency, improved customers’ experience and strengthened its own competitiveness against other banks, meanwhile significantly reducing the workload of loan renewal and drawdown of customer managers and sparing their efforts in exploring new customers. Thirdly, the Bank launched the innovative “Right Credit” product to further improve and diversify the product system for small and micro enterprises and satisfy customers’ needs.

(3) Enhanced cooperation between banking and government and built a marketing platform

In 2017, the Bank commenced cooperation and negotiation with the Municipal Science and Technology Commission, the Municipal Council of the Communist Youth League, Free Trade Area, the Municipal Transportation Commission and other departments and associations. Guidance was given on certain cooperation projects between branches and the government, and through enhanced cooperation between banking and government, a marketing platform was built for small and micro enterprises business. Firstly, the Bank practically supported the innovative development of technological enterprises. The Bank was selected as one of the only two pilot banks in Chongqing to commence the operation of knowledge-based unsecured loans of technological enterprises. Since the commencement of operation in May 2017, 59 customers were offered loans with an amount of RMB81.60 million. On the press conference of banking industry held by CBRC in July 2017, such product was presented to the banking institutions throughout China as an advanced project of implementation of innovation driven strategy in the banking industry of Chongqing to support the technological innovation. Currently, the Bank has entered into the cooperation agreement with the Chongqing Municipal Science and Technology Commission for further expansion of such business, which will expand to six districts, namely Jiulongpo, Yubei, Jiangjin, Bishan, Yongchuan and Rongchang. Secondly, the Bank actively supported the national strategy of rural vitalization. The Bank entered into formal agreement with Chongqing Municipal Transportation Commission and Transportation Guarantee Company in respect of the “transport-guarantee-loan” business cooperation in support of construction of highway in administrative villages and village arterial highway in Chongqing. Thirdly, guidance was given on the “credit loans to small and micro enterprises” cooperation between branches such as Fengdu, Fuling and Changshou Branches and local governments. Currently, there were 10 branches handling credit loans to small and micro enterprises.

4. *International Business*

The international business maintained robust growth. In 2017, the international settlement amounted to USD5,386 million (including cross-border settlement of RMB1,081 million), a year-on-year increase of 20.71%; foreign exchange settlement amounted to USD2,710 million, a year-on-year increase of 23.18%. The bank issued USD1,929 million US on-balance-sheet and off-balance-sheet trade financing, a year-on-year increase of 23.26%. The number of foreign exchange customers of the Bank reached 967, an increase of 150 customers from the beginning of the year, and 345 of which were active customers, an increase of 38 customers from the beginning of the year. The Bank achieved net income of RMB175 million from intermediary business, a year-on-year increase of 14%. The cooperation of correspondent banking further intensified. The Bank has established correspondent banking relationship with 543 banks at home and abroad, laying the foundation for further cooperation. Foreign exchange transaction grew rapidly with transaction volume ranking the first among local banks in Chongqing, and the low-cost fund raising ability and profitability were also further improved. The Bank actively facilitated product innovation and launch of new business, and became the first bank to launch five new businesses of self-operated foreign exchange swaps, interbank forfeiting, letter of credit for NRA foreign currency account and acceptance of forfeiting, letter of credit for parallel import of cars and RMB structured deposit, which added another momentum for business development. In addition, the Bank further improved its compliance management of foreign exchange business, and was rated A Class in the Foreign Exchange Comprehensive Appraisal 2017 conducted by the Chongqing Branch of the State Administration of Foreign Exchange, the highest grade in the appraisal. Our total score ranked sixth among 45 financial institutions handling international businesses in Chongqing, which was the only local corporate bank in Chongqing that received A Class grading.

Management Discussion and Analysis

II. Retail Banking Business

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2017	For the year ended 31 December 2016	Changes (%)
Net interest income	7,429.0	5,531.0	34.32
Net fee and commission income	754.5	927.5	(18.65)
Other operating income, net	22.6	17.8	26.97
Operating income	8,206.1	6,476.3	26.71
Operating expense	(3,244.7)	(2,576.4)	25.94
Impairment loss on assets	(1,008.5)	(990.7)	1.80
Profit before tax	<u>3,952.9</u>	<u>2,909.2</u>	35.88

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2017	As at 31 December 2016	Changes (%)
Segment assets	<u>104,576.7</u>	<u>98,585.8</u>	6.08

Personal banking business recorded a profit before tax of RMB3,953 million, increased by 35.88% year-on-year.

1. Retail Deposits and Loans

Retail deposits recorded a continuing increase. Backed by the vibrant economic growth in Chongqing, the Bank took full advantage of its exceptional regional brand recognition and strived to align its brand value services with key marketing campaigns and social responsibility, with an emphasis on the business promotion and sales during key business hours of peak seasons, on high-end major customers and key projects in target markets. The Bank organized a large public campaign named “serving fellow townsman and delivering geniality along the way back home” (服務眾鄉親、情暖回鄉路) during the Spring Festival travel rush, “Financial Knowledge Enters Ten Thousand Households” (金融知識進萬家), “Including Financial Services, and Rooting Wealth Management Awareness”, (普惠金融,紮根行動), in communities as part of the marketing campaigns, and made an effort in unifying services for better reputation. It also constantly deepened the transformation of its branches with 70 newly added transformed model branches in an effort to improve the individual productivity for each branch. The retail deposits amounted to RMB414,816 million, representing an increase of RMB33,830 million or 8.88% over the end of the previous year. The Bank remained unrivalled among its regional counterparts in terms of the amount, annual growth and market share of retail deposits. In 2017, with the approval from the Ministry of Finance and the Central Bank, the Bank was qualified for underwriting of government saving bonds in certificate and electronic forms from 2018 to 2020.

Customer structure is being improved. Through enriching the value-added services for VIP customers, holding customer activities on a regular basis, facilitating the systematic establishment in customer relations management, the number of mid- to high-end customers of the Group kept increasing. The number of customers increased by 170,400 or 15.5% as compared with the beginning of the year, and the deposit increased RMB31.85 billion.

The Bank achieved a solid growth in retail loan. With a view to becoming the largest and the best local retail bank, the Bank insisted on business for small and micro enterprises, optimized the credit structure, stressed product innovation, implemented differentiated credit services and continued to support inclusive finance. It constantly consolidated the advantageous position of retail loan business and created an internet financial platform based on the existing advantageous channels including retail loan centres and operation outlets, and actively promoted products such as Tiny Loan (微粒貸) and Cloud Loans for Micro Enterprises (雲微貸). As at 31 December 2017, retail loan of the Group increased by RMB15,370 million to RMB113.551 billion, the stock amount of retail loan also ranks in the top list of the market.

2. Bank Cards

Debit Card Business

The number of new debit cards recorded stable growth. As at 31 December 2017, the total number of debit cards issued by the Bank reached 18,136,100; the spending related thereto amounted to RMB91,571 million. Specially, nostalgia series of debit cards with the function of subsidizing foreign remittance fees gained remote deposits of RMB125,617 million in 2017.

Credit Card Business

The Bank continued to promote the bank card brand – Jiangyu credit card which is one of our symbolic products and optimized the two main product lines of standard cards and characteristic cards. Rapid progress has been made in organizational structure, system construction, business innovation, risk control and customer service. For adjustment of organizational structure, based on the principle of “allocating resources to the front end, reducing the staff and enhancing the efficiency of mid end and streamlining at the back end”, the Bank disbanded the sales management team and financial accounting team, established the direct sale management team and product research and development team, optimized the human resources allocation and implemented target-oriented strategies to motivate the teams. For strengthening of system construction, the Bank carried out the relocation of core systems in a steadily manner, and became the first financial institution of its kind in China to commence the in-house research and development and data relocation of credit card core system. For business innovation, the Bank offered invitation for credit card application, implemented the list-based proactive marketing and database pre-approval model for quality customers for the first time, launched the credit card online transfer function to provide more convenient user experiences for customers, launched the parking space instalment business and completed the development of family card product with special instalment function. The Bank also strengthened risk management and control and recorded decrease in the two indicators of non-performing assets. The balance of non-performing assets decreased by RMB68 million from the end of the previous year to RMB116 million; while the non-performing ratio was 2.75% which was 0.88 percentage points lower than that of the end of the previous year. For optimisation of service, the Bank continued to take Jiangyu credit card product life cycle as the main line to promote the expansion of new customers and inspire existing customers and other marketing efforts. It also continued to carry out promotional activities to create a favourable environment for use of credit cards and encourage the customers to use credit cards. Based on the existing business, the Bank focused on sustainable development, complied with market demand, continued to expand Internet-based electronic service channels, and continued cooperation with domestic and international well-known enterprises to strengthen credit card financial services and create opportunities for sustainable development. As of 31 December 2017, the number of credit cards in issue accumulated to 564,700, an increase of 104,500 or 22.71% over the end of the previous year.

3. Agency Business

The Bank has been expanding its intermediary business product portfolio of retail banking and recorded stable increase in income. In 2017, the Bank's agency fund business developed rapidly and it served as the agent of 114 foundations with sales of RMB29,524 million and an income of RMB17,931,200 from intermediary business. The operating income from the distribution business of physical rare metals was RMB25,232,600 and an income of RMB1,421,500 from intermediary business was recorded.

III. Financial Market Business

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

Expressed in RMB million, except for percentages			
Item	As of 31 December 2017	As of 31 December 2016	Changes (%)
Net interest income	6,646.3	7,226.5	(8.03)
Net fee and commission income	866.9	612.5	41.53
Net trading gain	(36.8)	(15.6)	135.9
Other operating (losses)/gain, net	131.5	92.8	41.7
Operating income	7,607.9	7,916.2	(3.89)
Operating expense	(2,284.8)	(3,008.1)	(24.05)
Impairment loss on assets	(425.9)	(303.4)	40.38
net losses from disposal of available-for-sale financial assets	25.1	64.7	(61.21)
Net gain on disposal of debt Securities classified as receivables	4.8	45.9	(89.54)
Profit before tax	4,927.1	4,715.3	4.49
	31 December 2017	31 December 2016	
Segment assets	575,007.5	514,776.3	11.70

Management Discussion and Analysis

In 2017, as the macroeconomy grew steadily, structural adjustment has been pushed forward, the domestic financial market and the internal and external operation environment for commercial banks have become more intricate and unpredictable. In addition, due to a series of regulatory policies introduced to the financial market business in recent year, the capital business has been facing tough challenges in terms of limited investment scale and investment scope. In this regard, the Bank withstood the pressure to respond flexibly, and took the initiative to adjust its business structure according to the objective environment, so as to secure the steady growth in capital business.

In 2017, the treasury businesses recorded profit before tax of RMB4,927 million, representing an increase of RMB212 million or 4.49% as compared with the same period of the previous year.

1. Segment Assets

(Expressed in RMB million, unless otherwise stated)	31 December 2017		31 December 2016	
	Amount	Percentage %	Amount	Percentage %
Debt securities investments	316,790.7	55.09	263,480.4	51.18
Financial assets held under resale agreements	2,443.7	0.42	3,699.9	0.72
Cash and balances with Central bank	97,012.1	16.87	85,836.0	16.67
Deposits and placements with banks and other financial institutions	148,021.8	25.74	147,154.2	28.59
Discount for bills	3,637.5	0.63	9,218.6	1.79
Other assets	7,101.7	1.25	5,387.2	1.05
Total assets	575,007.5	100.00	514,776.3	100.00

As at 31 December 2017, the total size of operating assets was RMB575,008 million, representing an increase of RMB60,231 million, or 11.70 percentage points as compared with the end of the previous year. In particular, debt securities investments increased by RMB53,310 million, or 3.91 percentage points, in proportion to total assets; cash and balances with Central bank increased by RMB11,176 million, or 0.20 percentage points, in proportion to total assets; financial assets held under resale agreements decreased by RMB1,256 million, or 0.30 percentage points, in proportion to total assets; deposits and placements with banks and other financial institutions increased by RMB868 million, or decreased by 2.85 percentage points, in proportion to total assets; discount for bills decreased by RMB5,581 million, or 1.16 percentage points, in proportion to total assets.

2. Debt Securities Investments

(1) Distribution of Debt Securities Investments by Holding Purpose

(Expressed in RMB million, unless otherwise stated)	31 December 2017		31 December 2016	
	Amount	Percentage %	Amount	Percentage %
Held-to-maturity debt securities	72,444.2	22.87	67,842.2	25.75
Debt securities classified as receivables	78,743.1	24.86	101,151.3	38.39
Debt securities at fair value	519.2	0.16	4,521.3	1.72
Available-for-sale debt securities	165,084.2	52.11	89,965.6	34.14
Total	316,790.7	100.00	263,480.4	100.00

In 2017, the Group continued to implement the classification management of its debt securities investment accounts. Apart from taking debt securities classified as receivables and available-for-sale debt securities as the major investment targets, the Bank took the market condition into consideration and moderately invested in certain held-to-maturity debt securities. As at 31 December 2017, the Group saw an increase of RMB4,602 million, or a decrease of 2.88 percentage points, in proportion to total debt securities investments in held-to-maturity debt securities as compared with the end of the previous year, a decrease of RMB22,408 million, or a decrease of 13.53 percentage points, in proportion to total debt securities investments in debt securities classified as receivables over the end of the previous year, a decrease of RMB4,002 million, or a decrease of 1.56 percentage points, in proportion to total debt securities investments in debt securities at fair value over the end of the previous year as well as an increase of RMB75,119 million, or an increase of 17.97 percentage points, in proportion to total debt securities investments in available-for-sale debt securities over the end of the previous year.

(2) Distribution of Debt Securities Investments by Credit Rating

(Expressed in RMB million, unless otherwise stated)	31 December 2017		31 December 2016	
	Amount	Percentage %	Amount	Percentage %
AAA	18,043.1	5.70	21,261.8	8.07
AA	10,620.6	3.35	12,168.4	4.62
A	108.2	0.03	441.2	0.17
Unrated	288,018.8	90.92	229,609.0	87.14
Total	316,790.7	100.00	263,480.4	100.00

Management Discussion and Analysis

In 2017, the Group proactively leveraged the trend of policies, further analysed on the market and determined the bond investment strategy of “proactively taking position and profit at the right time”, on the basis of the marco situation, in which the regulation is tightening, the interest rate of the market continues to increase and the credit risk continues to ferment throughout the year. With respect to operation, the main objective of the strategy was to carefully select medium-term notes and corporate bonds with better quality and higher coupon rate, and allocate a large amount of bonds issued by local government with AAA rating.

As at 31 December 2017, debt securities investment with a rating of AA and above decreased by RMB4,767 million, or a decrease of 3.64 percentage points, in proportion to total debt securities investment as compared with the end of the previous year, while unrated debt securities investment increased by RMB58,410 million, or an increase of 3.78 percentage points, in proportion to total debt securities investment over the end of the previous year. Unrated debt securities investment are mainly government bonds, public sector bonds, quasi-government bonds and debt instruments issued by financial institutions.

(3) Distribution of Debt Securities Investments by Remaining Maturity

Expressed in RMB million, unless otherwise stated)	31 December 2017		31 December 2016	
	Amount	Percentage %	Amount	Percentage %
Within 3 months	86,751.9	27.38	91,672.6	34.80
3 to 12 months	91,823.2	28.99	65,563.7	24.88
1 to 5 years	109,948.2	34.71	85,475.9	32.44
Over 5 years	28,267.4	8.92	20,768.2	7.88
Total	316,790.7	100.00	263,480.4	100.00

As at 31 December 2017, the Group’s investments in debt securities with a remaining maturity of less than 12 months increased by RMB21,339 million, or decreased by 3.31 percentage points, in proportion to total debt securities investments from the end of the previous year. The Group’s investments in debt securities with a remaining maturity of over 5 years increased by RMB7,499 million, or 1.04 percentage points, in proportion to total debt securities investments as compared with the end of the previous year. The Group’s investments in debt securities with a remaining maturity of 1-5 years increased by RMB24,472 million, or 2.27 percentage points, in proportion to total debt securities investments as compared with the end of the previous year, mainly due to the Group’s improvement in the maturity structure of the investment portfolio given a proper build-up of investments in medium and long-term creditors’ investment with higher coupon rates and relatively higher investment value in accordance with the changes in the market and the reasonable allocation of the maturity and yield of its investment portfolio.

(4) Investment in Financial Bonds

Financial bonds refer to the marketable securities issued by policy banks, banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. As of 31 December 2017, the outstanding balance of financial bonds of the Group was RMB29,744 million, which was mainly financial bonds issued by policy banks. The table below sets out the top ten financial bonds held by the Group as at the dates indicated.

Expressed in RMB million, except for percentages				
Name of debt securities	Nominal value	Interest rate per annum	Maturity date	Impairment
Debt securities issued by policy banks in 2017	1,500.00	4.30	2024/8/21	–
Debt securities issued by policy banks in 2017	1,000.00	3.83	2024/1/6	–
Debt securities issued by policy banks in 2013	1,000.00	4.02	2018/7/18	–
Debt securities issued by policy banks in 2013	950.00	4.07	2020/4/11	–
Debt securities issued by policy banks in 2016	800.00	3.24	2023/2/25	–
Debt securities issued by policy banks in 2016	800.00	3.43	2021/12/8	–
Debt securities issued by policy banks in 2017	700.00	4.02	2022/4/17	–
Debt securities issued by policy banks in 2010	700.00	2.09	2020/2/25	–
Debt securities issued by policy banks in 2005	650.00	3.60	2020/11/29	–
Debt securities issued by policy banks in 2014	600.00	5.10	2021/8/7	–

In 2017, the Bank carefully selected and prudently invested in high-yield bonds on the basis of the analysis and judgment of the bond market. The Bank, at the same time, extended the duration of bond allocations as appropriate and vigorously configured the securities assets with high yield and low risk, and continued to optimize the structure of positions to achieve higher invested yields. In 2017, credit risk still persisted and interest rates in the market continued to increase. Under this situation, the Bank achieved bond investment with low-risk but higher yielding. Rate of return in bond market remained at high level since the end of 2017, and the bond yield will remain at relatively high level in 2018 due to the progress of deleveraging and tightening regulation by the Central Bank.

In 2017, the Bank strictly selected financial issuers based on their qualifications and ensured that the risk of assets can be controlled. Under these policies, the Bank flexibly configured banking wealth management products (which are mainly classified into money market instruments) with lower capital consumption and higher return. The amount of financial investment steadily increased. Counterparty and financial investment channels further broadened.

3. *Assets Management Business*

Steady and continuous development of the financial business. The Bank always adheres to the principle of customer-oriented. Two Series of special wealth management products, “Building up Your Fortune” and “Happy life in the Ba-Yu Region” were launched to enrich the period, flexibility and term of products, thus satisfied diversified demand of investors. Meanwhile, the Bank also continued its compliant operation, strived to transit to net value management, continuously improved its management level and actively prevented various exposures in order to facilitate the compliant and stable development of wealth management business.

Throughout 2017, the Bank issued 2,170 tranches of wealth management products in total with the issue amount of RMB522,782 million, representing a year-on-year growth of RMB34,014 million or 6.96%. As at the end of December 2017, the outstanding balance of wealth management products amounted to RMB144,226 million, representing a decrease of RMB6,158 million or 4.09% over the end of the previous year, mainly due to the inclusion of MPA control in off-balance wealth management products, which restricted the scale of wealth management business.

4. *Investment Banking Business*

In 2017, focusing on the overall target of business transformation and enhancement of efficiency in the industry, the investment banking department utilized its qualification and license to make bold moves in innovation and achieved in-depth development in investment banking business. The Bank issued its credit asset-backed securities for the first time with total amount of RMB1,910 million and participated in the issue of 11 bonds as lead underwriter with issue amount of RMB1,895 million, a significant increase from last year. The Bank also passed the qualification inspection of independent lead underwriter (Type B). We participated in the issue of 108 bonds as underwriter with issue amount of RMB26.83 billion, an increase of 29.18% from last year. We also participated in 27 investment banking business including debt financing plan, wealth management direct financing instrument and investment in non-standard creditor’s assets with total amount of RMB5,631 million. At the same time, we proactively recruited high quality talents with abundant business experiences in investment banking industry. The team will continue to recruit talents and strengthen internal control, which will enhance the professional standard of the investment banking business.

5. *Asset Custodial Business*

As at the end of the reporting period, the asset custodial scale was RMB185,762 million, representing an increase of approximately 3.56% over the end of the previous year. During the Reporting Period, no material custody risk events occurred in the Bank.

IV. Distribution Channels

1. *Physical outlets*

Operating outlets are the primary distribution channels of the Bank. As at 31 December 2017, the Bank had 1,777 branches of various kinds, including one headquarter, five branches, one business department, 37 sub-branches, 52 tier-2 sub-branches, 2 community branch outlets and 1,679 branch outlets, among which Qujing Branch in Yunnan became the first non-local branch of a rural commercial bank in the PRC. The network of sub-branches covers all the 38 administrative districts and counties of Chongqing with 1,462 distribution outlets in the County Area of Chongqing, covering all the blank areas in Chongqing and with 313 outlets in the city's urban area. The Bank ranked first in the number of branches in both County Area and the urban area among its peers.

The Bank will develop its distribution channels strategically through stepping up optimising the layout of outlets and restructuring to improve its service coverage, service capabilities and operational efficiency. In 2017, the Bank has established one branch, reallocated 24 existing branches and refurbished 77 existing branches.

2. *Self-service banking*

In order to expand the scope of customer services and provide customers with more convenient services, as at 31 December 2017, the Bank established 170 24-hour self-service centers and the number of ATMs and self-service inquiry terminals increased to 4,989 units. The proportion of machine to outlet exceeded 2.8:1, among which the number of ATMs put into use increased by 193 units to 4,030 units over the end of the previous year and self-service inquiry terminals put into use amounted to 959 units.

The pace of putting convenient rural financial self-service terminals in use was under reasonable control and the management mechanism was strengthened. As at 31 December 2017, 564 convenient rural financial self-service centers had been established and commenced on-line operation. As such, the Bank extended its financial service coverage whilst bringing convenience and benefits to the people in the rural area. The service won widespread recognition from the local government and the general public, with both social and economic benefits well-received.

3. *Electronic Internet Finance*

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

(1) Mobile banking

The Bank continued to innovate its mobile banking. Based on services and functions for the convenience of the customers including the encrypted SMS authentication for mobile bank card, online bonus point redemption, login pattern password, card-free cash withdrawal, Cloud Loans for Micro Enterprises, school bill payment, payment of cable bill, traffic fines, public rental, ETC top-up, outlet reservation and queuing, online appointment register, etc., the Bank launched various value-added services such as online purchase of car insurance, checking and activation of oil card and roadside assistance, and also enabled the functions of payment through active and passive scanning of UnionPay QR codes and P2P payment, which improved the payment convenience, diversified the payment channels and enhanced the customers' stickiness and satisfaction to mobile banking and payment.

As at 31 December 2017, the number of mobile banking customers of the Bank reached 6,815,800, representing an increase of 1,487,600 new customers, or 27.92%, as compared to the end of the previous year. The aggregate number of financial transactions for the year amounted to 71,633,400, and the amount of transactions was RMB962,659 million.

(2) WeChat banking

The Group launched corporate WeChat banking equipped with bank reconciliation, account enquiry, to-do-list notice, business processing guidance and other functions, which provided corporate customers with convenient business process and effective information access. In addition, the Group launched a new version of Wechat banking with customer-oriented functions, created an innovative "all-around comprehensive service platform integrating financial service and living service" and improved the interactive model of WeChat banking and UI Style, which upgraded the operational and visual experience of customers. As at 31 December 2017, WeChat banking was followed by 496,500 customers, with a total of 14,096.3 thousand messages received.

On 30 March 2017, the Bank's news delivery on WeChat was granted the "Attractive Award" of the third Chinese financial brand "Gold Chestnut Award" organised by China Financial Certification Authority (CFCA).

(3) Internet banking

Corporate internet banking

The Group promoted the direct connection and access between the Bank and the enterprises among the Public Resources Trading Centre in districts/counties and major customers. It also continued to facilitate the direction connection and access between the Bank and major customers such as Chongqing Salt Industry Group and China Power Finance, actively promoted the upgrade of tendering system of Chongqing United Assets and Equity Exchange, and provided support to the direct connection and access between the Bank and the file management system of courts in different districts and counties. By the end of December 2017, there were 16 more customers of direct connection and access between the Bank and the enterprises and the number of customers of the Bank reached 119.

As at 31 December 2017, the number of corporate internet banking customers of the Bank increased by 58.51% over the end of the previous year to 51.2 thousand; 5,480.6 thousand financial transactions have occurred in this year; the amount of transactions was RMB1,164,903 million.

Personal internet banking

The Group has been actively engaged in improving customers' experience. It has strengthened security for E-banking to improve the security in using E-banking. In the meantime, the Bank has been enriching the functions of the products, in order to meet the multi-layered and diversified customers' needs for financial services.

As at 31 December 2017, the number of personal internet banking customers was 2,775.0 thousand, representing an increase of 11.81% over the end of the previous year. 156,170.9 thousand financial transactions have occurred in the year, representing an increase of 82.35% over the same period of the previous year; the amount of transactions occurred in the year was RMB186,266 million, representing an increase of 25.93% over the same period of the previous year.

Online payment

The Group continued to strengthen risk control of online payment business, entered into in-depth cooperation with third party payment service providers and improved the risk control of quick payment. According to the overall requirements of the Central Bank for transition from direct connection model to indirect connection model of quick payment business and based on the actual conditions of the Bank, we connected to the online settlement platform through the rural credit banks settlement system to provide quick payment services such as contract signing, payment, product return and contract termination. Meanwhile, the Bank launched the Wechat cash withdrawal function through the rural credit banks settlement system, which improved the customers' card using experience and benefited the deposit taking business.

Online payment business continued to develop. As at 31 December 2017, there has been 153,150.8 thousand financial transactions in the year which were settled through online payment, representing an increase of 85.07% year-on-year. The transaction amount was RMB59,441 million, representing an increase of 104.03% year-on-year.

(4) Internet finance platform

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

The Group continued to optimize "Jiangyuhui" platform and launched "Jiangyuhui" Version 3.0. From the point of view of user experience, activity display and page layout, it added new channel bit rates, optimized the display of activity and gathered business access, so as to provide an optimal experience. Movie ticket purchasing function was also added to the platform.

As of 31 December 2017, "Jiangyuhui" consumption service platform had 57,600 users. Valid merchants (outlets) reached 58,100 units. Number of transactions in the year reached 1,745.5 thousand, with a transaction amount of RMB30,999.1 thousands.

“Jiangyuer” (江魚兒) internet banking platform

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

As at 31 December 2017, “Jiangyuer” internet banking had 876.9 thousand users with 90.9 thousands transaction and aggregate transaction amount of RMB1,840 million.

(5) Mobile integrated terminal

To optimize business process and increase business efficiency, the Group officially launched the mobile integrated terminal platform 3A services in March 2016 and commenced the construction of the second phase of mobile integrated terminal platform in the first half of the year to add functions such as online risk assessment on wealth management products, withholding contract for intermediate business, “Jiangyuhui” merchant application, purchase of wealth management products, personal consumption loan, mortgage loan and car loan, which expanded the mobile integrated terminal and adequately met the customer demands. The Bank strived to extend the coverage to marketing, access and operation to further expand the scope and improve the ability of customer service of the Bank.

As at 31 December 2017, the number of contracted clients during the year were 338,800, among which 89,200 were contracted debit card users, 130,300 were mobile banking users, 42,900 were personal online banking users, and 76,400 were contracted SMS service users.

(6) Telephone and SMS banking

The service capacity of telephone banking continuously strengthened. The Bank established the telephone banking prediction model to enhance the accuracy of prediction of incoming call data. The Bank also strengthened telephone data monitoring and analysis and improved the site management to enhance the quality of telephone banking services and strengthen the business support. As at 31 December 2017, the Bank has offered services to 9,390.2 thousand customers during the year. The growth of SMS banking is promising. As at 31 December 2017, the accounts of SMS amounted to 10,437.9 thousand, of which contracts signed by high-end customer accounted for 78.25%.

The customer service center participated in the 3rd “Searching for the Best Voice” Business Skills Competition of China Banking Industry, and won the team awards of “Best Business Team” and “Most Stylish Team” and personal awards of “Stylish Star” and “Intelligent Star”.

(7) Marketing Campaign

All-rounded large scale marketing campaigns were successively carried out for electronic internet finance business, including “Money-saving Alliance, New Year Force” (省錢聯盟、新春總動員), “One Dollar for Noodles” (一元吃小面), “One-Dollar Group-buying Car Wash voucher” (一元團購洗車券). Meanwhile, the Bank gradually advertised in newspaper, radio, railway platform, core business district, e-reader of Chongqing Daily and other traditional media. The Bank also adopted innovative promotion methods such as offering “Jiangyuhui” Red Packets to metro passengers through metro wifi, mobile games and other new media platforms to attract working class customers, and utilized the LBS navigation and positioning technology developed by such platform to guide the potential customers to nearby branches of the Bank on a real-time basis. The integration of online and offline promotion improved the customer loyalty, enhanced the popularity of electronic internet finance business brand, facilitated the business development and received good social response.

The electronic internet finance of the Group achieved sustainable and effective development through relentless efforts and bold innovations. As at 31 December 2017, the substitution rate of E-banking account transactions of the Group reached 90.12%, representing an increase of 2.45 percentage points as compared to the end of the previous year.

V. Principal Subsidiaries and Associates

CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as a major promoter. The establishment of village and township banks is of great significance to the performance of social responsibility, broadening and deepening the service to new rural construction, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. As at the end of the Reporting Period, the Bank has established 12 CQRC Village and Township Banks with aggregate capital amounting to RMB3,628 million and the outstanding balance of deposits and loans in aggregate amounting to RMB1,644 million and RMB2,248 million, respectively.

In December 2014, CQRC Financial Leasing Co., Ltd. was incorporated with the registered capital of RMB2,500 million to be mainly engaged in financial leasing related business. The Bank was the major promoter and held 68.00% of its shares.

VI. Information Technology

In 2017, the information technology work of Chongqing Rural Commercial Bank was guided by the principle of “Independent and Controllable, Sustainable Development, and Technological Innovation”, and continuously intensified the supporting role of information technology in the development of banking business. Throughout the year of 2017, each important information system of the Bank was operating stably; no unplanned system interrupt accidents occurred; and the network operation was stable.

Technological governance. In 2017, a total of five working meetings were organized and convened by the IT Strategic Development Committee of the Bank, to consider and approve 32 proposals including the Construction Plan on Information Technology Project for the Year 2017 and the Information Technology Budget for the Year 2017, which effectively performed the decision making function of the IT Strategic Development Committee and understood the direction and strategy of information technology development. The Bank continuously optimized the organizational structure of information technology, and constantly strengthened the functions of the nine secondary departments under the IT Department, revised two information technology systems and operation specifications to continuously perfect information technology control system; continuously introduced the high-level talents through multiple channels such as school recruitment and social recruitment, actively drove the information technology professional rank system, and continuously broadened the career development space for the information technology personnel, and continuously intensified the personnel training mechanism to form the benign technology team construction mechanism; continued the in-depth implementation of the project construction assessment mechanism, standardized the project quality review mechanism, intensified the demand guide and test review and intensified the information technology project life-cycle management.

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

Business continuity management. The Bank paid high attention to the business continuity management, and continuously optimized and perfected the contingency plan for the business continuity. The Bank fully played the supporting role of the Bank's "three centers in two areas" on business development, which comprehensively met the needs of supporting the high availability of information system and business continuity of the Bank. During the year, the Bank changed the routers of 41 branches and over 1,700 outlets, which comprehensively improved the network performance and stability of all outlets of the Bank. In 2017, the Bank actively carried emergency drill, continued to improve the ability of emergency organizations and response efficiency, implemented emergency drills including the drill of power supply and fire system emergency in data center, drill of core business system switch, the drill of network switch in the data center, achieving a continuous improvement of the contingency plans, and fully proving the effectiveness of contingency plans. The Bank continued to facilitate the construction of a new data center in Yu Zui in strict accordance with the green and smart standards, which will apply emerging technologies such as virtualisation, modularization and low-energy consumption, and strived to complete the construction and put into operation in 2018.

Information system construction. In 2017, the Bank completed the establishment of the new generation of core system based on open platform and put it into operation. The system applied "product-oriented" system and "customer-oriented" customer management approach with fully independent and controllable intellectual properties. The bank has applied for 3 national invention patents, all of which are in the process of public consultation. The overall structure level of such system was ahead of other similar financial institutions in China. In 2017, the Bank completed 21 projects including transformation of type II and type III accounts defined by the Central Bank, transformation of credit check for credit loan, real assets management system, position management system, credit card database, risk database, risk weighted RWA project, management accounting project and seal management system, which contributed to the stable improvement of business operation and management of the Bank.

Technological innovation research. The Bank actively participated in and commenced research of the financial technology innovation projects hosted by the Central Bank, CBRC and other regulatory authorities, of which, the “Research on the Development of Monitoring System for the Security of E-Banking and Mobile Payment of Commercial Banks” won the third prize of 2016 Banking Industry Technology Development Award issued by the Central Bank; and the “Design and Implementation of Open-architecture Core System on the basis of Independent and Controllable Technology of Regional Banks” won the Achievement Award of 2017 Risk Management Research Category-4 by CBRC. The Bank also actively facilitated the application and protection of the proprietary intellectual property of the new generation of core system. In particular, the application for invention patents of “Core banking System Based on Open Architecture that Enabled Transaction and Accounting Separation”, “Data Processing Method for Core Banking System” and “Core Banking System and Method of Data Exchange Between New and Old Core Systems” were accepted and announced by the State Intellectual Property Office.

VII. Employees and Human Resources Management

1. Basic Information on Employees

As at 31 December 2017, the Bank had 15,892 regular employees, 11,145 of whom held Bachelor’s degrees or above, representing 70.13% of all the Bank’s regular employees. In addition, the Bank had 512 dispatch workers, 885 internally retired employees and 5,622 retired employees.

2. Overview of Human Resources Management

In 2017, the Bank actively explored new ideas in strategic planning, open selection, systematic cultivation and scientific management of human resources, which led to continuous optimization of staff structure, significant improvement of team vitality and continuous enhancement of talent efficiency.

Optimizing the team structure. The Bank facilitated the branch-level system reform, increased the efforts in selection and cultivation of young talents, and established and promoted the talent selection guideline of “focusing on performance, contribution and ability”. The Bank also increased its efforts in requirement estimation to continuously enhance the accuracy of talent selection, and explored to establish a mechanism for reasonable allocation of human resources to front end marketing sector, thereby facilitating the optimization of staff structure.

Optimizing the organizational structure. Based on the “three transformation” strategy with emphasis on transformational development, the Bank accelerated the adjustment to organizational structure and formed a management structure integrated with head office of corporate banking, micro-enterprise finance business line, head office of retail banking, risk control department, general management department, supporting department and holding organization.

Optimizing the cultivation system. The Bank further facilitated the construction of talent pool for reserve talent, professional talent, overseas experts and management trainees. The Bank also launched the M-learning project, established a multilayer training system of “online + offline” and “headquarter + business lines + branches”, and offered 1,834 offline training courses to 110,000 people.

FINANCIAL BUSINESS IN COUNTY AREA

County Area is the main place where the Group carries out Sannong Financial Services. The banking business in County Area has been a long-term strategic focus, and also one of the Group's major sources of revenue. The Group provides diversified financial services for customers in County Area through four branches, 29 sub-branches, 34 secondary sub-branches and their 1,395 distribution outlets, two community branch outlets as well as 12 village and township banks located in County Area. During the Reporting Period, the Group took advantage of interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, proactively innovated products, and kept on increasing the standard of financial services in County Area, all of which have led to the comparatively rapid growth of financial services in County Area.

As at 31 December 2017, the loan balance of the financial business⁽¹⁾ of the Group in County Area amounted to RMB151,140 million, representing an increase of RMB9,997 million, or 7.08%, over the end of the previous year. In particular, the corporate loan balance of the financial business in County Area amounted to RMB66,121 million which accounted for 29.41% of the corporate loan balance of the Group, representing a decrease of RMB1,770 million, or 2.61%, over the end of the previous year. The personal loan balance of the financial business in the County Area amounted to RMB85,019 million, representing an increase of RMB11,767 million, or 16.06%, over the end of the previous year, accounting for 74.87% of the personal loan balance of the Group. The deposits balance in County Area amounted to RMB388,101 million, representing an increase of RMB38,116 million, or 10.89%, over the end of the previous year.

In adherence to the new development concepts, the focus of financial services was determined with an emphasis on propelling the agricultural supply-side structural reform. Sannong financial services were coordinated based on the general keytone of making progress while maintaining stability. Based on the new industries, new business normal and new dominance in County Area, channelling of financial resources was propelled to enhance the efficiency of the Bank's Sannong financial services. As of 31 December 2017, the outstanding balance of agricultural loans⁽²⁾ of the Group amounted to RMB148,003 million.

Notes:

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

I. Reform and Innovation

1. *Management Reinforcement*

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

2. *Strengthening Incentives*

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

3. *Innovation-driven*

With a focus on the improving inclusive financial services, the Bank organised innovation contest to encourage its branches to innovate financial service products or service models to meet the customer demands in rural area based on the local conditions. During the Reporting Period, the Bank launched the innovative “Sannong Incremental Loan” business and credit loan proposal for financial targeted poverty alleviation, which facilitated the implementation of “Sannong” financial service and targeted poverty alleviation. The Bank also revised existing measures and operating procedures of “Sannong” credit loan based on new situations, new changes and new characteristics of rural area, so as to promote the integration of products and markets.

II. Corporate Banking Business in County Area

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

III. Personal Banking Business in County Area

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

As the only bank in Chongqing offering the type of pension insurance services in rural and urban areas, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11.16 million people. Departments of finance and social insurance of the city and district/county have opened social insurance accounts with the Bank, with a capital balance of RMB11,626 million as at 31 December 2017. In 2017, the number of individual pensions withheld by the Bank amounted to 5,273,200, totaling RMB1,279 million; the number of individual pensions paid by the Bank as an agent amounted to 44,789,200, totaling RMB5,135 million. These services provided the Bank with an extensive customer base and helped stabilize the customer resources and facilitate the development of the Bank's businesses.

Management Discussion and Analysis

The Bank made greater efforts in the construction of electronic channels in County Area and vigorously marketed the Jiangyu Card (江渝卡), the Jiangyu Xiangqing Card (江渝乡情卡), the Farmer's Fortune Card (福农卡), credit card, personal internet banking and mobile banking. As at 31 December 2017, the Bank operated 2,818 ATMs, 774 multi-media enquiry machines in County Area and established and operated 564 convenient rural financial self-service centres. The number of debit cards and credit cards issued by the Bank in County Area also decreased by 225.8 thousand and increased by 79.8 thousand over the end of the previous year, respectively, to 14,093.7 thousand and 433.4 thousand, respectively, which accounted for 77.71% of the debit cards issued by the Bank and 76.76% of the credit cards issued by the Bank, respectively. 1,928.6 thousand customers in County Area opened for personal internet banking service, accounting for 69.50% of the number of customers opening for personal internet banking service of the Bank and representing an increase in 212.2 thousand customers over the end of the previous year. 5,452.1 thousand customers in County Area opened for mobile phone banking service, accounting for 79.99% of the number of customers opening for mobile phone banking service of the Bank and representing an increase of 1,184.7 thousand customers over the end of the previous year. With the gradual enhancement in electronic equipment, the increase in the number of cards and the promotion and marketing on E-banking products, the Bank is well poised to keep expanding its customer base in County Area, increase the penetration of banking business in County Area, and build good business relationship with customers.

IV. Summary of Information on Geographical Segments

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2017			2016		
	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	4,074.3	17,426.4	21,500.7	3,793.3	15,611.4	19,404.7
Net fee and commission income	1,064.6	1,231.0	2,295.6	1,046.3	1,072.1	2,118.4
Net trading gain	–	(36.8)	(36.8)	–	(15.6)	(15.6)
Other operating (losses)/ income, net	76.3	134.2	210.5	73.4	80.8	154.2
Total operating income	5,215.2	18,754.8	23,970.0	4,913.0	16,748.7	21,661.7
Internal transfer of income and expense	6,191.7	(6,191.7)	–	5,715.9	(5,715.9)	–
Gain after adjustment	11,406.9	12,563.1	23,970.0	10,628.9	11,032.8	21,661.7

For the year ended 31 December 2017, the gain of County Area segment after adjustment was RMB11,407 million, which was mainly attributable to the growth in the net interest income, net fee and commission income.

RISK MANAGEMENT

In 2017, guided by the New Basel Capital Accord and the comprehensive risk management guidelines of CBRC, the Group continued to improve relevant risk management policies and systems, established the risk appetite and risk limit systems, facilitated the in-depth application of risk management technologies, carried out comprehensive self-inspection and examination of risks, and proactively identified, prevented and controlled different risks. During the Reporting Period, the Group maintained sufficient capital with adequate liquidity and stable asset quality, and effectively implemented internal control and risk management that matched the development of the Bank.

I. Credit Risk Management

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

Confronted with the macro-economic and financial environment in 2017, the Group earnestly implemented the macro-economic control policy of the country, and continued to improve the credit risk management system based on the “Three Transformation” strategy and the philosophy of “focusing on the basis, strengthening the management, adjusting the structure, controlling risks, making innovations and steady development”. The Bank facilitated the reform and innovation in a practical manner, implemented a differentiated authorization mechanism for credit granting, made timely adjustment to the credit policy based on the change in macro environment and adjustment of industrial structure, formulated the annual credit granting guidelines, and continued to improve the industry structure. It also strengthened the risk management and control of local debts, real estate sector, industries with high pollution, high energy consumption and excess capacity and other key sectors, and adopted list-based management in respect of customers with high risk and continuously monitored the risk profile. The Bank continued to implement the team system for post loan management and interactive management of large-scale problematic loans. It also increased its efforts in proactive risk inspection, identification and mitigation as well as termination of loan to customers with potential risks. The Bank strengthened the management of loan interest settlement and the clearing, disposal and write off of non-performing loans. It also continued to improve the functions and scope of application of the credit business management system, thereby further enhancing the ability in credit risk management and control.

II. Liquidity Risk Management

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

Management Discussion and Analysis

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

In 2017, the Group insisted on the business ideology of prudence and compliance, continued to improve its asset and liability structure, carried out liquidity indices management with foresight, deployed in advance and adjusted dynamically the liquidity management strategies, facilitating various indices of liquidity risk management to be met. It continued to carry out effective liquidity risk limit management, and improved the planning and coordination of businesses of the relevant lines. It facilitated the comprehensive application of liquidity risk management system, and facilitated the implementation of refined management.

The Group ensured the payment through continuous monitoring and management of the position of the Bank. The Group strengthened liquidity monitoring and forecast to improve the management level of internal fund allocation under the system with the combination of the application of the FTP, a system for internal fund transfer pricing. The Group carried out liquidity pressure tests regularly to examine the ability of the Group to withstand risks under extreme pressure. The results showed that the management of liquidity risks under pressure, though more difficult, was controllable.

Liquidity Risk Analysis

In 2017, in response to the expected tightening of market liquidity due to the continuous introduction of tighter regulation and de-leveraging policies, stricter MPA assessment and interest rate hike and balance sheet shrinkage by the FED, the Central Bank implemented stable and neutral monetary policies, mitigated the liquidity fluctuation by “balancing the peak and valley”, made orderly adjustment to the efforts of open market operation, thereby maintaining a tight balance of overall liquidity in interbank market. The Group strictly complied with the liquidity quota management mechanism and maintained a satisfactory liquidity. As at the end of 2017, all the key indicators reflecting the liquidity status of the Group met the supervision requirements.

Management Discussion and Analysis

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. At the end of December 2017, the liquidity gap analysis of the Group is as follows:

Undiscounted contractual cash flows categorised by contractual maturities:

(Expressed in RMB million, unless otherwise stated)	31 December 2017							Total
	Past due/Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Net position of assets and liabilities	<u>88,102.1</u>	<u>(236,329.2)</u>	<u>27,649.1</u>	<u>(41,204.0)</u>	<u>2,385.5</u>	<u>173,274.1</u>	<u>145,659.9</u>	<u>159,537.6</u>

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

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

The Group’s liquidity coverage ratio:

(Expressed in RMB million, unless otherwise stated)	31 December 2017
Qualified and high-quality current assets	49,716.71
Net cash outflows in future 30 days	27,614.20
Liquidity coverage(%)	<u>180.04</u>

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

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

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

III. Market Risk Management

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

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

(1) Interest Rate Risk

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

In 2017, the liquidity in interbank RMB market maintained a tight balance; interest rate in money market remained stable after significant hike; the yield of bonds hit its three-year high at the fourth quarter after three rounds of drop, and the increase in the short end of yield curve was higher than that of the long end; in interest rate swap market, the short end of the swap interest rate presented an overall upward trend, and the long end of the swap interest rate fluctuated at high level with a range narrower than the spot trading. In response to the complex market situation, the Group kept a close eye on the changes in macro monetary policy and domestic and foreign financial markets. By applying the FTP internal fund transfer pricing system properly, the Group further improved the management of interest rate pricing, duly adjusted the pricing of funds and effectively controlled the fall of interest rates for loans and interest costs for deposits with a view to improving the proactiveness of risk management and ensuring the sustained growth in the revenue and market value of the Group.

Management Discussion and Analysis

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

(Expressed in RMB million)	As at 31 December 2017						Non-interest bearing	Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years			
Interest rate gap	<u>77,863.5</u>	<u>(40,748.5)</u>	<u>(45,916.1)</u>	<u>48,437.2</u>	<u>19,271.0</u>	<u>3,799.5</u>	<u>62,706.6</u>	

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

As at the end of December 2017, the Group's accumulated gaps of interest rate for all maturities amounted to RMB62,707 million, representing an increase of RMB11,039 million over the end of the previous year.

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

Interest rate sensitivity analysis

Change in basis points	RMB million			
	The Group As at 31 December 2017		The Group As at 31 December 2016	
	Changes in net profit	Changes in other comprehensive income	Changes in net profit	Changes in other comprehensive income
Increase in 100 basis points	<u>1,821.2</u>	<u>135.8</u>	1,765.3	63.6
Decrease in 100 basis points	<u>(1,821.2)</u>	<u>(135.8)</u>	<u>(1,765.3)</u>	<u>(63.6)</u>

Note: The impact to yield curves movement on interest expenses related to demand deposits has been excluded. Please refer to "Notes to the Consolidated Financial Statements: 52. Financial Risk Management. (5) Market Risk. Interest Rate Risk".

Management Discussion and Analysis

(II) Exchange Rate Risk

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

In 2017, the RMB currency basket exchange rate remained stable, the RMB to USD exchange rate increased significantly, the introduction of "counter-cyclical factor" in the RMB central parity rate delivered outstanding effect, trading volume in foreign exchange market registered steady growth, and the product structure continue to improve. The Group strengthened its management capability of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilisation of foreign exchange capital reasonably. It also actively explored the usage of financial instruments for exchange rate to hedge against exchange rate risk.

As at the end of December 2017, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

(Expressed in RMB million)	As at 31 December 2017				
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	Total
	Net position	<u>62,119.9</u>	<u>476.3</u>	<u>69.8</u>	<u>40.6</u>

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

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

Exchange rate sensitivity analysis

	<i>RMB million</i>	
	As at 31 December 2017 Changes in net profit	As at 31 December 2016 Changes in net profit
Exchange rate change		
5% appreciation	17.9	13.6
5% depreciation	<u>(17.9)</u>	<u>(13.6)</u>

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

IV. Operational Risk Management

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

In 2017, the Group strengthened the internal control and management in the comprehensive risk management system according to the New Basle Capital Accord, implemented effective control measures in the important risk areas and continuously enhanced the overall prevention and control over operational risks. Firstly, the Group reiterated the risk bottom line and specified forbidden areas, strengthened the staff awareness of preventing and mitigating risks through establishing the long-term examination mechanism of criminal risk prevention and control, and continuing the employee's behavior management and other activities, at the same time, closely focused on the macroscopic economy environment change and internal business innovation dynamic, organized special investigation of accounting business, counter operation and other business, summarized the risks in the process of the development of the business and prevented and defused the risks in a timely manner. Secondly, the Group established a comprehensive operating risk management system. The Group formulated the key operational risks monitoring indicators for the Bank and monitored key operational risks on a regular basis. Meanwhile, information system was utilized to monitor operational risks in certain business, which enabled accurate identification, notification and control of suspicious transactions through the design and application of risk warning model, thereby significantly enhancing the efficiency of operational risks management and control. Thirdly, the system of business continuity management was increasingly improved. Through orderly and organized implementation of drill plans of the Bank, formulation and review of different proposals, post-assessment of proposals after the drill, drill of actual switch of core systems and self assessment of business continuity management of the Bank, the Bank ensured the operation stability of its key business, which evidenced the continuous optimization and improvement of the emergency response and handling mechanism and the business continuity management system. Fourthly, it facilitated the risk management of information technology, designed and developed the information technology risk monitoring indicator system, prepared regular monitoring and analysis report, established rules and standards for information technology risk management, strengthened the management and control of information security, conducted overall assessment on information technology risk, identified major risks and sorted out the corresponding control measures. Fifthly, it has constantly improved the active control ability of operational risk of internal departments, constantly carried out identification, monitoring and early warning of operational risk and organized self-assessment and appraisal of related performance. Sixthly, it deepened the consumer rights protection, actively protected the legitimate rights of its customers, and collaborated with other institutions to fight against the infringement of consumer rights. Seventhly, it has adhered to the mechanism of expert review and post-evaluation system, ensured compliance, applicability and operability of the internal control systems and secured the highly efficient and stable implementation of operational risk management activities.

V. Implementation of New Basle Capital Accord

The Group further promoted the establishment of new capital accord in accordance with the requirements of regulatory authorities. The Group completed the annual update on the internal rating of non-retailing sector, continued to control the internal rating and promoted the application of internal rating. The implementation of limited amount for single account based on non-retailing internal rating provided quantitative tool for credit facility approval. The internal rating analysis report was prepared to provide comprehensive quantitative analysis on the Group's credit risk through the analysis on the distribution and change of ratings from different perspectives such as industries, regions, institutions and products. The Group initially applied the retailing rating card in credit facility approval and post-loan management and control to gradually implement the combined management of retail business. The credit risk pressure test model was established based on internal rating to continuously enhance the accuracy of pressure test. It also facilitated the construction of risk database to provide an integrated data platform for the subsequently risk statistical analysis and various risk applications, and set the data standards. The risk-weighted assets (RWA) system was launched to enable an automated measurement of RWA and the function of capital planning and RWA planning and management, thereby providing an effective tool for enhancing the capital management ability of the Group.

VI. Anti-money Laundering

Anti-money laundering work of the Bank was intensively central to the key business of the Bank. Based on the "Three Transformation" strategy, the regulatory requirements of "due diligence, practicality and high efficiency", the "risk-oriented" principle, the "Order No. 3" and the anti-money laundering categorization of the Central Bank, the Bank continued to improve the internal control system, increased the efforts in establishment of anti-money laundering system and anti-money laundering team, strengthened the anti-money laundering promotion and training, strictly performed the anti-money laundering responsibility and obligation, strived to improve the compliance management and risk management and control in respect of anti-money laundering, and effectively prevented and fought against the money laundering activities. During the Reporting Period, the Bank appointed a chief anti-money laundering officer from the management members, formulated and amended the Measures on Assessment and Management of Product (Business) Money Laundering and the Measures on Reporting and Management of Large Amount Transactions and Suspicious Transactions, strengthened the core system optimization, fully facilitated the implementation of Order No. 3 issued by the Central Bank, issued 30-day prior notice to customers with suspicious identity information, and took systematic constraint measures to stop providing counter and non-counter services to customers who failed to provide fully compliant information. It also included money laundering risk in the comprehensive risk control, established the anti-money laundering center, submitted special quarterly report on anti-money laundering work to regulatory authorities, convened four joint task meetings on anti-money laundering work, conducted money laundering risk assessment on 170 products (business), increased its efforts in inspection of branches, sub-branches and village and township banks, carried out special inspection on anti-money laundering works including report of large amount and suspicious transactions, customer risk rating and customer information rectification, strengthened the account opening management and measures on subsequent control of suspicious transactions, rejected 83 account opening applications, conducted subsequent control of 244 accounts, submitted 24 reports of major suspicious transactions, issued ten Risk Notices and ten working contact lists, submitted 22 working status reports, carried out over 40 activities for anti-money laundering promotion, delivered 14,340 anti-money laundering promotion leaflets, offered seven anti-money laundering training sessions to new staff, branches, sub-branches and village and township banks, and organized 8,538 staff of the Bank to participate in different on-site and distant learning and training programs, which effectively enhanced the Bank's anti-money laundering efficiency and facilitated the implementation of anti-money laundering internal control system.

INTERNAL AUDIT

The Group has established a sound internal audit system according to the Articles of Association. The Board of Directors is responsible for establishing, improving and maintaining a sound and effective internal audit system, ensuring that internal audit has sufficient independence. The Bank has an Audit Committee under the Board of Directors. The internal audit department is accountable to the Board of Directors and the Audit Committee, and reports the audit work to the Board of Directors, Board of Supervisors and senior management. The headquarter, branches and sub-branches of the Bank have set up their respective internal audit departments. The internal audit departments of branches and sub-branches are operated under a “dual leadership” and “two-way report” system. CQRC Financial Leasing Co., Ltd. and the Bank’s controlled village and township banks have set up their respective internal audit departments or assigned designated staff responsible for internal audit. Through inspection and evaluation, the internal audit department continued to improve risk management, internal controls and corporate governance, so as to facilitate the achievement of corporate goals.

During the Reporting Period, the internal audit department carried out in-depth implementation of the “Three Transformation” strategy with focus on facilitating the transformation and upgrade of the Bank. It adhered to the risk-oriented, issue focused and value-added approaches, carried out self-inspection on rectification of “Three Kinds of Violation”, “Three Types of Arbitrage”, “Four Types of Improper Behavior” and other market misconduct, investigation into criminal risks, internal control assessment, comprehensive audit and economic responsibility audit as well as specific audit investigation on wealth management business, consumer rights protection, information security and business continuity. The department adopted the five-grade auditing system to strengthen the control of audit process and enhance the quality and efficiency of audit projects. It also optimized and improved the audit information system to enhance the informatisation level of audit, and facilitated the professional development of auditors to improve their competence. As such, the Group’s internal control was improved effectively, the regulation bottom line of “No Systematic and Regional Risk” was kept, the “Zero Crime” objective was achieved and steady and sustainable development of respective business was facilitated.

OUTLOOK

In 2017, the trend of recovery of the world economy continued with substantially increased economic growth and overall mild inflation. The economic recovery of the US was strong. The economy of the Eurozone continued to improve. The overall economy of the UK was stable with increased inflation pressure. The economic recovery of Japan was mild. The overall growth of emerging economies was faster while still facing the pressure of adjustment and conversion. Looking to 2018, the outlook of the global economy will improve while still being exposed to the risks of changes in trading policies, sudden deterioration of the global financial environment, rising tension of geographical politics etc. In addition, the global economy faces challenges on a more long-term level, but the improvement of macroeconomic situations provided opportunities of establishing policies to handle the challenge.

In 2018, China's economy will enter the stage of high quality development. The inventory turnover will turn toward passive restocking stage, while the equipment investment cycle has yet to be activated and the real estate cycle and population cycle are at the downward stage. The economy has basically left the period of rapid growth and will be converted to the stage of high quality development. The drivers of economic growth will come from mainly the solution of disequilibrium of supply and demand in the new generation of "imbalance and inadequacy". There are favourable basic conditions for the economy to turn toward the stage of high quality development. It is expected that the economy in 2018 will remain progressing under stable conditions. "Stable" refers to the lack of significant downfall from economic growth, while "progress" refers to the continuous improvement of the economic structure.

Judging from the local economy, the economic growth of Chongqing slowed down in 2017, indicating the conversion of economic structure and upgrade of industrial structure, providing good foundation for the economy to turn toward the stage of high quality development. In 2018, Chongqing will work as an important strategic support point of Western Development to its fullest, and take advantage of the special geographical merits of the linkage between "One Belt and One Road" and the Yangtze River Economic Belt, commit to the betterment of the "inland open highland" and "land of spectacular scenery", provide unique and crucial functions amid national regional development and opening to the outside. Chongqing will fully integrate into the development of "One Belt and One Road" and the Yangtze River Economic Belt, build inland open highland at high starting points, providing more development bonus and opportunities for regional economic development.

In 2018, the Bank will continue to implement the "Three Transformation" strategy consistently, insist on promoting reform and innovation as well as conversion and upgrade, strengthen the innovation of economic technology, speed up the promotion of conversion and upgrade; communicate significant strategic landing, increase the dynamic of interactive marketing; explore and small and micro retail market, deliver and perform quality products and services; raise the level of fine management, organise and promote the efficiency enhancement of cost reduction; insist on stable asset quality, prevent various risks effectively; create better greater benefits for Shareholders and society.

Corporate Social Responsibility

In 2017, the Bank firmly adhered to its mission of “Excellent Services to Customers, Maximum Returns to Shareholders, Real Success for Our People, Great Contribution to Community”, implemented the “Three Transformation” strategy, closely followed tides of reform, accelerated the transformation and upgrade of industries, and pushed forward the supply-side reform thoroughly. We stayed true to our core values, kept our mission in mind, took economic responsibilities, environmental responsibilities and social responsibilities proactively in order to contribute to the construction of the “Chinese Dream”.

Promoting Economic Development to Help Enrich the People and Revitalize Chongqing. The Bank delineated its economic responsibilities, closely coordinate major national and regional strategies, blended actively in the construction of “One Belt and One Road” and the development of the Yangtze River Economic Belt, conducted in-depth work in real economy, improved the service quality of small and micro enterprises, innovated personalized financial services, supported the innovation development of scientific and technological enterprises, enhanced support for emerging industries, improved channels of electronic transaction, strengthened precision poverty alleviation and credit support for agriculture, satisfied relevant requirements of the “Sannong” policy, took the lead proactively in planning strategies for serving and revitalising rural areas, continued to regard public welfare sectors including hospital, school and utilities as the key areas of credit extension, serving and guaranteeing people’s livelihood.

Taking Environmental Responsibilities and Promoting Green Development. In answer to the national call of energy conservation and emission reduction, the Bank formulated the strategy for green development, implemented green business philosophy, promoted the sustainable development of economy and environment practically, applied the concept of energy conservation and emission reduction to the daily operation of enterprises, greatly supported the industry of energy conservation and environmental protection, conduct projects of green credit, green consumption and green service more comprehensively, participated in green public welfare career and built a solid economy of green, low-carbon and recycling development.

Fulfilling Social Responsibilities to Realize Harmony and a Win-Win Situation. We strengthened the building of employee team, offered a variety of training opportunities, paid attention to young talent pool and created the harmonious corporate culture; fully understood customers’ needs, provided customers with quality services and maintain fine relationship with customers; carried out social service work, implemented inclusive finance; proactively participated in charitable activities, established a good social image of the company and contributed to the development of social harmony.

Proactively Taking Economic Responsibilities, Environmental Responsibilities and Social Responsibilities, Organically Integrating between Own Development and Social Development, and Being a Responsible and Reliable Commercial Bank to Contribute more to the Regional Economic Development. In 2018, opportunities and challenges co-exist. We will continue to take “being a commercial bank boasting good value creativity” as the good vision. We will implement core values of the enterprises of “integrity, collaboration, innovation, development”, seize the opportunities, respond to the challenges, do solid work, promote the synergistic growth between economic benefits, environmental benefits and social benefits and achieve the joint sustainable development of all stakeholders.

Changes in Share Capital and Particulars of Shareholders

MOVEMENT IN SHARES

Unit: share, %

	31 December 2016		Increase/(Decrease) +/- during the reporting period					31 December 2017		
	Number of shares	Percentage	Private placement	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
(I) Shares not subject to trading restrictions										
1. Non-overseas listed shares held by legal persons ⁽¹⁾	5,225,048,559	56.18	700,000,000					700,000,000	5,925,048,559	59.25
Including: ① Shares held by state-owned legal person shareholders ⁽²⁾⁽³⁾⁽⁴⁾	2,109,362,459	22.68	700,000,000				2,500,000	702,500,000	2,811,862,459	28.12
② Shares held by private legal person shareholders	3,115,686,100	33.50					(2,500,000)	(2,500,000)	3,113,186,100	31.13
2. Non-overseas listed shares held by natural persons	1,561,615,400	16.79					-	-	1,561,615,400	15.61
Including: ① Shares held by employee natural persons	151,953,910	1.63					419,600	419,600	152,373,510	1.52
② Shares held by natural persons other than employees	1,408,547,305	15.15					(385,530)	(385,530)	1,408,161,775	14.08
③ Shares held by shareholders without affirmed ownership ⁽⁵⁾	1,114,185	0.01					(34,070)	(34,070)	1,080,115	0.01
3. Overseas listed foreign shares	2,513,336,041	27.03					-	-	2,513,336,041	25.13
II. Total number of shares	9,300,000,000	100.00	700,000,000						10,000,000,000	100.00

Notes:

- As at the end of the reporting period, the Bank has 79,913 holders of non-overseas listed shares and 1,420 registered shareholders of H shares.
- Shareholding of state-owned legal person refers to non-overseas listed shares of the Bank held by 14 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司).
- During the reporting period, Chongqing Liangjiang Holiday Hotel Management Co., Ltd., a state-owned legal person shareholder, was granted 2,500,000 non-overseas listed shares held by legal person shareholder of the Bank, which was originally private owned. The number of legal person shareholders of the Bank increased to 14.

Changes in Share Capital and Particulars of Shareholders

4. During the reporting period, the Bank issued a total of 700,000,000 shares to Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) through directional additional issuance.
5. Shareholders without affirmed ownership refer to untraceable shareholders of the Bank. Share interests held by them are shares of the former rural credit cooperatives, and they have not affirmed their ownership in the shares of the Bank. (Note: During the reporting period, 34,070 shares held at the time of the former rural credit cooperatives have their ownership affirmed in the shares of the Bank, whereby leaving 1,080,115 shares held by shareholders without affirmed ownership).

PARTICULARS OF ISSUE, PURCHASE, SALE AND REPURCHASE OF SECURITIES

During the reporting period, the Bank issued 700,000,000 domestic shares through private directional additional issuance of domestic shares to replenish core tier 1 capital. In which, Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) subscribed for 368,695,582 shares, Chongqing City Construction Investment (Group) Company Limited (重慶城市建築投資(集團)有限公司) subscribed for 165,652,209 shares and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) subscribed for 165,652,209 shares of RMB5.75 per share. After the completion of the issuance, the registered capital of the Bank increased from RMB9.3 billion to RMB10 billion.

In addition, neither the Bank nor its subsidiaries had issued, purchased, sold or repurchased any securities of the Bank during the reporting period.

PARTICULARS OF SHAREHOLDINGS

At the end of the reporting period, the Bank had a total of 10,000,000,000 shares, comprising 7,486,663,959 non-overseas listed shares and 2,513,336,041 overseas listed H shares.

Changes in Share Capital and Particulars of Shareholders

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

Unit: Share, %

No.	Name of Shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage	Numbers of shares pledged	Type of share
01	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	State-owned	998,000,000	9.98	–	Non-overseas listed shares
02	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	State-owned	787,087,430	7.87	–	Non-overseas listed shares
03	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	State-owned	589,084,181	5.89	–	Non-overseas listed shares
04	Loncin Holding Co., Ltd (隆鑫控股有限公司)	Private enterprise	570,000,000	5.70	470,000,000	Non-overseas listed shares
05	CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司)	Private enterprise	443,100,000	4.43	221,500,000	Non-overseas listed shares
06	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Private enterprise	300,000,000	3.00	149,900,000	Non-overseas listed shares
07	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Private enterprise	200,000,000	2.00	–	Non-overseas listed shares
08	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Private enterprise	150,000,000	1.50	120,000,000	Non-overseas listed shares
09	Jiangsu Huaxi Group Corporation (江蘇華西集團公司)	Private enterprise	150,000,000	1.50	120,000,000	Non-overseas listed shares
10	Chongqing Water Group Co., Ltd (重慶水務集團股份有限公司)	State-owned	125,000,000	1.25	–	Non-overseas listed shares
Total			4,312,271,611	43.12	1,081,400,000	

Notes:

- As at 31 December 2017, the aforesaid shareholding percentage of non-overseas listed shares is based on the total share capital of the Bank of 10,000,000,000 shares.
- During the reporting period, 65,600,000 shares of the non-overseas listed shares of the Bank are pledged and involved in judicial freezing, representing 0.656% of the total share capital of the Bank, among which, 9,600,000 shares are involved in judicial auctions, representing 0.096% of the total share capital of the Bank.

Changes in Share Capital and Particulars of Shareholders

Substantial Interests and Short Positions

As of 31 December 2017, to the knowledge of the Bank, the interests and short positions of substantial shareholders other than directors and supervisors (within the meaning of the Securities and Futures Ordinance) in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance of Hong Kong were as follows:

Domestic Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	998,000,000	13.33	9.98
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	787,087,430	10.51	7.87
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Beneficial Owner	589,084,181	7.87	5.89
Loncin Holding Co., Ltd (隆鑫控股有限公司)	Beneficial Owner	570,000,000	7.61	5.70
CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司)	Beneficial Owner	443,100,000	5.92	4.43
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Beneficial Owner	300,000,000	4.01	3.00
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Beneficial Owner	200,000,000	2.67	2.00
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Beneficial Owner	150,000,000	2.00	1.50

Changes in Share Capital and Particulars of Shareholders

H Shares

Name of shareholder	Capacity	Number of H shares held	Unit: share, %	
			% of the total issued H share capital of the Bank	% of the total share capital of the Bank
BlackRock, Inc. ⁽¹⁾	Interest of Controlled corporations	338,396,269(L)	13.46	3.38
BlackRock Global Funds	Beneficial Owner	168,390,000(L)	6.70	1.68
JPMorgan Chase & Co. ⁽²⁾	Beneficial Owner/ Investment Manager/Approved Lending Agent	126,730,657(L)	5.04	1.27
	Beneficial Owner	2,036,000(S)	0.08	0.02
	Approved Lending Agent	66,722,316(P)	2.65	0.67

Notes: (L) – Long position, (S) – Short position, (P) Lending pool

⁽¹⁾ BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2, Inc. and BlackRock Holdco 2, Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. In accordance with the Securities and Futures Ordinance of Hong Kong, BlackRock, Inc. and BlackRock Holdco 2, Inc. are deemed to have interests in the Bank held by BlackRock Financial Management, Inc. and its controlled subsidiaries. BlackRock, Inc. had a long position in 338,396,269 H shares of the Company through BlackRock Financial Management, Inc. and other corporations controlled by it. The long position in 1,068,000 of 338,396,269 H shares involved derivatives.

⁽²⁾ The long position in 630,000 H shares and short position in 1,536,000 H shares involved derivatives.

MAJOR SHAREHOLDERS OF THE BANK

As at the end of the reporting period, Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) and Loncin Holding Co., Ltd (隆鑫控股有限公司) held 998,000,000 shares, 787,087,430 shares, 589,084,181 shares and 570,000,000 shares of the Bank, respectively, representing 9.98%, 7.87%, 5.89% and 5.70% of total share capital of the Bank respectively, and are major shareholders of the Bank.

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

Changes in Share Capital and Particulars of Shareholders

As of the end of the reporting period, CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司), Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司), Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司) and Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) may appoint directors and supervisors of the Bank, and hold 443,100,000 shares, 300,000,000 shares, 200,000,000 shares and 150,000,000 shares of the Bank, respectively, representing 4.43%, 3.0%, 2.0% and 1.50% of total share capital of the Bank respectively, and are also major shareholders of the Bank.

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

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

Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) (formerly known as “Chongqing High-grade Highway Construction and Investment Co., Ltd.” (重慶高等級公路建設投資有限公司)), which was established on 6 December 2002, is a large solely state-owned enterprise established with the fund from Chongqing Municipal Government. Under the approval of the Administration for Industry and Commerce of Chongqing, it was renamed as its current name in September 2006, and is engaged in the construction of secondary roads in Chongqing and the development and management of tourism resources in Chongqing. It currently has a registered capital of RMB2,462,917,353.

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

CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司) was established in 1997 and currently has a registered capital of RMB1,116 million. It is a platform group company for investment in various relative industries. Its major investment sectors include investment and operation of infrastructure construction, environmental protection, real estate, finance, assets management, culture and tourism industry. It won a series of awards including “Top 100 Creditworthy Enterprises in China”, “Enterprise with AAA Corporate Credit Rating”, “Best Employer in China” and “Outstanding Private Enterprise in Chongqing”.

Changes in Share Capital and Particulars of Shareholders

Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司) was established in April 1997 with an existing registered capital of RMB100 million. It is engaged in property development and sale of commodity housing; sale of general merchandise, knitwear, metal hardware, chemical product, arts and crafts (except fireworks), medical device, machine, electrical equipment, electronic component, construction material; residential leasing; interior decoration; public parking service for motor vehicles; real estate consultation; technology consultation, technical service, etc.

Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)(formerly known as “Xiamen Laierfu Trading Co., Ltd” (廈門來爾富貿易有限責任公司)) was approved by the Xiamen Market Supervision and Administration to change from its former name to its current name in September 2015, and was established in May 2001 with an existing registered capital of RMB100 million, and is engaged in non-security equity investment and advising on equity investment.

Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) was established in December 2003, and currently has a registered capital of RMB100 million. The company received the titles of “Reliable and Credible Enterprise in Chongqing” and “Property Developer with AAA Credit Rating in Chongqing”.

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

Changes in Share Capital and Particulars of Shareholders

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

As at 31 December 2017, the interests or short positions of the directors, supervisors and the chief executive of the Bank or their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance of Hong Kong or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Supervisors				
Zuo Ruilan	Beneficial Owner	11,900	0.00016	0.00012
Zhu Yuzhou	Beneficial Owner	37,600	0.00050	0.00038

Other than as disclosed above, none of the directors, supervisors and the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at 31 December 2017.

DIVIDENDS

Upon the approval of the 2016 annual general meeting of the Bank, the Bank distributed final cash dividends for 2016 on 27 June 2017 of RMB0.20 per share (tax inclusive) and RMB1,860 million (tax inclusive) in aggregate to the holders of H shares and the holders of domestic shares whose names appeared on the register of members of the Bank as at 16 May 2017 (after trading hours). Dividends will be distributed in cash.

Corporate Governance Report

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

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

To the best of the directors’ of the Bank knowledge, there is no reasonable statistic indicating that the Bank is or was in violation of the CG Code during the year ended 31 December 2017.

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

GENERAL MEETINGS

Details of the General Meetings

During the year of 2017, the Bank held four general meetings, being the 2016 annual general meeting, the 2017 first domestic shareholders’ class meeting, the 2017 first H shareholders’ class meeting and the 2017 first extraordinary general meeting of the Bank. Details are as follows:

On 5 May 2017, the Bank held the 2016 annual general meeting, the 2017 first domestic shareholders’ class meeting and the 2017 first H shareholders’ class meeting. At the 2016 annual general meeting, 21 resolutions mainly regarding the 2016 work report of the Board of Directors, the 2016 work report of the Board of Supervisors, the 2016 annual financial final proposal, the 2016 profit distribution plan, the 2017 financial budget, the 2016 annual report and the appointment of the external auditors for 2017 and determination of their remuneration were considered and approved. At the 2017 first domestic shareholders’ class meeting and the 2017 first H shareholders’ class meeting, five resolutions mainly regarding the revision of dilution of current returns by initial public offering and listing of RMB ordinary Shares and remedial measures of the Bank, the proposal of directional additional issuance of domestic shares, conferring full powers on the Board of Directors to handle relevant matters relating to the directional additional issuance of domestic shares and the extension of the term of initial public offering and listing of RMB ordinary shares were considered and approved. The above three meetings were held in compliance with relevant legal procedures. During the reporting period, four directors of the Bank, namely executive directors Mr. Liu Jianzhong and Mr. Xie Wenhui, non-executive director Mr. Duan Xiaohua and independent non-executive director Mr. Cao Guohua, attended the above three meetings in person.

Corporate Governance Report

On 11 December 2017, the Bank held the 2017 first extraordinary general meeting, at which three resolutions mainly regarding the report on the use of previously raised funds of the Bank, the amendment to the Rules of Procedures for the Board of Directors and the amendment to the applicable and effective Articles of Association after the initial public offering of RMB ordinary shares were considered and approved. The above general meeting was held in compliance with relevant legal procedures. During the reporting period, three directors of the Bank, namely executive directors Mr. Liu Jianzhong and Mr. Xie Wenhui and non-executive director Mr. Duan Xiaohua, attended the 2017 first extraordinary general meeting of the Bank in person.

In 2017, the Bank convened 4 general meetings. The attendance of the directors at the meetings are set out below:

Directors	Attendance required	Actual attendance	Attendance by proxy	Attendance rate
Liu Jianzhong	4	4	0	100%
Xie Wenhui	4	4	0	100%
He Zhiming	4	0	0	0
Sun Lida	4	0	0	0
Chen Xiaoyan	4	0	0	0
Duan Xiaohua	4	4	0	100%
Wen Honghai	4	0	0	0
Sun Leland Li Hsun	4	0	0	0
Yin Mengbo	4	0	0	0
Yuan Zengting	4	0	0	0
Cao Guohua	4	3	0	75%
Song Qinghua	1	0	0	0

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

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

In 2017, the Board of Directors of the Bank strictly implemented the resolutions passed at the general meeting of 2016, earnestly implemented the resolutions regarding 2016 annual profit distributor, financial budget for 2017, appointment of accounting firm for 2017 and the election of the third session of the directors of the Board, shareholder representative supervisors of the Board of Supervisors and external supervisors.

Composition of the Board of Directors

As at the end of the reporting period, the Board of Directors comprised 12 directors, including 2 executive directors, namely, Mr. Liu Jianzhong (chairman of the Board) and Mr. Xie Wenhui (president); 5 non-executive directors, namely, Mr. He Zhiming, Mr. Sun Lida, Ms. Chen Xiaoyan, Mr. Duan Xiaohua, and Mr. Wen Honghai, 5 independent non-executive directors, namely, Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting, Mr. Cao Guohua and Mr. Song Qinghua.

The appointment of Mr. Song Qinghua as an independent non-executive director of the Bank was approved by the Banking Regulatory Commission Chongqing Bureau on 14 September 2017, and the appointment of Mr. Luo Yuxing as a non-executive director was approved by the Banking Regulatory Commission Chongqing Bureau on 2 January 2018.

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

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

The Board of Directors is also responsible for the performance of the functions of corporate governance. For the year ended 31 December 2017, the Board of Directors performed the functions of corporate governance as set out in code provision D.3.1 in the CG Code.

Operation of the Board of Directors

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

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

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

The Board of Directors has delegated the management of the Company with the power and responsibilities to conduct daily management and operation of the Group. The respective functions of the Board of Directors and the management of the Company have been defined and will be reviewed from time to time as appropriate. Communication and reporting mechanism has been established between the Board of Directors, directors and senior management. The president of the Bank reports his work to the Board of Directors on a regular basis, and under its supervision. Relevant senior management are invited to attend board meetings from time to time to give explanations or reply to enquiries.

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

Corporate Governance Report

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

Board Meetings

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

During the reporting period, the Bank convened a total of 23 board meetings including written resolutions. 100 resolutions were considered and passed at such meetings included those regarding 2016 annual report, 2017 interim report and the 2016 work report of the Board of Directors.

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

During the year 2017, the Bank convened 23 board meetings, including 10 on-site conferences and 13 meetings by resolution. The attendance of the directors at the board meetings (directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present) are set out below:

Directors	Attendance required	Actual attendance	Attendance by proxy	Attendance rate
Liu Jianzhong	23	23	0	100%
Xie Wenhui	23	21	2	100%
He Zhiming	23	16	7	100%
Sun Lida	23	18	5	100%
Chen Xiaoyan	23	22	1	100%
Duan Xiaohua	23	23	0	100%
Wen Honghai	23	21	2	100%
Sun Leland Li Hsun	23	19	4	100%
Yin Mengbo	23	23	0	100%
Yuan Zengting	23	23	0	100%
Cao Guohua	23	23	0	100%
Song Qinghua	8	8	0	100%

Attendance records of each of the directors at meetings of the Board of Directors and the special committee under the Board of Directors (directors who involved in connected transactions and required to be abstained from the meeting are also deemed as attending directors) in 2017 are set out as follows:

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

The Names of Directors	Board of Directors	Strategic Development Committee	Risk Management Committee	Board Committees Related Party			Audit Committee	Sannong Financial Services Committee	Consumer Rights Protection Committee
				Transaction Supervision Committee	Nomination Committee	Remuneration Committee			
Liu Jianzhong	23/23	9/9	-	-	2/2	-	-	2/2	1/1
Xie Wenhui	23/23	9/9	6/6	-	2/2	3/3	-	2/2	1/1
He Zhiming	23/23	9/9	-	-	-	-	5/5	-	-
Sun Lida	23/23	-	-	17/17	-	-	-	-	-
Chen Xiaoyan	23/23	-	6/6	17/17	-	-	-	-	-
Duan Xiaohua	23/23	-	-	-	-	3/3	-	2/2	1/1
Wen Honghai	23/23	-	-	17/17	-	-	-	-	1/1
Sun Leland Li Hsun	23/23	-	6/6	-	2/2	3/3	5/5	-	-
Yin Mengbo	23/23	9/9	-	17/17	2/2	3/3	5/5	-	-
Yuan Zengting	23/23	9/9	6/6	17/17	-	-	-	2/2	-
Cao Guohua	23/23	-	-	-	2/2	3/3	5/5	2/2	1/1
Song Qinghua	8/8	/	/	/	/	/	/	/	/

Note: The qualification of Mr. Song Qinghua as an independent director was approved by the China Banking Regulatory Commission in September 2017. As at the end of 2017, the Board of Directors has yet to appoint the above director to assume any position in the special committees under the Board of Directors.

Independent Non-executive Directors

For the year ended 31 December 2017, the Board of Directors at all times met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the Board of Directors, with at least one independent non-executive director possessing appropriate professional qualifications of accounting or related financial management expertise.

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

Directors' Responsibility for the Preparation of Financial Reports

The directors acknowledge their responsibility for preparing the financial statements of the Bank for the year ended 31 December 2017. Directors are responsible for monitoring financial reports of each accounting or fiscal period to make sure such financial reports give a true and fair view of the Bank's financial conditions, operation results and cash flows. The directors adopted and implemented the applicable accounting policies and exercised prudent and reasonable judgment when preparing financial reports for the year ended 31 December 2017.

Continuous Professional Development Programme for Directors

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

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

Board Committees

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

(I) Strategic Development Committee

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

The primary responsibilities of the strategic development committee include:

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

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

During the reporting period, the strategic development committee of the board convened nine meetings in total at which 14 proposals regarding the adjustment to investment cap of direct sale bank, the extension of the term of initial public offering and listing of RMB ordinary shares, the issuance of financial bonds, the 2017 financial budget and the proposal of directional additional issuance of domestic shares were considered. All the then members of the strategic development committee were present at the nine meetings mentioned above.

(II) *Risk Management Committee*

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

The primary responsibilities of the risk management committee include:

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

5. to put forward the overall requirements for risk prevention, review the general precaution policy on risky cases and work report on risk prevention of the Bank, carry forward the construction of risky case management system, and ensure that necessary measures are adopted by senior management to effectively supervise, warn and deal with risky cases, make assessment on the effectiveness of risky cases management of the Bank and ensure that effective inspection and supervision are conducted on risky case management by internal audit;
6. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
7. to assess and supervise the development of new products, major change to existing products, expansion in new business sectors, establishment of new institutions, entering into material acquisition and investment and other risky matters of the Bank; to consider and approve innovative financial productions and improved financial products that require approval from or filing with external regulatory authorities. The above major change to existing products is considered to be improved financial products that require approval from or filing with external regulatory authorities; and
8. to perform such other duties and powers as authorized by the Board of Directors.

During the reporting period, the risk management committee convened six meetings in total at which ten proposals including 2016 risks management assessment report, 2016 compliance management assessment report, 2016 internal control assessment report and amendment to the working rules of the Risk Management Committee under the Board of Directors were considered and reviewed. All the then members of the risk management committee were present at the six meetings mentioned above.

(III) Related Party Transaction Supervision Committee

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

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

1. to review the fundamental system of related transaction management and give advice to the Board of Directors;
2. to identify the related parties of the Bank and report to the Board of Directors and the Board of Supervisors;
3. to conduct preliminary examination on major related party transactions of the Bank and submit the same to the Board of Directors for approval, and to the Board of Supervisors in a timely manner after obtaining the approval from the Board of Directors;

4. to receive filings of general related party transactions;
5. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
6. to perform such other duties and powers as authorized by the Board of Directors.

During the reporting period, the related party transaction supervision committee convened 17 meetings in total at which 26 resolutions regarding filing of general connected transaction in relation to grant of RMB200 million internal credit facility to Chongqing Transport and Travel Investment Group Company Limited, filing of general connected transaction in relation to grant of RMB100 million internal credit facility to Chongqing Yufu Assets Management Group Company Limited and the major connected transaction in relation to grant of RMB1.4 billion credit facility to Chongqing Yin Hai Financial Leasing Co., Ltd. were considered and reviewed. All the then members of the related party transaction supervision committee were present at the 17 meetings mentioned above.

(IV) *Nomination Committee*

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

The primary responsibilities of the nomination committee include:

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

7. to perform such other duties and powers as authorized by the Board of Directors.

During the reporting period, the nomination committee held two meetings in total at which three proposals regarding the nomination of the candidates for non-executive directors and the appointment of the head of Compliance and Consumer Rights Management Department were considered. All the then members of the nomination committee were present in person at the two meetings mentioned above.

Diversity Policy on the Composition of The Board of Directors

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

1. Purpose

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

2. Prospect

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

3. Policy statement

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

4. Measurable Objectives

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

5. Monitoring and Reporting of the Policy

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

6. Review and Revision of the Policy

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

7. Policy to take effect

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

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

Working Procedures of the Nomination Committee:

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

Procedures for electing directors and senior managerial members:

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

Major work of the Nomination committee in 2017:

The Nomination committee convened two meetings. The sixth meeting of the Third Session of the Nomination committee considered and approved the Resolution regarding the Nomination of Luo Xingyu as a Candidate for Non-executive Director of Chongqing Rural Commercial Bank Co., Ltd. (關於提名羅宇星為重慶農村商業銀行股份有限公司非執行董事候選人的議案) and the Resolution regarding the Nomination of Song Qinghua as a Candidate for Independent Non-executive Director of Chongqing Rural Commercial Bank Co., Ltd. (關於提名宋清華為重慶農村商業銀行股份有限公司獨立非執行董事候選人的議案). The seventh meeting of the Third Session of the Nomination Committee considered and approved the Resolution regarding the Appointment of the Head of Compliance and Consumer Rights Management Department of Chongqing Rural Commercial Bank Co., Ltd. (關於聘任重慶農村商業銀行股份有限公司合規及消費者權益管理部負責人的議案).

(V) *Remuneration Committee*

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

The primary responsibilities of the remuneration committee include:

1. to review the Bank's fundamental system and policy of remuneration management and submit the same to the Board of Directors for consideration;
2. to prepare the appraisal measures on performance of duties of directors and the remuneration package for directors and supervisors, and submit the same to the Board of Directors for consideration;

3. to organize appraisal of performance of duties of directors, and propose remuneration allocation of directors in accordance with the appraisal measures;
4. to propose remuneration allocation of supervisors according to the appraisal of performance of duties of supervisors carried out by the board of supervisors;
5. to review the remuneration allocation of senior management and submit the same to the Board of Directors for approval;
6. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
7. to perform such other duties and powers as authorized by the Board of Directors.

During the reporting period, the remuneration committee convened three meetings in total at which three proposals including the 2016 report on appraisal of directors and mutual evaluation of independent directors and remuneration of senior management were considered. All the then members of the remuneration committee were present at the three meetings above.

Working Procedures of the Remuneration Committee:

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

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

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

- (1) conduct performance evaluation on the directors and senior management in accordance with the performance evaluation standard and procedures;

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

Major work of the Remuneration committee in 2017:

The Remuneration committee convened three meetings. The fifth meeting of the Third Session of the Remuneration committee considered and approved the 2016 Report on Appraisal of Directors and Mutual Evaluation of Independent Directors of Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司董事會2016年度對董事評價及獨立董事相互評價報告). The sixth meeting of the Third Session of the Remuneration Committee considered and approved the Resolution regarding the Remuneration of Senior Management of Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司高管薪酬的議案). The seventh meeting of the Third Session of the Remuneration Committee considered and approved the Resolution regarding the Measures on Remuneration Management of Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行薪酬管理辦法的議案).

(VI) Audit Committee

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

The primary responsibilities of the audit committee include:

1. to supervise the internal control of the Bank, and examine and evaluate the compliance of significant operating activities of the Bank;
2. to review the major financial policies of the Bank and their implementation, supervise the financial operation, monitor the truthfulness of financial reports and the effectiveness of implementing the financial report procedure by the management;
3. to supervise and evaluate the internal audit work of the Bank as well as the internal audit system of the Bank and its implementation;
4. to propose to appoint or change the external auditor, adopt appropriate measures to supervise the performance of the external auditor and ensure the independence of the audit work;
5. to review the annual audit report, interim report on financial review and other financial and accounting reports of the Bank and other discloseable financial information prepared by the external auditor, and make a judgment report on the truthfulness, accuracy and completeness of such reports and information and submit such judgment report to the Board of Directors for consideration;

6. to review important regulations and reports such as the internal audit charter, medium and long-term audit plans and annual audit plans, and report to the Board of Directors for consideration;
7. to coordinate between the internal audit department and the external auditor;
8. to ensure that attention will be drawn to the improprieties of the employees of the Bank that may occur in financial reporting, internal control or other areas, and procure the Bank to carry out fair and independent investigation and take appropriate actions in respect of such matters;
9. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
10. to perform such other duties and powers as authorized by the Board of Directors.

During the reporting period, the audit committee held five meetings in total, at which 17 proposals including 2016 annual report and results announcement, 2016 annual final accounts proposal and the appointment of accounting firm for 2017 were considered and reviewed. All the then members of the audit committee were present at the five meetings mentioned above. In addition, the Bank also convened three meetings for audit committee and auditors in accordance with the provisions of Corporate Governance Code.

(VII) Sannong Financial Services Committee

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

The main responsibilities of Sannong Financial Services Committee are:

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

During the reporting period, Sannong Financial Service Committee convened two meetings to consider the 2016 Work Report on Sannong Financial Services of Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司2016年度三農金融服務工作報告) and the Work Report on Sannong Financial Services of Chongqing Rural Commercial Bank Co., Ltd. for the first half of 2017 (重慶農村商業銀行股份有限公司2017年上半年三農金融服務工作報告). All the then members of Sannong Financial Services Committee attended the meeting.

(VIII) Consumer Rights Protection Committee

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

The main responsibilities of Consumer Rights Protection Committee are:

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

During the reporting period, the Consumer Rights Protection Committee convened one meeting to review the 2016 Work Report on Consumer Rights Protection of Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司2016年度消費者權益保護工作報告). All the then members of the Consumer Rights Protection Committee were present at the meeting.

BOARD OF SUPERVISORS

Composition of the Board of Supervisors

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

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

Chairwoman of the Board of Supervisors

Ms. Ni Yuemin serves as the chairwoman of the Board of Supervisors and is responsible for organization and performance of duties of the Board of Supervisors.

Meetings of the board of supervisors

In 2017, the board of supervisors of the Bank held seven meetings at which 19 proposals mainly including the 2016 work report of the Board of Supervisors, report on centralized supervision and inspection for 2016, various types of special investigation reports, 2016 annual reports, 2016 annual final accounts proposal, 2017 financial budgets proposal, proposal on the annual profit distribution plan for 2016, report on risk management evaluation for 2016 and report on internal control system evaluation for 2016 were considered and approved.

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

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

	Board of Supervisors
Supervisors	
Ni Yuemin	7/7
Hu Shuchun	7/7
Pan Like	7/7
Wang Hong	7/7
Zeng Jianwu	7/7
Zuo Ruilan	7/7
Zheng Yi	7/7
Zhu Yuzhou	7/7

CHAIRMAN AND PRESIDENT

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

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

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

Appointment

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted, in respect of securities transactions by directors, supervisors and relevant employees, the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors confirmed that they have complied with the Model Code for the year ended 31 December 2017.

EXTERNAL AUDITORS AND AUDITORS’ REMUNERATION

The audit opinion of the external auditors of the Group engaged by the Bank and their responsibilities are set out in the “Independent Auditor’s Report” on pages 156 to 163.

The Group’s financial statements for the year ended 31 December 2017 prepared in accordance with China Accounting Standards have been audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), and those prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers provided audit services to the Bank. The fees paid by the Bank to PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers for the audit of financial statements for the year ended 31 December 2017 were RMB3.10 million. Other non-audit fees (inclusive of tax) were RMB1.65 million, of which fees for the review of financial statements amounted to RMB1.15 million and fees for agreed process services were RMB500,000. Save for the abovementioned, there were no other significant non-audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

For the year ended 31 December 2017, the Board of Directors have completed the semi-annual and annual assessment on the effectiveness of the internal control and risk management systems of the Bank (twice/year on regular basis). The assessment covered all the major control of the Group, including financial control, operation control and compliance control as well as the functions of risk management. The Board of Directors believes that, the overall operation of the Bank's risk management and internal control systems is sufficient and effective in respect of resources, staff qualification and experience, training programme as well as accounting, internal audit and budgeting of financial report. No major issues should be concerned with during the year.

COMPANY SECRETARY

Ms. Mok Ming Wai (莫明慧女士) was appointed as the company secretary of the Bank on 18 March 2016. Ms. Mok is engaged from external service provider. Ms. Mok has complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules of receiving relevant professional training for not less than 15 hours during the reporting period.

From January to July 2017, the main contact person in the Bank to liaise with Ms. Mok was Mr. Chen Xi, former Director of the Office of the Board of Directors. Since July 2017, the main contact person is the Mr. Zhu Guochen, the deputy head of the office (conducting work) of the Board of Directors.

RIGHTS OF SHAREHOLDERS

Request for Convening Extraordinary General Meeting

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

Proposals in General Meeting

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

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

SHAREHOLDERS' ENQUIRIES

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990/(852) 2529 6087

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

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

INFORMATION DISCLOSURE

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

INVESTOR RELATIONS

Amendments to the Articles of Association

The resolutions on amendments to the Articles of Association, among others, were considered and approved at the 2016 AGM of the Bank which was held on 5 May 2017. The Approval of Change of Registered Capital and Amendments to the Articles of Association by Chongqing Rural Commercial Bank (Yu Yin Jian Fu [2017] No. 171) 《關於重慶（農村商業銀行變更註冊資本和修改公司章程的批覆》（渝銀監覆[2017]171號）) was approved and issued subsequently by the CBRC Chongqing Office on 14 November 2017, approving the change of registered capital of the Bank from RMB9,300,000,000 to RMB10,000,000,000, and the amended Articles of Association approved at the 2016 AGM of the Bank. The amended Articles of Association has become effective since the date of the approval of the CBRC Chongqing Office. The Bank has completed the relevant procedures of change in industrial and administrative registration with relevant authorities in respect of the change of registered capital and the amendments to Articles of Association of the Bank on 17 November 2017.

The amendments to the Articles of Association of the Company mainly include: In accordance with the Guideline on Strengthening Party Discipline during the Promotion of Reform and Development of SOEs (Yu Wei Ban Fa [2016] No.9) 《關於在推進國有企業改革發展（中落實全面從嚴治黨的意見》（渝委辦發 [2016] 9號）), the general requirements of Party construction should be included in the articles of association of SOEs to consolidate the legal status of SOE Party organization in corporate governance structure. Meanwhile, the Bank intends to replenish the core tier-1 capital by way of issuance of additional domestic shares. As such, the Bank needs to make amendments to the relevant terms of the Articles of Association according to the share capital after such private placement of domestic shares. Furthermore, the Item 10 of Article 212 of the Articles of Association which stipulates that the president can exercise the powers to “determine the establishment, cancellation or merger of the Bank’s branch offices, to authorise or entrust presidents of branch banks (branches) to carry out normal business and management activities”, breaches the relevant requirements regarding that the establishment of new organisations should be approved by the Board or the specific committee designated by the Board in the Article 33 under the Guidelines for the Comprehensive Risk Management of Banking Financial Institutions (Yin Jian Fa [2016] No.44) 《銀行業金融機構全面風險管理指引》（銀監發 [2016] 44號）). In addition, the Bank passed the resolution of consideration of amendments to the operation and management powers of the president authorised by the Board at the 31st meeting of the third session of the Board held on October 27, 2016, which revoked the powers of the president to establish new organisations. Lastly, given that the headquarter and business department of the Bank were relocated to the new office building of the Bank at Jiangbeizui Central Business District, Chongqing during 2017, the domicile, postal code, telephone number and fax number of the Bank stated in Article 4 of the Articles of Association have been changed due to the relocation. Therefore, it is proposed to amend the related article of Articles of Association.

Corporate Governance Report

For details, Shareholders may refer to the announcements dated 17 March 2017, 5 May 2017, 23 August 2017, 18 September 2017, 29 September 2017 and 22 November 2017 and the circular dated 12 April 2017 of the Bank in relation to, among other things, Directional Additional Issuance of Domestic Shares and proposed amendments to the Articles of Association. The updated existing Articles of Association was disclosed on the websites of the Bank (www.cqrcb.com) and the Hong Kong Stock Exchange (www.hkexnews.hk), respectively on 22 November 2017.

Investor Relations Contact Information

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

Office of the Board of Directors of the Bank
No. 36 Jinshamen Road, Jiangbei District, Chongqing, China
Telephone: (8623) 6111 1533
Facsimile: (8623) 6111 0844
Email: ir@cqrcb.com

Principal Place of Business in Hong Kong of the Bank:

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

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

OTHER PARTICULARS

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

Directors, Supervisors and Senior Management

INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Name	Position	Gender	Age	Term of office
Liu Jianzhong	Chairman of the Board of Directors, Executive Director	Male	54	June 2008 –
Xie Wenhui	Executive Director, President	Male	45	August 2014 –
He Zhiming	Non-executive Director	Male	54	November 2015 –
Sun Lida	Non-executive Director	Male	62	October 2014 –
Chen Xiaoyan	Non-executive Director	Female	45	November 2015 –
Duan Xiaohua	Non-executive Director	Male	43	August 2014 –
Luo Yuxing	Non-executive Director	Male	55	January 2018 –
Wen Honghai	Non-executive Director	Male	52	June 2008 –
Sun Leland	Independent Non-executive Director	Male	56	July 2012 –
Li Hsun				
Yin Mengbo	Independent Non-executive Director	Male	62	July 2012 –
Yuan Zengting	Independent Non-executive Director	Male	42	November 2014 –
Cao Guohua	Independent Non-executive Director	Male	50	November 2014 –
Song Qinghua	Independent Non-executive Director	Male	52	September 2017 –

Note: The term of office in the above table is counted from the date on which each Director has obtained the qualification approval from Banking Regulatory Commission Chongqing Bureau.

Mr. Song Qinghua has obtained the qualification approval from Banking Regulatory Commission Chongqing Bureau on 14 September 2017; non-executive Director Mr. Luo Yuxing has obtained the qualification approval from Banking Regulatory Commission Chongqing Bureau on 2 January 2018.

Supervisors

Name	Position	Gender	Age	Term of office
Ni Yuemin	Chairwoman of the board of supervisors, Employee Representative Supervisor	Female	51	February 2015 –
Hu Shuchun	External Supervisor	Male	48	October 2014 –
Pan Like	External Supervisor	Male	44	October 2014 –
Wang Hong	External Supervisor	Male	51	October 2014 –
Zeng Jianwu	Shareholder Representative Supervisor	Male	42	June 2008 –
Zuo Ruilan	Shareholder Representative Supervisor	Female	42	June 2008 –
Zheng Yi	Employee Representative Supervisor	Male	52	November 2011 –
Zhu Yuzhou	Employee Representative Supervisor	Male	52	November 2011 –

Directors, Supervisors and Senior Management

Senior Management

Name	Position	Gender	Age	Term of office
Xie Wenhui	Executive Director, President	Male	45	December 2013 –
Wang Min	Vice President	Male	54	July 2015 –
Yuan Xiaobo	Deputy Secretary to the Party Committee, Secretary to the Disciplinary Committee and Chairman of the Trade Union	Male	54	December 2008 – March 2010 –
Dong Lu	Vice President	Female	42	May 2011 –
Shu Jing	Vice President	Female	45	October 2015 –
Liu Jiangqiao	Vice President Secretary to the Board Director of CQRC Financial Leasing Co., Ltd.	Male	47	October 2015 – September 2016 – July 2016 –
Zhang Peizong	Vice President	Male	43	September 2016 –
Gao Song	Vice President	Male	38	September 2016 –

MAJOR WORK EXPERIENCE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Directors of the Bank

LIU Jianzhong

Chairman, Executive Director

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

XIE Wenhui

Executive Director, President

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

HE Zhiming

Non-Executive Director

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

SUN Lida

Non-Executive Director

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

CHEN Xiaoyan

Non-Executive Director

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

DUAN Xiaohua

Non-Executive Director

Mr. Duan Xiaohua has served as a non-executive director of the Bank since August 2014. He is also a member of the remuneration committee, Sannong financial service committee and Consumer Rights Protection Committee of the Bank. Mr. Duan graduated from Chongqing University with MBA from September 2003 to July 2005, and currently holds an MBA degree, and he is an accountant and a certified internal auditor. Mr. Duan has served as the assistant to president and financial controller of Loncin Holdings Company Limited (隆鑫控股有限公司) since September 2017. Mr. Duan has served as a non-executive director of Hanhua Financial Holding Co., Ltd. (瀚華金控股份有限公司) (stock code: 3903) since June 2013. He has also served as a director of Shanghai Fenghua Group Co., Ltd. (上海豐華(集團)股份有限公司) since October 2012 and its financial controller from October 2010 to September 2017. From March 2012 to October 2012, he served as the financial controller of Loncin Holdings Company Limited (隆鑫控股有限公司). From March 2008 to March 2012, he served as the financial manager, vice financial president and financial president of Chengdu Fudi Property Co., Ltd. (成都複地置業有限公司). From May 2007 to March 2008, he served as the finance assistant manager of Hutchison Whampoa Property (Xi'an) Co., Ltd. (和記黃埔地產西安公司). From June 2003 to May 2007, he served as the chief of the Finance Department of Taiji Industry (Group) Co., Ltd. (太極集團有限公司). From June 2000 to June 2003, he served as the deputy director of the Finance Department of Taiji Group Sales General Company (太極集團銷售總公司). From July 1998 to June 2000, he served as a clerk and the deputy head of the Finance Division of Taiji Industry (Group) Co., Ltd. (太極集團有限公司).

LUO Yuxing

Non-executive Director

Mr. Luo Yuxing has served as a non-executive director of the Bank since January 2018. Mr. Luo graduated from Southwest University of Political Science & Law, with a bachelor's degree in applied law in June 1997, and is currently a government lawyer, senior judge (Grade 4) and a member of the Social and Legal Committee of the Third Session of Chongqing Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Luo has been the senior vice president and executive vice president of Chongqing Casin Group Co., Ltd (重慶財信企業集團有限公司) successively since May 2015. From July 2007 to February 2015, he served as the general manager and secretary to the Party committee of Ancheng Property & Casualty Insurance Co., Ltd. (安誠財產保險股份有限公司). From June 2005 to February 2008, Mr. Luo served as the general manager and secretary to the Party committee of Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司). From December 2004 to February 2015, he served successively as the director of legal audit department and a member of the Party committee of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司). From June 2003 to December 2004, he served as the chairman and secretary to Party working committee of the Municipal Greening Management Committee of Jiangbei District, Chongqing. From April 2003 to June 2003, he served as the deputy director of general office and director of the Policy Study Office (政策研究室) of the Government of Jiangbei District, Chongqing. From October 1993 to April 2003, he served as the vice president and a member of the Party group of the Court of Jiangbei District, Chongqing. From May 1982 to October 1993, he served successively as a prosecutor and deputy chief procurator in the Procuratorate of Jiangbei District, Chongqing.

WEN Honghai

Non-Executive Director

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

SUN Leland Li Hsun

Independent Non-Executive Director

Mr. Sun Leland Li Hsun has been an independent non-executive director of the Bank since July 2012. He also serves as the chairman of the remuneration committee, a member of the audit committee, risk management committee and the nomination committee of the Bank. Mr. Sun graduated from UCLA Anderson School of Business with MBA from 1984 to 1986. Mr. Sun has served as an independent non-executive director of Quanzhou Huixin Micro-credit Co., Ltd. (泉州匯鑫小額貸款股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 01577) since June 2017, an independent non-executive director of Mizuho Securities Asia Limited (瑞穗證券亞洲有限公司) since December 2014, and the managing director of Pan Asian Mortgage Company Limited (宏亞按揭證券有限公司) since December 1999. From November 2005 to June 2014, Mr. Sun served as an independent non-executive director of New Heritage Holdings Ltd. (新澤控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 00095, and is now known as LVGEM (China) Real Estate Investment Company Limited (綠景(中國)地產投資有限公司)). Mr. Sun was the consultant of Merrill Lynch Asia Pacific Limited (美林亞洲有限公司) between April 1998 and December 1999, and was appointed by the Financial Secretary of the Government of the Hong Kong Special Administrative Region as the first Chief Operating Officer of The Hong Kong Mortgage Corporation between February 1997 and April 1998. Mr. Sun was the managing director of ARCH Fixed Income Management Limited between March 1996 and February 1997, a senior managing director of Bear Stearns Asia Limited between October 1994 and February 1996, and executive director of GS (Asia) Securities Limited between July 1986 and September 1994.

YIN Mengbo

Independent Non-Executive Director

Mr. Yin Mengbo has been an independent non-executive director of the Bank since July 2012. He also serves as the chairman of the nomination committee and a member of the audit committee, the strategic development committee, the remuneration committee and the related party transaction supervision committee. Mr. Yan graduated from the department of finance of Southwestern University of Finance and Economics in 1982 and graduated from Southwestern University of Finance and Economics (西南財經大學) for postgraduate and PhD degree of economics, majoring in finance, from September 1996 to May 1999. Mr. Yin has been a lecturer of Southwestern University of Finance and Economics since July 1982, and currently holds a doctoral degree in economics. Mr. Yin has been the chairman of the Professor Committee of the School of Finance of Southwestern University of Finance and Economics since June 2013, the dean of the Research Institute of Southwestern University of Finance and Economics (西南財經大學研究生院院長) from November 2011 to June 2013, the head of the graduate department of Southwestern University of Finance and Economics (西南財經大學研究生部主任) from September 2007 to November 2011 and the dean of the School of Finance of Southwestern University of Finance and Economics between September 1997 and September 2007.

YUAN Zengting

Independent Non-Executive Director

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

CAO Guohua

Independent Non-Executive Director

Mr. Cao Guohua has served as an independent non-executive director since November 2014. He is also a chairman of the audit committee, the nomination committee, the remuneration committee, Sannong financial service committee and Consumer Rights Protection Committee of the Bank. Mr. Cao obtained a bachelor's degree in the Department of Mathematics, Anhui Normal University in July 1989. He obtained a master's degree in the Department of Mathematics, Sichuan University in July 1992 and obtained a PhD degree in the School of Economics and Business Management, Chongqing University in December 1999. Mr. Cao has been a professor and PhD tutor of the Department of Finance, School of Economics and Business Management, Chongqing University since September 2006 until now. Mr. Cao has served as an outside director of Chongqing Tourism Investment Group Co., Ltd. (重慶旅遊投資集團有限公司), a listed company of Shenzhen Stock Exchange (stock code: 000514), since June 2014, an independent director of Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司) since August 2012 and an independent director of Dongfeng Sci-Tech Group Co., Ltd. (東豐科技集團股份有限公司), a listed company of Shenzhen Stock Exchange and formerly known as Chengde Nanjiang Co., Ltd. (承德南江股份有限公司) (stock code: 200160), since April 2012. Mr. Cao served as an independent director of Chongqing Jingke Property Group Co., Ltd. (重慶金科地產集團股份有限公司), a listed company of Shenzhen Stock Exchange (stock code: 000656), from May 2015 to May 2017 and an independent director of Chongqing Jian Feng Chemical Co., Ltd. (重慶建峰化工股份有限公司), a listed company of Shenzhen Stock Exchange (stock code: 000950), from January 2015 to September 2017. He once served as an independent director of Balance Automobile Insurance Co., Ltd. (天平汽車保險股份有限公司) from March 2010 to March 2013. Mr. Cao served as an independent director of Guizhou Bailing Group Pharmaceutical Co., Ltd. (貴州百靈企業集團製藥股份有限公司), a listed company of Shenzhen Stock Exchange (stock code: 002424), from December 2007 to December 2013. He once served as an associate professor of the Department of Finance, School of Economics and Business Management, Chongqing University from December 2000 to September 2006. From April 1993 to December 2000, he served as an assistant lecturer and lecturer of the School of Economics and Business Management, Chongqing University. From July 1992 to April 1993, he served as an assistant lecturer of the Department of Mathematics, Chongqing University.

SONG Qinghua

Independent Non-Executive Director

Mr. Song Qinghua has served as an independent non-executive director of the Bank since September 2017. Mr. Song graduated from Zhongnan University of Finance and Economics (majoring in finance) in June 1985, obtained a Master's Degree in economics from Zhongnan University of Finance and Economics in June 1988, a Doctor's Degree in economics from Zhongnan University of Finance and Economics in June 2000 and quit the Postdoctoral Research Station in applied economics from Renmin University of China in January 2003. Mr. Song has been teaching in Zhongnan University of Finance and Economics (which merged with Central South Institute of Law (中南政法學院) to form Zhongnan University of Economics and Law in May 2000) since July 1988, and is now an expert entitled to special government subsidies granted by the State Council, a professor and a tutor of doctorate candidate of School of Finance of Zhongnan University of Economics and Law. Mr. Song served as an external supervisor of Hankou Bank Co., Ltd. (漢口銀行股份有限公司) from July 2011 to October 2015, and was a visiting scholar of Saint Mary's University in Canada from June 2004 to December 2004 and a visiting scholar of University of Rhode Island in the United States from August 2007 to August 2008.

2. Supervisors of the Bank

NI Yuemin

Chairwoman of the board of supervisors, Employee Representative Supervisor

Ms. Ni has been the Chairwoman of the supervisory board of the Bank since February 2015. Ms. Ni served as a vice president and a member of the Party Committee of Bank of Chongqing Co., Ltd. (stock code: 1963) from October 2009 to February 2015, and an executive director of the company from November 2012 to February 2015. Ms. Ni served as director of Property Management Division and director of Assessment and Allocation Division of Chongqing State-owned Assets Supervision and Administration Commission from June 2005 to October 2009 and from October 2003 to June 2005, respectively. During the period from September 2000 to October 2003, from May 1995 to September 2000, from May 1992 to May 1995, from March 1989 to May 1992 and from July 1987 to March 1989, Ms. Ni served as deputy director of Enterprise Division One, principal staff member, deputy staff member, staff member of Enterprise Finance Division One and a member of Plant-Residing Group of Shapingba District of Chongqing Municipal Finance Bureau, respectively. Ms. Ni obtained a bachelor's degree in economics (majoring in accounting and statistics in Faculty of Economics and Management) from Yuzhou University (now Chongqing Technology and Business University) in July 1987, and obtained a Master's degree of Business Administration for senior administrative staff from Chongqing University in December 2011. Ms. Ni is a non-practicing member of the Chinese Institute of Certified Public Accountants and a senior accountant.

ZENG Jianwu

Shareholder Representative Supervisor

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

ZUO Ruilan

Shareholder Representative Supervisor

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

HU Shuchun

External Supervisor

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

PAN Like

External Supervisor

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

WANG Hong

External Supervisor

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

ZHENG Yi

Employee Representative Supervisor

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

ZHU Yuzhou

Employee Representative Supervisor

Mr. Zhu Yuzhou has been an employee representative supervisor of the Bank since November 2011. He is also a member of the Due Diligence Supervisory Committee and the Internal Control Review Committee under the board of supervisors of the Bank. Mr. Zhu currently serves as the Director of Disciplinary Inspection and Supervision Department of the Bank. Mr. Zhu had worked as the Director of Security Monitoring Department of the Bank from October 2011 to April 2017 and the General Manager of Small Enterprise Business Department of the Bank from April 2011 to October 2011. Mr. Zhu had been the General Manager of Small Enterprises Credit Department of the Bank from January 2010 to April 2011. Mr. Zhu had served as the General Manager of Real Estate Business Department of the Bank from August 2008 to January 2010, the chairman, secretary to the Party committee of Fuling Rural Credit Cooperative Union (涪陵農村信用合作聯社) from December 2002 to August 2008 and the chairman, director of Fengdu Rural Credit Cooperative Union (豐都縣農村信用合作聯社) from June 1998 to December 2002. From August 1995 to June 1998, he worked as the deputy director and director of the Sales Department of Fuling Rural Credit Cooperative Union (涪陵農村信用合作聯社). From July 1983 to August 1995, he worked at Fuling Rural Credit Cooperative Union. Mr. Zhu graduated from College of Chongqing Municipal Party Committee (中共重慶市委黨校) in June 2001, majoring in regional economics, and is currently an economist.

3. Senior Management of the Bank

XIE Wenhui

Executive Director, President

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

WANG Min

Vice President

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

YUAN Xiaobo

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

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

DONG Lu

Vice President

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

SHU Jing

Vice President

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

LIU Jiangqiao

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

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

ZHANG Peizong

Vice President

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

GAO Song

Vice President

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

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Song Qinghua became an independent non-executive director of the Third Session of the Board of Directors upon approval by the China Banking Regulatory Commission in September 2017. Luo Yuxing obtained approval of the qualification from the China Banking Regulatory Commission on January 2018 and became non-executive director of the third session of the directors of the Board.

Save as disclosed above, there was no change in the directors, supervisors and senior management of the Bank during the reporting period.

REMUNERATION FOR DIRECTORS OF THE BANK IN 2017

Unit: RMB'000

Name	Position	Paid remuneration (before tax) (1)	Social insurance, housing funds, the portion of supplementary health insurance contributed by the Bank (2)	Part-time fees (3)	Total remuneration before tax in 2017 (4)=(1)+(2)+(3)
Liu Jianzhong	Chairman of the Board of Directors, Executive Director	336	84	-	420
Xie Wenhui	Executive Director, President	336	84	-	420
He Zhiming	Non-executive Director	-	-	60	60
Sun Lida	Non-executive Director	-	-	60	60
Chen Xiaoyan	Non-executive Director	-	-	60	60
Duan Xiaohua	Non-executive Director	-	-	60	60
Wen Honghai	Non-executive Director	-	-	60	60
Sun Leland Li Hsun	Independent Non-executive Director	-	-	120	120
Yin Mengbo	Independent Non-executive Director	-	-	120	120
Yuan Zengting	Independent Non-executive Director	-	-	120	120
Cao Guohua	Independent Non-executive Director	-	-	120	120
Song Qinghua	Independent Non-executive Director	0	0	40	40

Directors, Supervisors and Senior Management

REMUNERATION FOR SUPERVISORS AND SENIOR MANAGEMENT

For the year ended 31 December 2017, the total remuneration before tax paid by the Bank to its supervisors and senior management amounted to RMB3.410 million and RMB2.423 million, respectively, details of which are set out below:

Remuneration for Supervisors of the Bank in 2017

Unit: RMB'000

Name	Position	Paid remuneration (before tax) (1)	Social insurance, Housing funds, the portion of supplementary health insurance contributed by the Bank (2)	Part-time fees (3)	Total remuneration before tax in 2017 (4)=(1)+(2)+(3)
Ni Yuemin	Chairwoman of the Board of Supervisors	336	84	-	420
Zeng Jianwu	Shareholder Representative Supervisor	-	-	50	50
Zuo Ruilan	Shareholder Representative Supervisor	-	-	50	50
Wang Hong	External Supervisor	-	-	80	80
Hu Shuchun	External Supervisor	-	-	80	80
Pan Like	External Supervisor	-	-	80	80
Zheng Yi	Employee Representative Supervisor	1,367	84	-	1,451
Zhu Yuzhou	Employee Representative Supervisor	1,115	84	-	1,199

Remuneration for senior management was within following ranges:

	Number of individuals Year ended 31 December 2017
RMB nil – RMB1,000,000	7
RMB1,000,001 – RMB1,500,000	-
RMB1,500,001 – RMB2,000,000	-
RMB2,000,001 – RMB2,500,000	-
RMB2,500,001 – RMB3,000,000	-
RMB3,000,001 – RMB3,500,000	-
RMB3,500,001 – RMB4,000,000	-

Report of The Board of Directors

The Board of Directors is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

PROFIT AND DIVIDENDS

The income of the Group for the year ended 31 December 2017 and the Group's financial position as at that date are set out in the section entitled "Financial Statements" of this annual report.

Pursuant to the resolutions passed at the annual general meeting of 2016 on 5 May 2017, the Bank recommended a distribution of cash dividends of RMB1,860 million (tax inclusive) for 2016 to all the shareholders at a par value of RMB0.20 per share (tax inclusive). Such dividend was distributed to holders of domestic shares and holders of H shares whose names appeared on the register of members on 16 May 2017. Such proposed dividends were denominated in RMB. Dividends payable to holders of domestic shares were paid in RMB, whereas dividends payable to holders of H shares were paid in HKD. The exchange rate of RMB to HKD adopted was the average middle rates of the five business days preceding the date of declaration of such dividends at the 2016 annual general meeting of the Bank (5 May 2017, including the date thereof) as announced by the Central Bank. The above mentioned dividends were distributed on 27 June 2017.

The Board of Directors recommended a distribution of cash dividends of RMB2,000 million (tax inclusive) for 2017 to all the Shareholders at a par value of RMB0.20 per share (tax inclusive). The dividend distribution plan will be submitted to the annual general meeting of 2017 for consideration and approval. If such proposal obtains approval from the annual general meeting of 2017, the dividend will be distributed on 23 June 2018 to holders of domestic shares and holders of H shares whose names appear on the register of members on 9 May 2018. Such proposed dividends will be denominated in RMB. Dividends payable to holders of domestic shares shall be paid in RMB, whereas dividends payable to holders of H shares shall be paid in HKD. The exchange rate of RMB to HKD to be adopted shall be the average middle rates of the five business days preceding the date of declaration of such dividends at the 2017 annual general meeting of the Bank (27 April 2018, including the date thereof) as announced by the Central Bank.

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

<i>(RMB, in million)</i>	2016	2015	2014
Cash dividends	1,860.0	1,860.0	1,860.0
As a percentage of profit for the year	23.25%	25.73%	27.30%

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Bank for the year 2017 will be held on Friday, 27 April 2018. In order to determine the holders of shares who are eligible to attend and vote at the Annual General Meeting, the register of members of the Bank will be closed from Wednesday, 28 March 2018 to Friday, 27 April 2018, both days inclusive, during which period no transfer of shares will be registered. Holders of H shares of the Bank who wish to attend and vote at the Annual General Meeting for 2017 must lodge all transfer documents accompanied by the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 27 March 2018.

RESERVES

Please refer to the "Consolidated Statement of Changes in Equity" for details of the movements in the reserves available for distribution to shareholders of the Group for the year ended 31 December 2017.

SUMMARY OF FINANCIAL INFORMATION

Please refer to the "Financial Summary" of this annual report for the summary of the operating results, assets and liabilities of the Group for the two years ended 31 December 2017.

DONATIONS

During the year ended 31 December 2017, the Group made charitable and other donations amounting to approximately RMB4,350,000.

PROPERTY AND EQUIPMENT

Please refer to Note 27 "Property and Equipment" to the section entitled "Financial Statements" of this annual report for details of movements in the property and equipment of the Group during the year ended 31 December 2017.

RETIREMENT BENEFITS

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

ULTIMATE PARENT COMPANY AND SUBSIDIARIES

Please refer to "Major Shareholders of the Bank" in the section entitled "Changes in Share Capital and Particulars of Shareholders" and note 26 "Investment in Subsidiaries" to the section entitled "Financial Statements" of this annual report for details of the Bank's ultimate parent company and subsidiaries as at 31 December 2017.

PURCHASE, REPURCHASE, SALE AND REDEMPTION OF SHARES OF THE BANK

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

In 2017, the aggregate amount of interest income and other operating income generated from the five largest customers of the Bank represented an amount not exceeding 30% of the total interest income and other operating income of the Bank.

In view of the business nature of the Bank, the Bank did not have major supplier.

SHARE CAPITAL

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

TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

The top ten shareholders of the Bank and their respective shareholdings at the end of 2017 are stated in "Changes in Share Capital and Particulars of Shareholders" of this annual report.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

As of the end of the reporting period, the Board of Directors comprised 12 directors in total, including 2 executive directors, namely Mr. Liu Jianzhong (chairman), Mr. Xie Wenhui (president); 5 non-executive directors, namely Mr. He Zhiming, Mr. Sun Lida, Ms. Chen Xiaoyan, Mr. Duan Xiaohua, and Mr. Wen Honghai; 5 independent non-executive directors, namely Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting, Mr. Cao Guohua and Mr. Song Qinghua.

During the reporting period, Mr. Song Qinghua was newly appointed as the independent non-executive director of the Bank on 14 September 2017 and Mr. Luo Yuxing was newly appointed as the non-executive director of the Bank on 2 January 2018.

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

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2017, the interests of the directors, supervisors and the chief executive of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic shares of the Bank	% of the total issued share capital of the Bank
Supervisors				
Zuo Ruilan	Beneficial owner	11,900	0.00016	0.00012
Zhu Yuzhou	Beneficial owner	37,600	0.00050	0.00038

Other than as disclosed above, none of the directors, supervisors or the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at 31 December 2017.

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

For the year ended 31 December 2017, there was no management and administrative contract in respect of all or any of the principal activities being entered into by or existed in the Bank.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

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

SUBSTANTIAL SHAREHOLDERS

To the knowledge of the Bank, as at 31 December 2017, the interests and short positions of substantial shareholders (within the meaning of the Securities and Futures Ordinance), other than directors and supervisors, in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance were as follows:

Domestic Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	998,000,000	13.33	9.98
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	787,087,430	10.51	7.87
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Beneficial Owner	589,084,181	7.87	5.89
Loncin Holding Co., Ltd (隆鑫控股有限公司)	Beneficial Owner	570,000,000	7.61	5.70
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	Beneficial Owner	443,100,000	5.92	4.43
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Beneficial Owner	300,000,000	4.01	3.00
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Beneficial Owner	200,000,000	2.67	2.00
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Beneficial Owner	150,000,000	2.00	1.50

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
BlackRock, Inc. ¹	Interest of controlled corporations	338,396,269(L)	13.46	3.38
BlackRock Global Funds	Beneficial Owner	168,390,000(L)	6.70	1.68
JPMorgan Chase & Co. ²	Beneficial Owner/ investment manager/approved lending agent	126,730,657(L)	5.04	1.27
	Beneficial Owner	2,036,000(S)	0.08	0.02
	Approved lending agent	66,722,316(P)	2.65	0.67

Note: (L) – long position, (S) – short position, (P) – lending pool

- (1) BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2, Inc. and BlackRock Holdco 2, Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. In accordance with the Securities and Futures Ordinance of Hong Kong, BlackRock, Inc. and BlackRock Holdco 2, Inc. are deemed to be interested in the shares of the Bank held by BlackRock Financial Management, Inc. and its controlled subsidiaries. BlackRock, Inc. had a long position in 338,396,269 H shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. The long position in 1,068,000 of 338,396,269 H shares are held through derivatives.
- (2) The long position in 630,000 H shares and the short position in 1,536,000 H shares are held through derivatives.

CORPORATE GOVERNANCE

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

CONNECTED TRANSACTIONS

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

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

REMUNERATION POLICY FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

For the remuneration of directors, supervisors and senior management of the Bank during the year ended 31 December 2017, please refer to Note 10 to the Consolidated Financial Statements of the Report.

SUFFICIENCY OF PUBLIC FLOAT

As at 31 December 2017, the public float of the Bank was 25.13%. Based on information that is publicly available to the Bank and to the knowledge of the directors, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange as at the date of this report.

TAX

Holders of domestic shares

According to the relevant regulations of the Individual Income Tax Law of the People's Republic of China, the Bank will withhold an individual income tax at the rate of 20% for natural persons holders of domestic shares; holders of domestic shares who are legal persons shall report and pay the relevant tax themselves.

H Share Holders

Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations, the "Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises" (Guoshuihan [2008] No. 897) and Notice of SAT on the List of Agreed Dividend Tax Rates (Guo Shui Han [2008] No. 112) relevant regulations, the Bank temporarily withholds the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose name appear on the register of members in respect of H shares of the Bank on 9 May 2017, and the effective tax rate is determined based on the agreed tax rate.

Non-resident Individual Shareholders

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

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

Investors of Southbound Trading

Withholding Hong Kong stocks personal income tax of individual shareholders in the Mainland

Shanghai-Hong Kong
Stock Connect:

Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No.81), for the distribution of final dividends to mainland individual Shareholders who invest in the H Shares of the Bank through Shanghai-Hong Kong Stock Connect (these H Shares are registered in the name of Hong Kong Securities Clearing Co., Ltd (agent) and is held by China Securities Depository and Clearing Co., Ltd. as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%. For the distribution of final dividends to Shareholders of mainland securities investment funds investing in the H shares of the Bank through Shanghai-Hong Kong Stock Connect (these H Shares are registered in the name of Hong Kong Securities Clearing Company Limited and is held by China Securities Depository and Clearing Co., Ltd. as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%.

Shenzhen-Hong Kong
Stock Connect:

Pursuant to the Circular on Taxation Policies concerning the Pilot Program of the Shenzhen-Hong Kong Stock Exchange Trading Interconnection Mechanism (Cai Shui [2016] No. 127), for the distribution of final dividends to mainland individual Shareholders who invest in the H Shares of the Bank through Shanghai-Hong Kong Stock Connect (these H Shares are registered in the name of Hong Kong Securities Clearing Co., Ltd (agent) and is held by China Securities Depository and Clearing Co., Ltd. as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%. For the distribution of final dividends to Shareholders of mainland securities investment funds investing in the H Shares of the Bank through Shanghai-Hong Kong Stock Connect (these H Shares are registered in the name of Hong Kong Securities Clearing Company Limited and is held by China Securities Depository and Clearing Co., Ltd. as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%.

Not withholding Hong Kong stocks personal income tax of individual shareholders in the Mainland

Shanghai-Hong Kong Stock Connect:

Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No.81), For the distribution of final dividends by mainland corporate shareholders investing in the H Shares of the Bank through Shanghai-Hong Kong Stock Connect (these H Shares are registered in the name of Hong Kong Securities Clearing Co., Ltd (agent) and is held by China Securities Depository and Clearing Co., Ltd. as the nominal holder), the Bank will not withhold corporate income tax, and the tax payable shall be submitted and paid by the Shareholders of the mainland enterprises themselves. Among them, dividends obtained by Shareholders of mainland enterprises who hold H Shares of the Bank for 12 consecutive months are exempt from corporate income tax.

Shenzhen-Hong Kong Stock Connect:

Pursuant to the Circular on Taxation Policies concerning the Pilot Program of the Shenzhen-Hong Kong Stock Exchange Trading Interconnection Mechanism (Cai Shui [2016] No. 127), For the distribution of final dividends by mainland corporate shareholders investing in the H Shares of the Bank through Shenzhen-Hong Kong Stock Connect (these H Shares are registered in the name of Hong Kong Securities Clearing Company Limited and is held by China Securities Depository and Clearing Co., Ltd. as the nominal holder) the Bank will not withhold corporate income tax, and the tax payable shall be submitted and paid by the Shareholders of the mainland enterprises themselves. Among them, dividends obtained by Shareholders of mainland enterprises who hold H Shares of the Bank for 12 consecutive months are exempt from corporate income tax.

AUDITORS

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers have been the Bank's domestic and overseas auditors for 2017.

The Bank's financial report for the year 2017 prepared in accordance with International Financial Reporting Standards had been audited by PricewaterhouseCoopers, who had issued an unqualified audit report.

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

BUSINESS REVIEW

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

In 2017, the Bank has made a new and great progress in operation and management. The total assets of the Group amounted to RMB905.8 billion. The balance of deposits was RMB572.2 billion, representing an increase of RMB5.4 billion. The market share raised steadily. Judging from the whole market, the balance and increased amount of deposits increased by 1 and 18.5 percentage points respectively compared to last year. The balance of loans stood at RMB338.3 billion, representing a growth of 12.6%. Net profit amounted to RMB9 billion, representing an increase of 12.6% over the same period of last year. The income structure is constantly improving. Net fee and commission income was RMB2.3 billion, representing an increase of 8.4%.

In 2017, the Bank continued to optimise the risk management system. Control standard and procedures (such as strengthening unified credit extension, automatic approval of online retail business, clear large-sum loan, “Dual difference” loan, government platform etc.) strictly guard the entry approval. Large-sum risk loan interactive management was strengthened, risk management and control measures were used reasonably, risk loan of RMB6.1 billion was resolved during the year. Differentiated authorisation and dynamic adjustment mechanism was established, strict product innovation and cooperation with third party organisations were reviewed and assessed, management of business premises, seals and contracts was strengthened, approval of non-standard contracts of business type was standardised, regulatory special governance self-inspection works such as “Three-three-fourty” were completed successfully, problem rectification and follow up supervision were strengthened. Continuous deepened inspections of fraudulent cases and staff behaviour, innovative reputation risk rehearsal methods, steady handling of letters, visits and events safeguarded the safe and stable operation of the Bank effectively, achieving the “Zero Crime” objective.

In 2018, the Bank will firmly grasped the regulatory situation and new regulatory requirements, continue to implemented the “Three-Transformation” strategy earnestly, insist on promoting reform and innovation as well as conversion and upgrade, strengthen the innovation of economic technology, speed up the promotion of conversion and upgrade; communicate significant strategic landing, increase the dynamic of interactive marketing; explore the micro retail market, deliver and perform quality products and services; raise the level of fine management, organise and promote the efficiency enhancement of cost reduction; insist on stable asset quality, prevent various risks effectively.

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

Policy Risk

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

Credit Risk

The Bank reinforced the credit risk management by formulating guidance for credit allocation for the year, determined the industrial structure adjustment direction and key points for management and governance, strengthen the risk control of key areas such as local debts (the governmental financing platforms), the real estate sector and industries with high pollution, high energy consumption and excess capacity, leading to continuous optimisation of credit structure. In addition, the Bank enhanced management on matured loans, implemented team management on matured loans and joint management on large-sum troubled loan. At the same time, the Bank promoted the construction of internal rating-based approach for credit risk to practically improve the credit risk management.

Liquidity Risk

Facing to the complicated and ever-changing liquidity condition in the financial market, the Bank focused on enhancing the liquidity management. It rationally matched the term structure of assets and liabilities. By means of reinforcing management on excess reserve, reserving high-quality liquid assets and reasonably matching the deposit term structure, the Bank's assets and liabilities remained stable.

Operational Risk

The Bank continuously improved the operational risk management system, established critical risk indicator monitoring mechanism to follow up and understand the risk exposure. The Bank continuously improved internal control management system and optimised system establishment. Through prevention of case risk, staff behaviour management long-term mechanism and combining various daily special checks, the Bank identified and control operational risk comprehensively. The Bank actively promoted the approval of information system to achieve rigid control of operation risk and precise and effective risk management. The Bank continuously optimised the recovery system of "Two Areas and Three Centers", commencing emergency rehearsal with order, and strengthen the ability of information technology risk control and prevention, improving the operation foundation.

Financial Risk

Please refer to "Management Discussion and Analysis" on pages from 13 to 81 of the annual report for further information of financial risk.

Compliance with Laws, Rules and Regulations

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

Employment Relations

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

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

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

Relations with Clients and Suppliers

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

In view of the business nature of the Bank, the Bank did not have major supplier.

Environmental Protection Policy and Implementation of the Bank

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

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

Subsequent Major Events with Significant Influence to the Bank

The Bank conducted a comprehensive review on the financial performance of 2017 pursuant to the national laws and regulatory requirements and prepared annual report for the year of 2017. In 2017, the Bank submitted application materials to the China Securities Regulatory Commission for the issue of A shares, and received “Notice Regarding the CSRC’s Acceptance of the Application for Administrative Permission” (《中國證監會行政許可申請受理通知書》) (No. 172656) dated 3 January 2018 issued by CSRC on 4 January 2018. Save for the above, no major event or case having significant influence to the Bank has occurred after completion of annual financial review.

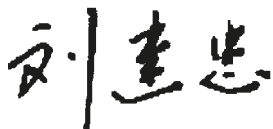
Permitted Indemnity Provision

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

Equity-linked Agreement

During the year ended 31 December 2017, the Banks has not entered into any equity-linked agreement.

On behalf of the Board



Liu Jianzhong
Chairman

29 March 2018

Report of the Board of Supervisors

The board of supervisors of the Bank abided by the Articles of Association and the responsibility assigned by the regulatory authorities. The board of supervisors was in line with the principles that were conducive to the sustained and steady development of the Bank's business, the reform and innovation of the Bank, and the protection of shareholders' rights and interests, so as to continuously improve the working methods and enhance the effectiveness of supervision, promoting the steady operation and healthy development of the Bank.

MAJOR WORK

Supervision on Meetings

In the past year, the board of supervisors were convened 7 meetings in total, at which 19 resolutions including the financial budget, profit distribution, and internal control evaluation report were considered and approved. The board of supervisors played its role as a special committee and convened 10 related meetings, at which 14 resolutions were considered. Before each meeting was convened, the issues were submitted to the reviewers as required, and opinions were fully discussed at the meetings to ensure that the meetings were effective. The board of supervisors attended 4 general meetings and 10 on-site conferences of the board of directors and participates in 85 important operation and management meetings, including the party committee of the head office and presidents' office meetings. It supervised issues involving corporate governance, strategic planning, compliance management, and risk prevention and control, and supervised the implementation of resolutions of the meetings by senior management to improve the quality and effectiveness of prior supervision.

Daily Supervision

The board of supervisors performed its duty to carry out supervision. The board of supervisors continued to pay attention to the compliance of the board of directors, senior management and its members with the laws and regulations and the articles of association of the Bank, strengthened the supervision of the implementation of the development strategies, and conducted post-strategy assessment. The board of supervisors focused on the performance of duties of the board of directors and senior management in terms of strategy formulation and implementation, formulation and implementation of capital planning, construction and effectiveness of internal control risk management systems, and compliance with major financial decisions. The board of supervisor paid attention to the supervision of the performance of duties, and collected relevant information on corporate governance, operation and management, risk management and control, and internal supervision through measures such as attending meetings, accessing information, and conducting interviews, discussions and performance evaluations, to deepen the supervision of the performance of duties.

As far as financial supervision is concerned, the board of supervisors focused on supervising the Bank's important financial decisions, revenue and expenditure and risk control, and strengthened the supervision of financial compliance and authenticity, and the effectiveness of financial resources allocation. The board of supervisors reviewed the monthly operating indicators on a regular basis, focusing on the operating efficiency, the main financial revenue and expenditure, the development of deposit and loan business, and the trend of changes in asset quality. The board of supervisors paid attention to the communication with the external auditors, listened to regular reports on audits, and made recommendations on, and continued to track, the impact of the fiscal reform on the financial income and expenditure and the influence of the incorporation off-balance-sheet financing into the MPA credit monitoring range for intermediate business as an external audit focus. The board of supervisors carried out post-evaluation work on the remuneration system, focusing on whether the Bank's performance appraisal system effectively promoted the steady development of the Bank's business, the transformation of its asset structure and the continuous improvement of the level of internal control risk management and control.

In terms of internal control and risk supervision, the board of supervisors continued to strengthen the effectiveness of internal control and supervision over the compliance with laws and regulations, listened to the Bank's internal control evaluation report, intensified the use of internal auditing results, seriously reviewed various internal audit reports, and continued tracking the implementation of the rectification of self-inspection and supervision and revelation of issues in the special inspections in respect of the board of directors, the board of supervisors and the senior management, and of the governance work of "Three Violations, Three Gains, and Four Mistakes", so as to promote the improvement of such rectification. The board of supervisors continued to focus on the internal control of information security and reviewed internal audit reports on information security and other special reports. The board of supervisors strengthened daily supervision of risk management, regularly listened to risk management reports, grasped the risk management situation of the Bank, and focused on the improvement of the risk management system, risk appetite and quota formulation and compliance.

Concentrated Supervision

The board of supervisors focused on the contents such as the implementation of national policies, laws and regulations and the “Three Important and One Major” system, main business indicators, strategic sustainable development capabilities, and internal control management and risk prevention, through measures such as on-site inspections, inspections and investigations on extended holding subsidiaries, meetings with auditors, and reviews on relevant archives, so as to organize and implement its concentrated supervision and inspection. In general, the board of supervisors believes that the Bank strictly implements all national policies and laws and regulations, maintains prudent risk appetite, establishes a good sense of compliance management, and upholds the principle of strict governance. The Bank completed the annual plan relatively well in various operation indicators, and the internal control management and risk prevention levels were improved continuously.

Special Inspection and Investigation

The board of supervisors actively carried out special inspection work in accordance with the Bank’s operating practices and fully performed its supervisory duties. The board of supervisors carried out the control of the funded enterprises as well as the special inspection of their internal control management, focusing on the inspection of the construction and implementation of such system, the appointment of shareholder representatives and the effectiveness of internal control management, and promoting the further improvement of the level of control over the funded enterprises. The board of supervisors conducted a special inspection of the electronic internet finance business, focusing on the construction and effectiveness of the internal control and management system for the risk of electronic internet finance business, and the support of relevant business and management systems for business development. In terms of business innovation, the board of supervisors conducted inspections on process control and risk prevention, and promoted the promotion and steady development of risk prevention and control of electronic internet finance business. The Bank conducted a special survey on the operating efficiency of outlets, focusing on issues such as outlet layout, network transformation, smart outlets, and operating efficiency of outlets. It promoted the integrated transformation of outlets, expanded the service functions of outlets, and improved the level of intelligence and operational effectiveness of outlets.

Self-establishment of the Board of Supervisors

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

INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

Operations in Compliance with Laws and Regulations

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

Financial Reporting

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have audited the financial report for the year 2017 of the Company prepared in accordance with the PRC Generally Accepted Accounting Principles and the International Financial Reporting Standards respectively, and has issued a standard and unqualified audit report respectively. The financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

Acquisition and Disposal of Assets

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

Report of the Board of Supervisors

Related Party Transactions

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

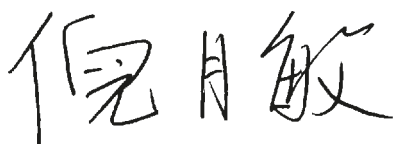
Internal Control

The board of supervisors has reviewed the 2017 Annual Internal Control Evaluation Report of Chongqing Rural Commercial Bank Co., Ltd. and was not aware of any significant defect in the Bank's internal control system and its implementation.

Social Responsibility

During the reporting period, the Bank vigorously undertook social responsibilities. The board of supervisors has no disagreement with the 2017 Report on Social Responsibilities of Corporate (2017年度企業社會責任報告) of the Bank.

On behalf of the board of supervisors



Ni Yuemin

Chairman of the board of supervisors

29 March 2018

Major Events

CORPORATE GOVERNANCE

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

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

CHANGES ON THE ARTICLES OF ASSOCIATION OF THE COMPANY

During the reporting period, in accordance with the requirement of the Company Law and the Opinions of the Chongqing State-owned Assets Supervision and Administration Commission on Implementing Overall Strictness in Administering the Party in Advancing the Reform and Development of State-owned Enterprises, the general requirements for party building work shall be included in the Articles of Association of state-owned enterprises and amendment shall be made to the Articles of Association of the Company in light of the actual condition of the Bank: firstly the addition of the content of "the preservation and appreciation of the state-owned assets of the Bank" and making regulations on the relevant content of "Party committee"; secondly, after the relocation of the office building of head office, making amendments to address, postal code, telephone number and fax number of the Bank in accordance with the actual situation; thirdly, making amendments to number of ordinary shares, percentage, Capital structure and registered capital in accordance with the situation of private placement domestic shares; fourthly, adjusting the authorization of Chairman of the Board of Directors and cancelling Chairman of the Board of Directors's right to decide the deployment of the branch institutions of the Bank. Following that the above proposals were considered and approved at the 31st, 40th and 42nd meeting of the third session of the Board, they were submitted to the 2016 annual general meeting for consideration and approval and were distributed to all branches of the Bank after the approval of the banking regulatory authorities on 14 November 2017.

MATERIAL RELATED PARTY TRANSACTIONS

As of the end of the reporting period, the loan balance of material related party transactions with related parties amounted to RMB133.36 million, accounting for 3.94% of the total loan of the Bank. Loans under the material related party transactions between the Bank and related parties have no negative impact on operating results and the financial position of the Bank.

MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

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

As of the end of the reporting period, pending legal proceedings in which the Bank was a defendant or a third party involved an amount of RMB28,160,000. In the opinion of the Bank, it will not have any material effect on the Bank's operating activities.

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

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

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

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

MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

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

PRIVATE DIRECTIONAL ADDITIONAL ISSUANCE OF DOMESTIC SHARES

The core tier-1 capital has not been replenished since the successful completion of the IPO of H shares of the Bank in 2010. Considering that it is hard to complete the IPO of A shares in short term, the Bank intends to replenish the core tier-1 capital by way of directional additional issuance of Domestic Shares, in order to support the future business development of the Bank and ensure the continued satisfaction of capital to the regulatory requirement by the Bank.

The resolutions on private directional additional issuance of domestic shares and related matters of the Bank, among others, were considered and approved at the 2016 AGM of the Bank which was held on 5 May 2017. The Approval of Chongqing Rural Commercial Bank's Plan of Directional Additional Issuance of Domestic Shares (Yu Yin Jian Fu [2017] No. 130) (《關於重慶農村商業銀行定向增發內資股方案的批覆》(渝銀監覆[2017] 130號)) was approved and issued subsequently by the CBRC Chongqing Office in September 2017 that the Bank performed private placement of domestic shares to Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司). On 21 September 2017, the Bank performed directional issuance of 700 million RMB ordinary shares at a price of RMB5.75 per share, with a stock face value of RMB1.00. The registered capital of the Bank after the capital increase became RMB10,000 million. On 29 September 2017, the procedures of registration and deposit of the shares were completed with China Securities Depository and Clearing Co., Ltd. The directional additional issuance of domestic shares was completed and announced.

For details, Shareholders may refer to the announcements dated 17 March 2017, 5 May 2017, 23 August 2017, 18 September 2017 and 29 September 2017 and the circular dated 12 April 2017 of the Bank in relation to, among other things, Directional Additional Issuance of Domestic Shares and related matters.

INITIAL PUBLIC OFFERING of A SHARES

The resolution on the initial public offering and listing of Renminbi Ordinary Shares (the “A Share Offering”), among others, was considered and approved at the 2015 AGM of the Bank which was held on June 17, 2016. The resolution of extension of the term of the A Shares Offering, among others, was considered and approved at the 2016 AGM held on May 5, 2017.

In 2017, the Bank complied with the requirements of the relevant laws and regulations and submitted full set of application materials in respect of the A Shares Offering, including the A Share Prospectus Application Proof of Chongqing Rural Commercial Bank Co., Ltd.’s Initial Public Offering of A Shares to the CSRC on 26 December 2017, and “CSRC’s Acceptance Notice of the Application for Administration Permission” (No.172656) (《中國證監會行政許可申請受理通知書》(172656號)) dated January 3, 2018 issued by the CSRC was received on January 4, 2018.

The Bank has yet to obtain the feedbacks from the CSRC on the application materials in respect of the A Shares Offering, and will submit the responses and the updated application materials to the CSRC as required after the feedback is obtained. After CRSC’s approval of the A Shares Offering, the Bank will carry out the listing registration and other procedures in relation to the A Shares Offering in accordance with the relevant rules, regulations and requirements of the CSRC, the Shanghai Stock Exchange and the China Securities Depository and Clearing Corporation Limited. Program. The progress of the A Shares Offering will be determined on basis of the CSRC’S review and the conditions of the A Shares market.

For details, Shareholders may refer to (i) the supplemental circular and the supplemental notice of the 2015 annual general meeting both dated June 6, 2016; (ii) the announcement of resolutions passed at the 2015 annual general meeting dated June 17, 2016 of the Bank, in relation to, among others, the A Share Offering; (iii) the announcement dated March 17, 2017; (iv) the notice of the 2016 annual general meeting dated March 21, 2017; (v) the circular of the 2016 annual general meeting dated April 12, 2017; (vi) the announcement of resolutions passed at the 2016 annual general meeting dated May 5, 2017, in relation to, among others, the extension of the term of the A Shares Offering; and (vii) the announcement dated March 12, 2018; and (viii) the announcement dated March 29, 2018, in relation to, among others, the extension of the term of the A Shares Offering and related matters.

Independent Auditor's Report

To the shareholders of Chongqing Rural Commercial Bank Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group") set out on pages 164 to 295, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report (Continued)

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Impairment allowance of loans and advances to customers
- Consolidation of structured entities
- Classification of investments in trust and asset management plans and wealth management products (WMPs) issued by other banks

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment Allowance of Loans and Advances to Customers</p> <p><i>Refer to Note 4, "Critical Accounting Judgments and Estimates" and Note 22, "Loans and Advances to Customers" to the Consolidated Financial Statements.</i></p> <p>As at 31 December 2017, the Group had a total balance of loans and advances to customers of RMB338,347 million, with impairment allowances of RMB14,237 million provided.</p> <p>Management of the Group adopted individual and collective assessment to determine the impairment allowances.</p> <p>Loans and advances to customers which were considered individually significant were initially assessed individually for impairment. Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed with no objective evidence of impairment on an individual basis were assessed for impairment on a collective basis.</p> <p>During the assessment process, management consider future cash flows estimation for individual assessment; select parameters and models, and apply calculation methodology for collective assessment.</p> <p>Because of the significance of the loans and advances balance and judgement involved in the assessments, impairment allowance of loans and advances was an area of focus.</p>	<p>Our procedures in relation to impairment allowance of loans and advances to customers included:</p> <ul style="list-style-type: none"> – Understood, evaluated and tested the internal controls related to risk assessment and impairment assessment of loans and advances to customers; <p>Individual assessment</p> <ul style="list-style-type: none"> – Based on the criteria that may indicate evidence of impairment, we performed independent credit reviews on a sample basis for individually significant loans and advances to customers, to assess whether these loans are impaired and whether the impairment was identified by management on a timely basis; – Evaluated individual assessment, including accuracy of source data for estimated cash inflow, realisable value of mortgages and pledges and discount rates used against available external evidence; <p>Collective assessment</p> <ul style="list-style-type: none"> – Tested the completeness of the underlying loan information used in the impairment models by agreeing the relevant data to the Group's loan systems; – Evaluated and tested the accuracy of overdue periods recorded and the corresponding risk classifications; – Evaluated the migration rate calculated by management with reference to the macro economic data and historical information (including trend of historical default rates and experience for losses), and challenged the assumptions as to whether they reflect the current economic environment and are in line with recent loss experience and representative of current credit risks. <p>Based on the work done, we found management's judgement exercised in identifying impaired loans and estimation of allowances for impairment losses on loans and advances to customers to be supportable.</p>

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Consolidation of Structured Entities</p> <p><i>Refer to Note 3 "Significant Accounting Policies", Note 4 "Critical Accounting Judgments and Estimates", and Note 49 "Structured Entities" to the Consolidated Financial Statements.</i></p> <p>As at 31 December 2017, consolidated structured entities of the Group mainly consisted of guaranteed wealth management products. Management assessed whether the structured entities managed or owned and invested by the Group should be consolidated by determining whether control exists.</p> <p>As a result of the complexity of application of control assessments of IFRS 10 and the significant balance of structured entities on reporting date, we considered that the assessment of the consolidation of structured entities should be an area of focus.</p>	<p>Our procedures in relation to management's assessment on consolidation of structured entities included:</p> <ul style="list-style-type: none"> – Understood, evaluated and tested management control process adopted on the consolidation assessment and disclosures of structured entities; – Evaluated management's accounting policies on control assessment against IFRS 10, including the Group's power over the structured entities; the Group's exposure, or rights, to variable returns from involvement with the structured entities; and the Group's ability to use power over the structured entities to affect the returns; and their application consistency; – Performed sampling testing of structured entities by reviewing supporting documents including contracts and assessed whether they were controlled by the Group; – Understood and evaluated disclosures in the consolidated financial statements in relation to consolidated structured entities. <p>Based on the work done, we found management's assessments in relation to control of structured entities to be supportable.</p>

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Classification of investments in trust and asset management plans and WMPs issued by other banks</p> <p><i>Refer to Note 4 “Critical Accounting Judgments and Estimates”, Note 23 “Available-for-sale Financial Assets” and Note 25 “Debt Securities Classified as Receivables”, to the Consolidated Financial Statements.</i></p> <p>As at 31 December 2017, investments in trust and asset management plans amounting to RMB5,230 million and WMPs issued by other banks amounting to RMB147,663 million were classified as available-for-sale financial assets by the Group; investments in trust and asset management plans amounting to RMB46,425 million were classified as debt securities classified as receivables.</p> <p>Classifications of investments in trust and asset management plans and WMPs issued by other banks were subject to certain assumptions and management judgments, including whether these financial assets were associated with fixed or determinable amount of payments, the management's objectives and intentions to hold these assets and whether to be quoted in active trading markets.</p> <p>Due to the significance in amount and judgements exercised in classifications, we considered that classification of investments in trust and asset management plans and WMPs issued by other banks should be an area of focus.</p>	<p>Our procedures in relation to management's classification of trust and asset management plans and WMPs issued by other banks included:</p> <ul style="list-style-type: none"> – Evaluated the rationality, applicability and consistency of the accounting policies used in the classification of financial instruments into trust and asset management plans and WMPs issued by other banks by management; – Reviewed on a sampling basis the investment contracts and offering documents of the trust and asset management plans and WMPs invested by the Group; we also independently sent confirmations on a sampling basis to verify significant terms in the investment contracts; – Checked the market transactions and activities to confirm the non-existence of active market quotes for trust and asset management plans and WMPs issued by other banks. <p>Based on the work done, we found management's classifications of investments in trust and asset management plans and WMPs issued by other banks were supportable.</p>

Independent Auditor's Report (Continued)

Other Information

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

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

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

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

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

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

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

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

Independent Auditor's Report (Continued)

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March, 2018

Consolidated Income Statement

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	2017	2016
Interest income	5	39,288,408	32,866,157
Interest expenses	5	(17,787,678)	(13,461,438)
Net interest income		<u>21,500,730</u>	<u>19,404,719</u>
Fee and commission income	6	2,454,254	2,223,886
Fee and commission expense	6	(158,673)	(105,527)
Net fee and commission income		<u>2,295,581</u>	<u>2,118,359</u>
Net trading losses	7	(36,765)	(15,614)
Other operating income, net	8	210,498	154,247
Operating income		<u>23,970,044</u>	<u>21,661,711</u>
Operating expenses	9	(8,329,545)	(8,450,978)
Impairment losses on financial assets	11	(3,710,602)	(2,676,544)
Net gains from disposals of available-for-sale financial assets		25,076	64,740
Net gains from disposals of debt securities classified as receivables		4,752	45,907
Profit before tax		11,959,725	10,644,836
Income tax expense	12	(2,951,371)	(2,643,514)
Profit for the year		<u>9,008,354</u>	<u>8,001,322</u>
Attributable to:			
Shareholders of the Bank		8,935,973	7,944,748
Non-controlling interests		72,381	56,574
		<u>9,008,354</u>	<u>8,001,322</u>
Earnings per share (Expressed in RMB Yuan per share)			
– Basic and diluted	13	<u>0.94</u>	<u>0.85</u>

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	2017	2016
Profit for the year	9,008,354	8,001,322
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gains/(losses) on defined benefit plans	243,710	(268,940)
Income tax relating to actuarial gains/(losses) on defined benefit plans	<u>(60,927)</u>	<u>67,235</u>
	<u>182,783</u>	<u>(201,705)</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value losses on available-for-sale financial assets	(217,189)	(70,155)
Income tax relating to available-for-sale financial assets	<u>54,297</u>	<u>17,539</u>
	<u>(162,892)</u>	<u>(52,616)</u>
Other comprehensive income/(losses) for the year, net of tax	<u>19,891</u>	<u>(254,321)</u>
Total comprehensive income for the year	<u><u>9,028,245</u></u>	<u><u>7,747,001</u></u>
Total comprehensive income attributable to:		
Shareholders of the Bank	8,955,864	7,690,427
Non-controlling interests	<u>72,381</u>	<u>56,574</u>
Total comprehensive income for the year	<u><u>9,028,245</u></u>	<u><u>7,747,001</u></u>

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

Consolidated Statement of Financial Position

As at 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	31 December 2017	31 December 2016
ASSETS			
Cash and balances with central bank	15	97,012,085	85,835,992
Deposits with banks and other financial institutions	16	45,380,379	34,582,759
Placements with banks and other financial institutions	17	102,641,378	112,571,397
Financial assets held for trading	18	519,234	3,511,939
Financial assets designated at fair value through profit or loss	19	—	1,009,400
Derivative financial assets	20	169,629	52,261
Financial assets held under resale agreements	21	2,443,685	3,699,871
Loans and advances to customers	22	324,109,622	288,116,411
Available-for-sale financial assets	23	165,780,616	90,141,757
Held-to-maturity investments	24	72,444,185	67,842,199
Debt securities classified as receivables	25	78,743,066	101,151,277
Property and equipment	27	5,000,967	5,198,481
Goodwill	28	440,129	440,129
Deferred tax assets	38	3,256,728	2,781,708
Other assets	30	7,836,377	6,222,151
Total assets		905,778,080	803,157,732
LIABILITIES			
Borrowings from central bank	31	31,338,420	24,954,500
Deposits from banks and other financial institutions	32	85,487,818	104,282,525
Placements from banks and other financial institutions	33	22,979,936	20,755,494
Derivative financial liabilities	20	176,589	52,211
Financial assets sold under repurchase agreements	34	7,545,030	8,965,463
Deposits from customers	35	572,184,256	518,185,883
Accrued staff costs	36	5,022,904	4,682,378
Corporate income tax payable		877,159	764,802
Debt securities issued	37	103,901,345	58,487,030
Other liabilities	39	11,018,938	7,837,609
Total liabilities		840,532,395	748,967,895

Consolidated Statement of Financial Position (Continued)

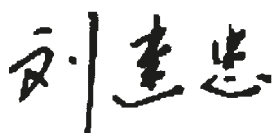
As at 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	31 December 2017	31 December 2016
EQUITY			
Share capital	40	10,000,000	9,300,000
Capital reserve	41	12,501,557	9,201,954
Investment revaluation reserve	42	(109,673)	53,219
Actuarial changes reserve		(130,651)	(313,434)
Surplus reserve	43	9,457,152	8,580,210
General reserve	44	10,726,344	9,473,893
Retained earnings	45	<u>21,243,958</u>	<u>16,297,378</u>
Equity attributable to shareholders of the Bank		63,688,687	52,593,220
Non-controlling interests		<u>1,556,998</u>	<u>1,596,617</u>
Total equity		<u>65,245,685</u>	<u>54,189,837</u>
Total equity and liabilities		<u>905,778,080</u>	<u>803,157,732</u>

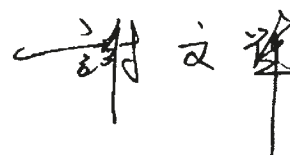
The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 29 March 2018.



LIU JIANZHONG

CHAIRMAN



XIE WENHUI

EXECUTIVE DIRECTOR AND PRESIDENT

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Attributable to shareholders of the Bank							Non-controlling interests	Total	
		Share capital	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings			Subtotal
As at 1 January 2017		9,300,000	9,201,954	53,219	(313,434)	8,580,210	9,473,893	16,297,378	52,593,220	1,596,617	54,189,837
Profit for the year		-	-	-	-	-	-	8,935,973	8,935,973	72,381	9,008,354
Other comprehensive income		-	-	(162,892)	182,783	-	-	-	19,891	-	19,891
Total comprehensive income for the year		-	-	(162,892)	182,783	-	-	8,935,973	8,955,864	72,381	9,028,245
Contribution from shareholders		700,000	3,291,332	-	-	-	-	-	3,991,332	-	3,991,332
Transactions with non-controlling interests		-	8,271	-	-	-	-	-	8,271	(112,000)	(103,729)
Appropriation to surplus reserve	43	-	-	-	-	876,942	-	(876,942)	-	-	-
Appropriation to general reserve	44	-	-	-	-	-	1,252,451	(1,252,451)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(1,860,000)	(1,860,000)	-	(1,860,000)
As at 31 December 2017		10,000,000	12,501,557	(109,673)	(130,651)	9,457,152	10,726,344	21,243,958	63,688,687	1,556,998	65,245,685
As at 1 January 2016		9,300,000	9,201,954	105,835	(111,729)	7,798,116	8,017,146	12,451,471	46,762,793	1,525,008	48,287,801
Profit for the year		-	-	-	-	-	-	7,944,748	7,944,748	56,574	8,001,322
Other comprehensive income		-	-	(52,616)	(201,705)	-	-	-	(254,321)	-	(254,321)
Total comprehensive income for the year		-	-	(52,616)	(201,705)	-	-	7,944,748	7,690,427	56,574	7,747,001
Contribution from non-controlling interests		-	-	-	-	-	-	-	-	20,000	20,000
Appropriation to surplus reserve	43	-	-	-	-	782,094	-	(782,094)	-	-	-
Appropriation to general reserve	44	-	-	-	-	-	1,456,747	(1,456,747)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(1,860,000)	(1,860,000)	(4,965)	(1,864,965)
As at 31 December 2016		9,300,000	9,201,954	53,219	(313,434)	8,580,210	9,473,893	16,297,378	52,593,220	1,596,617	54,189,837

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	2017	2016
Cash flows from operating activities		
Profit before tax	11,959,725	10,644,836
Adjustments for:		
Depreciation and amortisation	805,725	696,633
Impairment losses	3,710,602	2,676,544
Investment interest income	(13,939,168)	(10,751,724)
Interest income arising from impaired financial assets	(71,265)	(71,609)
Interest expense arising from debt securities issued	3,989,308	1,491,132
Net gains on disposal of investment securities	(29,828)	(110,647)
Dividends income from investment securities	(4,957)	(5,417)
Net gains on disposal of property and equipment	(37,768)	(20,744)
Net losses/(gains) on financial assets held for trading	28,721	(952)
Exchange gains	(65,478)	(49,290)
	<u>6,345,617</u>	<u>4,498,762</u>
Operating cash flows before movements in working capital		
Increase in balances with central bank, deposits with banks and other financial institutions	(22,328,657)	(550,009)
Increase in placements with banks and other financial institutions	(12,514,583)	(27,598,628)
Decrease in financial assets held under resale agreements	2,999,871	9,728,050
Decrease/(Increase) in financial assets held for trading	2,970,994	(2,264,425)
Increase in loans and advances to customers	(39,828,318)	(32,846,066)
Decrease in financial assets designated at fair value through profit or loss	1,009,400	1,900,300
Decrease in financial assets sold under repurchase agreements	(1,420,433)	(35,933,709)
Increase in deposits from customers, deposits from banks and other financial institutions	35,203,666	65,045,616
Increase in borrowings from central bank	6,383,920	19,235,460
Increase in placements from banks and other financial institutions	2,224,442	8,092,439
Decrease in other operating assets	68,564	937,644
Increase/(Decrease) in other operating liabilities	2,839,215	(1,214,411)
	<u>(16,046,302)</u>	<u>9,031,023</u>
Cash (used in)/generated by operating activities		
Income tax paid	(3,320,664)	(2,945,376)
	<u>(19,366,966)</u>	<u>6,085,647</u>
Net cash flows (used in)/from operating activities		

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	2017	2016
Cash flows from investing activities			
Cash received from disposal and redemption of investment securities		470,784,048	398,797,401
Cash received from disposal of property and equipment and other assets		90,903	80,656
Cash paid for purchase of investment securities		(528,709,726)	(448,967,951)
Cash paid for purchase of property and equipment and other assets		(786,196)	(709,141)
Interest income received from investment securities		13,667,857	10,515,242
Dividends income from investment securities		4,957	5,417
Net cash flows used in investing activities		<u>(44,948,157)</u>	<u>(40,278,376)</u>
Cash flows from financing activities			
Contribution from non-controlling shareholders		–	20,000
Contribution from shareholders		3,991,332	–
Transactions with non-controlling interests		(103,729)	–
Debt securities issued		189,936,007	143,247,667
Redemption of bonds issued		(148,040,000)	(120,770,000)
Dividends paid to shareholders of the Bank		(1,969,035)	(1,727,536)
Dividends paid to shareholders of non-controlling interests		–	(4,965)
Interest paid on debt securities issued		<u>(471,000)</u>	<u>(319,000)</u>
Net cash flows from financing activities		<u>43,343,575</u>	<u>20,446,166</u>
Net decrease in cash and cash equivalents		(20,971,548)	(13,746,563)
Cash and cash equivalents as at 1 January		69,664,471	83,209,705
Effect of foreign exchange rate changes		<u>(84,313)</u>	<u>201,329</u>
Cash and cash equivalents as at 31 December	46	<u><u>48,608,610</u></u>	<u><u>69,664,471</u></u>
Net cash from operating activities include:			
Interest received		24,115,303	22,093,870
Interest paid		<u>(12,808,779)</u>	<u>(13,969,438)</u>
Net interest received from operating activities		<u><u>11,306,524</u></u>	<u><u>8,124,432</u></u>

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of preparation

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.3 New standards, amendments and interpretations effective in 2017 and adopted by the Group

The following standards and amendments have been adopted by the Group for the first time for the financial year ended 31 December 2017:

- | | | |
|-----|-----------------------|--|
| (a) | Amendments to IAS 12 | Income Taxes |
| (b) | Amendments to IAS 7 | Statement of Cash Flows |
| (c) | Amendments to IFRS 12 | Disclosure of Interests in Other Entities – included in the Annual Improvements to IFRSs 2014 – 2016 cycle |

(a) *Amendments to IAS 12 – Income Taxes*

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

(b) *Amendments to IAS 7 – Statement of Cash Flows*

The IASB has issued an amendment to IAS 7 – introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

(c) *Amendments to IFRS 12: Disclosure of Interests in Other Entities – included in the Annual Improvements to IFRSs 2014 – 2016 cycle*

These amendments clarify the scope of IFRS 12 by specifying that the disclosure requirements, except for those summarized financial information for subsidiaries, joint ventures and associates, 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 above amendments does not have a significant impact on the operating results, comprehensive income and financial position of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.4 New standards, amendments and interpretations not yet effective and have not been adopted before their effective dates in 2017

The Group has not adopted the following new and amended standards that have been issued but are not yet effective:

		Effective for annual periods beginning on or after	
(a)	Amendments to IAS 28	Investments in Associates and Joint Ventures to IFRSs included in the Annual Improvements 2014 – 2016 cycle	1 January 2018
(b)	Amendments to IFRS 2	Share – based Payment	1 January 2018
(c)	Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
(d)	IFRS 9	Financial Instruments	1 January 2018
(e)	IFRS 15	Revenue from Contracts with Customers	1 January 2018
(f)	IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
(g)	Amendments to IAS 40	Transfer of Investment Property	1 January 2018
(h)	Amendments to IFRSs and IASs	IASB Annual Improvements 2015 – 2017 cycle	1 January 2019
(i)	IFRS 16	Leases	1 January 2019
(j)	IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
(k)	IFRS 17	Insurance Contracts	1 January 2021
(l)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.4 New standards, amendments and interpretations not yet effective and have not been adopted before their effective dates in 2017 (Continued)

- (a) *Amendments to IAS 28: Investments in Associates and Joint Ventures to IFRSs included in the Annual Improvements 2014 – 2016 cycle*

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 Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

- (b) *Amendments to IFRS 2: Share – based Payment*

The IASB issued an amendment to IFRS 2, "Share-based Payment". The amendments address the accounting for cash-settled share-based payments and equity-settled awards that include a "net settlement" feature in respect of withholding taxes. The adoption of IFRS 2 will not have a significant impact on the Group's consolidated financial statements.

- (c) *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

The IASB issued amendments to IFRS 4, Insurance Contracts, Applying IFRS 9 Financial Instruments with IFRS 4, which provides two alternative measures to address the different effective dates of IFRS 9 and the forthcoming insurance contracts standard. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.4 New standards, amendments and interpretations not yet effective and have not been adopted before their effective dates in 2017 (Continued)

(d) *IFRS 9: Financial Instruments*

IFRS 9 was published by the IASB in July 2014 and will replace the existing guidance in IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge account requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS39. Key requirements of IFRS 9 that are relevant to the Group are:

- All recognised financial assets that are within the scope of IAS 39 are subsequently measured at amortized cost or fair value under IFRS 9. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (“FVOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods and their fair value changes are recognised in profit or loss (“FVTPL”). In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. All of the above represent new requirements for classification and measurement for financial assets under IFRS 9 that will change the way the Group classifies and measures its financial assets in “financial assets at fair value through profit or loss”, “held-to-maturity investments”, “loans and receivables” and “available-for-sale financial assets” under the existing IAS 39.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The impairment requirements apply to debt financial assets measured at amortised cost and FVOCI, certain loan commitments and financial guarantee contracts. At initial recognition, impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months (“12-month ECL”). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (“lifetime ECL”). Financial assets where 12-month ECL is recognized are considered to be “stage 1”; financial assets which are considered to have experienced a significant increase in credit risk are in “stage 2”; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired are in “stage 3”. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.4 New standards, amendments and interpretations not yet effective and have not been adopted before their effective dates in 2017 (Continued)

(d) *IFRS 9: Financial Instruments (Continued)*

- The new general hedge accounting requirements retain the types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

In order to assess the potential impact on the Group's financial statements resulting from the adoption of IFRS 9, the Group developed the expected loss model and analyzed changes to the credit risk of financial assets. The Group has also performed analysis of business models and cash flow characteristics in the contract terms of its investments and other financial instruments, and completed the classification and measurement of its existing financial assets under IFRS 9. The adoption of IFRS 9 is expected to reduce the Group's total equity as at 1 January 2018 by no more than 1%, mainly due to the application of the ECL model and the impact of certain assets to be measured at fair value. These estimates are based on accounting policies, assumptions, judgements and modeling techniques that remain subject to further enhancement and calibrations in 2018.

The requirements of IFRS 9 took effect on 1 January 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Group does not intend to restate comparatives.

For the hedge accounting, the group has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.4 New standards, amendments and interpretations not yet effective and have not been adopted before their effective dates in 2017 (Continued)

(e) *IFRS 15: Revenue from Contracts with Customers*

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

(f) *IFRIC 22: Foreign Currency Transactions And Advance Consideration*

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.

(g) *Amendments to IAS 40: Transfer of Investment Property*

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. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(h) *Amendments to IFRSs and IASs: Annual Improvements to IFRSs 2015 – 2017 cycle*

The Annual Improvements to IFRSs 2015 – 2017 Cycle include a number of amendments to various IFRSs and IASs, including the amendments IFRS 3 – Business combinations, the amendments to IFRS 11 – Joint arrangements, the amendments to IAS 12 – Income taxes, the amendments to IAS 23 – Borrowing costs. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.4 New standards, amendments and interpretations not yet effective and have not been adopted before their effective dates in 2017 (Continued)

(i) *IFRS 16: Leases*

The IASB published IFRS 16, “Leases” (“IFRS 16”) on 13 January 2016, which replaces the current guidance in IAS 17. This will require far-reaching changes in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB214 million (see Note 50). However, the Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

(j) *IFRIC 23: Uncertainty Over Income Tax Treatments*

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.

(k) *IFRS 17: Insurance Contracts*

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group’s consolidated financial statements.

(l) *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

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

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

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

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

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

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

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

3.2 Consolidated structured entities

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Consolidated structured entities (Continued)

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

3.3 Segment reporting

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

3.4 Goodwill

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition

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

(a) *Interest income and expense*

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

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

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

(b) *Fee and commission income*

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

(c) *Dividend income*

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Taxation

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

(a) *Current tax*

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

(b) *Deferred tax*

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Taxation (Continued)

(b) Deferred tax (Continued)

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

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

3.7 Employee benefits

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

(a) Social welfare

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Employee benefits (Continued)

(b) Retirement benefit costs

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

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

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

Defined benefit costs are categorised as follows:

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Employee benefits (Continued)

(c) *Early retirement benefits*

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

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

3.8 Government grants

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

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

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

3.9 Financial instruments

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(a) Financial assets

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

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

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

A financial asset is classified as held for trading if:

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(a) Financial assets (Continued)

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

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

(ii) Held-to-maturity investments

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

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

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

(iii) Available-for-sale financial assets

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Available-for-sale financial assets (Continued)

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

(iv) Loans and receivables

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

(v) Impairment of financial assets

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

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

Impairment of financial assets carried at amortised cost

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

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(a) Financial assets (Continued)

(v) Impairment of financial assets (Continued)

Impairment of financial assets carried at amortised cost (Continued)

- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(a) Financial assets (Continued)

(v) Impairment of financial assets (Continued)

Impairment of financial assets carried at amortised cost (Continued)

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

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

Impairment of available-for-sale financial assets

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(b) Financial liabilities and equity instruments

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

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

(i) Financial liabilities at FVTPL

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

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

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

(ii) Other financial liabilities

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

(iii) Equity instruments

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

(c) Derivative financial instruments

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(d) Derecognition

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

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

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

(e) Offsetting financial assets and financial liabilities

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

(f) Financial guarantee contracts

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(g) *Repurchase agreements and agreements to resell*

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

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

3.10 Property and equipment

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Property and equipment (Continued)

Before 1 July 2017, the estimated useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

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

After 1 July 2017, the estimated useful lives, estimated residual value rates and annual depreciation rates of each class of newly acquired property and equipment are as follows:

Classes	Estimated useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	20 years	3%	4.85%
Electronic equipment	4/5 years	3%	24.25%/19.40%
Motor vehicles	5 years	3%	19.40%
Furniture and fixtures	5 years	3%	19.40%

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

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

3.11 Land use rights

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Intangible assets

(a) *Intangible assets acquired separately*

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

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

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

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

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

3.13 Impairment of tangible and intangible assets other than goodwill

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

3.14 Foreclosed assets

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

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

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

3.15 Cash and cash equivalents

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

3.16 Leases

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

(a) The Group as lessor

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Leases (Continued)

(a) *The Group as lessor (Continued)*

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

(b) *The Group as lessee*

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

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

3.17 Fiduciary and agency activities

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

3.18 Provisions

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

4.1 Impairment on financial assets

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

4.2 Scope of consolidation

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.3 Classifications of investments in trust and asset management plans and WMPs issued by other banks

Classifications of investments in trust and asset management plans and WMPs issued by other banks were subject to certain assumptions, including whether these financial assets were to be quoted in active trading markets, whether associated with fixed or determinable amount of payments and management's objective and intention to hold these assets. Changes in these assumptions would affect classifications of investment in trust and asset management plans and WMPs issued by other banks.

4.4 Held-to-maturity investments

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

4.5 Fair value of financial instruments

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

4.6 Supplementary retirement benefit and early retirement benefit obligation

The Group recognises liabilities in connection with retirement benefits of employees using the projected unit credit method based on various assumptions and judgments, including the discount rate and average medical expense increase rate for early retirement and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions and judgments may affect the amount of other comprehensive income for supplementary retirement benefit obligation and expense recognised in profit or loss for early retirement benefit obligation, and the corresponding liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.7 Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the year during which such a determination is made.

4.8 Changes in critical accounting judgements and estimates

The Group has initiated defined benefit plans, including supplementary retirement benefit for eligible employees. Management of the Group is about to implement an annuity plan and re-evaluate and determine the scope of employees to be included in the plan at the end of 2017, according to Notice No. 236 issued by Chongqing State-owned Assets Supervision and Administration Commission in 2017. This change in accounting estimate has been included in the financial statements for 2017, with an amount of RMB482 million affected. Staff data used by the Group in making accounting estimates for actuarial welfares were completely, based on reasonable assumptions and were the best estimates based on existing information available.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET INTEREST INCOME

	2017	2016
Interest income		
Loans and advances to customers	16,776,837	15,489,131
Including: Corporate loans and advances	10,069,889	9,482,071
Retail loans and advances	6,251,109	5,721,417
Discounted bills	455,839	285,643
Available-for-sale financial assets	6,127,978	934,423
Placements with banks and other financial institutions	4,980,795	3,038,320
Debt securities classified as receivables	4,880,996	6,749,788
Held-to-maturity investments	2,930,194	3,067,513
Deposits with banks and other financial institutions	1,712,790	1,628,574
Balances with central bank	1,356,327	1,183,658
Financial assets held under resale agreements	390,805	562,178
Financial assets held for trading	104,610	101,269
Financial assets designated at fair value through profit or loss	<u>27,076</u>	<u>111,303</u>
Subtotal	<u>39,288,408</u>	<u>32,866,157</u>
Interest expense		
Deposits from customers	(8,849,564)	(8,170,040)
Debt securities issued	(3,989,308)	(1,491,132)
Deposits from banks and other financial institutions	(2,630,347)	(2,100,355)
Borrowings from central bank	(929,603)	(511,768)
Placements from banks and other financial institutions	(911,290)	(600,813)
Financial assets sold under repurchase agreements	<u>(477,566)</u>	<u>(587,330)</u>
Subtotal	<u>(17,787,678)</u>	<u>(13,461,438)</u>
Net interest income	<u>21,500,730</u>	<u>19,404,719</u>
Included: interest income from impaired financial assets (Note 22.(3))	<u>71,265</u>	<u>71,609</u>
Included in interest income		
Interest income on listed investments	5,617,063	5,144,893
Interest income on unlisted investments	<u>8,453,791</u>	<u>5,819,403</u>
	<u>14,070,854</u>	<u>10,964,296</u>

Listed investments mainly include debt securities traded on the China Domestic Interbank Bond Market and stock exchanges.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

	2017	2016
Fee and commission income		
Wealth management fees	1,406,785	1,136,322
Agency service fees	425,359	377,594
Bank card fees	332,995	385,164
Settlement and clearing fees	131,118	174,419
Custodian and other fiduciary service fees	19,861	23,912
Others	138,136	126,475
Subtotal	<u>2,454,254</u>	<u>2,223,886</u>
Fee and commission expense		
Bank card fees	(49,464)	(50,822)
Settlement and clearing fees	(43,589)	(22,184)
Others	(65,620)	(32,521)
Subtotal	<u>(158,673)</u>	<u>(105,527)</u>
Net fee and commission income	<u>2,295,581</u>	<u>2,118,359</u>

7. NET TRADING LOSSES

	2017	2016
Held-for-trading debt securities	<u>(36,765)</u>	<u>(15,614)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

8. OTHER OPERATING INCOME, NET

	2017	2016
Government subsidies	87,473	42,265
Net foreign exchange gains	65,478	49,290
Net gains on disposal of property and equipment	37,768	20,744
Penalty and compensation income	11,680	13,486
Dividends income	4,957	5,417
Net gains on disposal of foreclosed assets	556	294
Others	2,586	22,751
	<u>210,498</u>	<u>154,247</u>
Total	<u>210,498</u>	<u>154,247</u>

9. OPERATING EXPENSES

	NOTE	2017	2016
Staff costs	(1)	5,480,105	5,296,318
General operating and administrative expenses		1,326,398	1,397,004
Depreciation and amortisation		805,725	696,633
Taxes and surcharges		188,456	662,790
Auditors' remuneration		4,481	4,162
Others		524,380	394,071
		<u>8,329,545</u>	<u>8,450,978</u>
Total		<u>8,329,545</u>	<u>8,450,978</u>

(1) Staff costs

	2017	2016
Salaries, bonuses and allowances	3,531,723	3,527,626
Social insurance	789,362	748,452
Housing funds	321,381	325,746
Staff welfare	145,152	162,866
Labour union fees and staff education expenses	121,727	120,998
Supplementary retirement benefits (Note 36)	566,710	448,450
Early retirement benefits (Note 36)	4,050	(37,820)
	<u>5,480,105</u>	<u>5,296,318</u>
Total	<u>5,480,105</u>	<u>5,296,318</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors' and supervisors' emoluments are as follows.

Name	2017			Total
	Fees	Paid basic salaries, bonuses, allowances and benefits in kind	Contribution to pension schemes	
Executive directors				
Liu Jianzhong	–	336	84	420
Xie Wenhui	–	336	84	420
Non-executive directors				
He Zhiming	60	–	–	60
Sun Lida	60	–	–	60
Chen Xiaoyan	60	–	–	60
Duan Xiaohua	60	–	–	60
Wen Honghai	60	–	–	60
Independent non-executive directors				
Sun Leland Li Hsun	120	–	–	120
Yin Mengbo	120	–	–	120
Yuan Zengting	120	–	–	120
Cao Guohua	120	–	–	120
Song Qinghua ⁽¹⁾	40	–	–	40
Supervisors				
Ni Yuemin	–	336	84	420
Zeng Jianwu	50	–	–	50
Zuo Ruilan	50	–	–	50
Wang Hong	80	–	–	80
Hu Shuchun	80	–	–	80
Pan Like	80	–	–	80
Zheng Yi	–	1,367	84	1,451
Zhu Yuzhou	–	1,115	84	1,199
Total	1,160	3,490	420	5,070

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows (continued)

Name	2016			Total
	Fees	Paid basic salaries, bonuses, allowances and benefits in kind	Contribution to pension schemes	
Executive directors				
Liu Jianzhong	–	267	79	346
Xie Wenhui	–	267	79	346
Non-executive directors				
He Zhiming	60	–	–	60
Sun Lida	60	–	–	60
Duan Xiaohua	60	–	–	60
Chen Xiaoyan	60	–	–	60
Wen Honghai	60	–	–	60
Independent non-executive directors				
Sun Leland Li Hsun	120	–	–	120
Yin Mengbo	120	–	–	120
Yuan Zengting	120	–	–	120
Cao Guohua	120	–	–	120
Supervisors				
Ni Yuemin	–	267	79	346
Zeng Jianwu	50	–	–	50
Zuo Ruilan	50	–	–	50
Wang Hong	80	–	–	80
Hu Shuchun	80	–	–	80
Pan Like	80	–	–	80
Zheng Yi	–	1,356	81	1,437
Zhu Yuzhou	–	1,107	81	1,188
Non-executive directors resigned				
Zheng Haishan ⁽²⁾	40	–	–	40
Total	1,160	3,264	399	4,823

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows (continued)

- (1) On 14 September 2017, Mr. Song Qinghua was assigned as an independent non-executive director of the Bank.
- (2) On 24 August 2016, Mr. Zheng Haishan resigned as a non-executive director of the Bank.

The total compensation packages for the directors, supervisors and senior management are determined based on the performances.

In accordance with regulations authorised by relevant authorities in the PRC, the compensation package for certain directors and supervisors for the current year have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group for the year ended 31 December 2017. The disclosed amount of remuneration is the amount paid in current year. The amount of final remuneration will be announced after approval.

Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors.

The emoluments payable to the five individuals whose emoluments were the highest in the Group during the year are as follows:

	2017	2016
Basic salaries, bonuses and allowances	9,105	8,782
Contributions to pension schemes	421	380
Total	9,526	9,162

Emoluments of the individuals were within the following bands:

	Number of individuals	
	2017	2016
RMB1,000,001 – RMB2,000,000	3	3
RMB2,000,001 – RMB3,000,000	2	2

During the years ended 31 December 2017 and 2016, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors waived any emoluments during the years ended 31 December 2017 and 2016.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

11. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2017	2016
Loans and advances to customers	3,284,444	2,372,915
Debt securities classified as receivables	481,199	241,242
Held-to-maturity investments	(55,309)	61,901
Foreclosed assets	–	486
Other receivables	268	–
	<u>3,710,602</u>	<u>2,676,544</u>
Total	<u>3,710,602</u>	<u>2,676,544</u>

12. INCOME TAX EXPENSE

(1) Income tax expense

	2017	2016
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	3,433,021	2,786,582
Deferred tax (Note 38. (2))	(481,650)	(143,068)
	<u>2,951,371</u>	<u>2,643,514</u>
Total	<u>2,951,371</u>	<u>2,643,514</u>

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the current and prior years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE (Continued)

(2) Reconciliation between income tax expense and accounting profit:

	NOTE	2017	2016
Profit before tax		11,959,725	10,644,836
Tax calculated at applicable statutory tax rate of 25%		2,989,931	2,661,209
Difference of income tax calculated at applicable statutory tax rate of 15%		(32,420)	(33,508)
Tax effect of expenses not deductible for tax purpose		159,768	153,565
Tax effect of income not taxable for tax purpose	(i)	(178,603)	(137,752)
Unrecognised deferred tax asset relating deductible tax losses		12,695	—
Income tax expense		2,951,371	2,643,514

- (i) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	2017	2016
Earnings:		
Profit for the year attributable to ordinary shareholders of the Bank	8,935,973	7,944,748
Number of shares:		
Weighted average number of ordinary shares in issue (thousands)	9,493,699	9,300,000
Basic and diluted earnings per share (RMB Yuan)	0.94	0.85

There were no potential dilutive ordinary shares outstanding during the current and prior years. Accordingly, diluted earnings per share were the same as basic earnings per share.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

14. DIVIDENDS

	2017	2016
Dividends recognised as distribution during the year		
2016 Final – RMB20 cents per share	<u>1,860,000</u>	–
2015 Final – RMB20 cents per share	<u>–</u>	<u>1,860,000</u>

A dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2017 with a total of RMB2,000 million has been proposed by the Board of Directors on 29 March 2018 and is subject to the approval by the shareholders in the forthcoming annual general meeting.

A dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2016, with a total of RMB1,860 million was approved in the 2016 annual general meeting on 5 May 2017.

15. CASH AND BALANCES WITH CENTRAL BANK

	<i>NOTE</i>	As at 31 December 2017	As at 31 December 2016
Cash		3,273,111	3,604,439
Mandatory reserve deposits with central bank	(1)	83,023,064	69,847,282
Surplus reserve deposits with central bank	(2)	8,946,135	10,549,341
Other deposits with central bank	(3)	<u>1,769,775</u>	<u>1,834,930</u>
Total		<u>97,012,085</u>	<u>85,835,992</u>

- (1) The Group places mandatory reserve deposits with the Central Bank (the “PBOC”). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group’s daily operations.

As at 31 December 2017, mandatory reserve deposits with the PBOC were calculated at 14.5% (31 December 2016: 13.5%) of eligible RMB deposits of the Bank, while for the subsidiaries were at 9%, 8% or 7% (31 December 2016: 9%, 8% or 7%); and 5% for foreign currency deposits from customers (31 December 2016: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing and position allocation.
- (3) This mainly represents the required fiscal deposits placed with the PBOC, which are non-interest bearing.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2017	As at 31 December 2016
Deposits with:		
Domestic banks and other financial institutions	44,493,416	34,389,943
Overseas banks	<u>886,963</u>	<u>192,816</u>
Total	<u>45,380,379</u>	<u>34,582,759</u>

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2017	As at 31 December 2016
Placements with:		
Other domestic financial institutions	81,918,814	75,965,999
Domestic banks	<u>20,722,564</u>	<u>36,605,398</u>
Total	<u>102,641,378</u>	<u>112,571,397</u>

18. FINANCIAL ASSETS HELD FOR TRADING

	As at 31 December 2017	As at 31 December 2016
Debt securities issued by:		
Public sector and quasi-governments	289,411	1,173,201
Corporations	90,014	101,829
Interbank deposit certificates	<u>139,809</u>	<u>2,236,909</u>
Total	<u>519,234</u>	<u>3,511,939</u>

All held-for-trading debt securities are traded on the China Domestic Interbank Bond Market.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

19. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2017	As at 31 December 2016
Unlisted debt instruments issued by financial institutions	—	1,009,400

There were no significant changes in the fair value of the debt instruments that were attributable to changes in the credit risk during the year ended 31 December 2016.

20. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 31 December 2017			As at 31 December 2016		
	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities
Currency forward	6,052,887	169,629	(168,326)	4,367,846	52,261	(52,211)
Foreign exchange swap	392,052	—	(8,263)	—	—	—
Total	<u>6,444,939</u>	<u>169,629</u>	<u>(176,589)</u>	<u>4,367,846</u>	<u>52,261</u>	<u>(52,211)</u>

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	NOTE	As at 31 December 2017	As at 31 December 2016
Analysed by collated types:			
Debt securities		2,443,685	1,299,840
Trust beneficial rights and assets management plans	(1)	—	2,400,031
Total		<u>2,443,685</u>	<u>3,699,871</u>

(1) The underlying investments were debt instruments with fixed or determinable return and fixed maturity.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	As at 31 December 2017	As at 31 December 2016
Gross loans and advances	338,346,567	300,421,435
Less: Allowance for impairment losses		
– Collectively assessed	(13,047,315)	(11,536,868)
– Individually assessed	<u>(1,189,630)</u>	<u>(768,156)</u>
Allowance for impairment losses	<u>(14,236,945)</u>	<u>(12,305,024)</u>
Net loans and advances to customers	<u>324,109,622</u>	<u>288,116,411</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Analysis of allowance for impairment losses by collective and individual assessments

	Loans and advances for which allowance is collectively assessed ⁽ⁱ⁾	Identified impaired loans and advances ⁽ⁱⁱ⁾			Sub-total	Total	Identified impaired loans and advances as a % of total gross loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed				
As at 31 December 2017							
Gross loans and advances	335,045,164	1,234,544	2,066,859	3,301,403	338,346,567	0.98	
Allowance for impairment losses	<u>(12,045,644)</u>	<u>(1,001,671)</u>	<u>(1,189,630)</u>	<u>(2,191,301)</u>	<u>(14,236,945)</u>		
Loans and advances to customers, net	<u>322,999,520</u>	<u>232,873</u>	<u>877,229</u>	<u>1,110,102</u>	<u>324,109,622</u>		
As at 31 December 2016							
Gross loans and advances	297,548,903	1,389,845	1,482,687	2,872,532	300,421,435	0.96	
Allowance for impairment losses	<u>(10,346,006)</u>	<u>(1,190,862)</u>	<u>(768,156)</u>	<u>(1,959,018)</u>	<u>(12,305,024)</u>		
Loans and advances to customers, net	<u>287,202,897</u>	<u>198,983</u>	<u>714,531</u>	<u>913,514</u>	<u>288,116,411</u>		

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(3) Movements of allowance for impairment losses

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2017	768,156	11,536,868	12,305,024
Charge for the year	1,444,693	7,988,026	9,432,719
Reversal for the year	(83,920)	(6,064,355)	(6,148,275)
Written off and transferred-out for the year	(986,561)	(610,086)	(1,596,647)
Reversal for receiving written-off loans and advances	95,798	219,591	315,389
Unwinding of discount	(48,536)	(22,729)	(71,265)
As at 31 December 2017	<u>1,189,630</u>	<u>13,047,315</u>	<u>14,236,945</u>
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2016	667,294	10,377,498	11,044,792
Charge for the year	1,155,523	8,874,255	10,029,778
Reversal for the year	(533,481)	(7,123,382)	(7,656,863)
Written-off and transferred-out for the year	(597,882)	(726,380)	(1,324,262)
Reversal for receiving written-off loans and advances	111,063	172,125	283,188
Unwinding of discount	(34,361)	(37,248)	(71,609)
As at 31 December 2016	<u>768,156</u>	<u>11,536,868</u>	<u>12,305,024</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

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23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<i>NOTE</i>	As at 31 December 2017	As at 31 December 2016
Debt instruments:			
Government bonds		60,740	–
Public sector and quasi-government bonds		284,509	–
Financial institution bonds		56,663	–
Corporate bonds		10,775,228	1,546,906
Debt financing plans		1,014,205	–
Trust and asset management plans		5,229,743	10,094,571
WMPs issued by other banks		<u>147,663,128</u>	<u>78,324,089</u>
Subtotal		<u>165,084,216</u>	<u>89,965,566</u>
Equity instruments			
At cost	(1)	8,000	113,563
At fair value		<u>688,400</u>	<u>62,628</u>
Subtotal		<u>696,400</u>	<u>176,191</u>
Total		<u>165,780,616</u>	<u>90,141,757</u>
Analysed as:			
Listed outside Hong Kong	(2)	11,822,427	1,546,906
Listed in Hong Kong		43,113	62,628
Unlisted		<u>153,915,076</u>	<u>88,532,223</u>
Total		<u>165,780,616</u>	<u>90,141,757</u>

(1) The unlisted equity securities are measured at cost because their fair values cannot be reliably measured.

(2) All available-for-sale debt securities traded on the China Domestic Interbank Bond Market are included in “Listed outside Hong Kong”.

Notes to the Consolidated Financial Statements (Continued)

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24. HELD-TO-MATURITY INVESTMENTS

	As at 31 December 2017	As at 31 December 2016
Government bonds	25,530,137	16,097,775
Public sector and quasi-government bonds	24,304,317	22,842,152
Financial institution bonds	5,910,919	10,097,398
Corporate bonds	15,500,922	19,176,164
Interbank deposit certificates	1,513,871	—
Subtotal	<u>72,760,166</u>	<u>68,213,489</u>
Less: Collectively assessed allowance for impairment losses	(285,981)	(356,290)
Individually assessed allowance for impairment losses	<u>(30,000)</u>	<u>(15,000)</u>
Total	<u>72,444,185</u>	<u>67,842,199</u>

Held-to-maturity investments are mainly traded on the China Domestic Interbank Bond Market.

Movements of allowance for impairment losses:

	Collectively assessed allowance	Individually assessed allowance	Total
As at 1 January 2017	356,290	15,000	371,290
Net charge/(reversal) for the year	<u>(70,309)</u>	<u>15,000</u>	<u>(55,309)</u>
As at 31 December 2017	<u>285,981</u>	<u>30,000</u>	<u>315,981</u>
	Collectively assessed allowance	Individually assessed allowance	Total
As at 1 January 2016	309,389	—	309,389
Net charge for the year	<u>46,901</u>	<u>15,000</u>	<u>61,901</u>
As at 31 December 2016	<u>356,290</u>	<u>15,000</u>	<u>371,290</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

25. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	NOTE	As at 31 December 2017	As at 31 December 2016
Government bonds		6,199,000	3,772,000
Financial institution bonds		2,926,225	749,628
Corporate bonds		24,561,095	25,577,828
Debt financing plans		499,777	–
Trust and asset management plans	(1)	46,425,270	30,347,062
WMPs issued by other banks	(1)	–	42,091,861
Subtotal		<u>80,611,367</u>	<u>102,538,379</u>
Less: Collectively assessed allowance for impairment losses		(1,837,449)	(1,387,102)
Individually assessed allowance for impairment losses		<u>(30,852)</u>	<u>–</u>
Total		<u><u>78,743,066</u></u>	<u><u>101,151,277</u></u>
Analysed as:			
Listed outside Hong Kong	(2)	33,195,319	29,588,056
Unlisted		<u>45,547,747</u>	<u>71,563,221</u>
Total		<u><u>78,743,066</u></u>	<u><u>101,151,277</u></u>

(1) Trust and asset management plans and WMPs issued by other banks are non-callable before maturity with fixed interest rate and not quoted in an active market.

(2) Debt securities classified as receivables include bonds with fixed or determinable payments that are not quoted in an active market. They are traded on the China Domestic Interbank Bond Market, and are included in “Listed outside Hong Kong”.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

25. DEBT SECURITIES CLASSIFIED AS RECEIVABLES (Continued)

Movements of allowance for impairment losses:

	Collectively assessed allowance	Individually assessed allowance	Total
As at 1 January 2017	1,387,102	–	1,387,102
Net charge for the year	<u>450,347</u>	<u>30,852</u>	<u>481,199</u>
As at 31 December 2017	<u>1,837,449</u>	<u>30,852</u>	<u>1,868,301</u>
	Collectively assessed allowance	Individually assessed allowance	Total
As at 1 January 2016	1,145,860	–	1,145,860
Net charge for the year	<u>241,242</u>	<u>–</u>	<u>241,242</u>
As at 31 December 2016	<u>1,387,102</u>	<u>–</u>	<u>1,387,102</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

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26. INVESTMENT IN SUBSIDIARIES

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

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in Capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting power in the Board of Directors (%)	Principal activities
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.	(i) 23/04/2010	Jiangsu	200	58.50	58.50	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.	12/11/2010	Sichuan	100	51.00	51.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd.	14/12/2010	Yunnan	200	51.00	51.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.	04/12/2012	Yunnan	100	51.00	51.00	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd.	09/01/2013	Yunnan	100	51.00	51.00	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.	(i) 09/01/2013	Guangxi	100	90.00	90.00	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd.	(i) 04/02/2013	Fujian	100	93.00	93.00	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd.	(i) 05/02/2013	Fujian	200	55.00	55.00	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.	23/04/2013	Yunnan	62	82.26	82.26	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd.	(i) 09/08/2013	Fujian	100	59.00	59.00	Banking
Fujian Shishi CQRC Village and Township Bank Co., Ltd.	02/09/2015	Fujian	200	51.00	51.00	Banking
Yunnan Xishan CQRC Village and Township Bank Co., Ltd.	05/01/2016	Yunnan	200	90.00	90.00	Banking
CQRC Financial Leasing Co., Ltd.	19/12/2014	Chongqing	2,500	68.00	68.00	Financial leasing

- (i) For the year ended 31 December 2017, the Bank acquired additional interests from the non-controlling shareholders of its subsidiaries Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd., Guangxi Luzhai CQRC Village and Township Bank Co., Ltd., Fujian Shaxian CQRC Village and Township Bank Co., Ltd., Fujian Fu'an CQRC Village and Township Bank Co., Ltd. and Fujian Pingtan CQRC Village and Township Bank Co., Ltd., resulting in increases in long-term equity investment by RMB8,550 thousand, RMB38,610 thousand, RMB42,420 thousand, RMB6,069 thousand and RMB8,080 thousand respectively. The proportion of equity and voting rights in the Board of Directors increased by 7.50%, 39.00%, 42.00%, 4.00% and 8.00% respectively and the capital premium or discount amount was charged to capital reserve. The Bank did not acquire any interests in the subsidiaries from non-controlling shareholders during 2016.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

26. INVESTMENT IN SUBSIDIARIES (Continued)

All the 13 subsidiaries above were sponsored by the Bank. As at 31 December 2017 and 31 December 2016, the amount of non-controlling interests of each subsidiary of the Bank was insignificant to the Group to be disclosed furtherly.

There were no significant restrictions on the Bank's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

27. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2016	5,016,647	1,018,551	113,771	661,775	942,800	7,753,544
Additions	162,616	65,114	7,731	48,674	400,962	685,097
Transferred in	373,420	428	–	4,315	(378,163)	–
Transferred to other assets	–	–	–	–	(13,583)	(13,583)
Disposals	(103,149)	(14,575)	(4,483)	(6,071)	–	(128,278)
As at 31 December 2016	5,449,534	1,069,518	117,019	708,693	952,016	8,296,780
Additions	128,369	55,214	3,195	44,434	477,034	708,246
Transferred in	1,019,674	14,486	928	6,747	(1,041,835)	–
Transferred to other assets	–	–	–	–	(123,237)	(123,237)
Disposals	(60,799)	(72,813)	(8,504)	(14,585)	–	(156,701)
As at 31 December 2017	6,536,778	1,066,405	112,638	745,289	263,978	8,725,088
Accumulated depreciation						
As at 1 January 2016	(1,562,919)	(576,298)	(74,773)	(328,357)	–	(2,542,347)
Charge for the year	(425,492)	(114,707)	(14,967)	(81,766)	–	(636,932)
Disposals	65,299	6,353	3,880	5,448	–	80,980
As at 31 December 2016	(1,923,112)	(684,652)	(85,860)	(404,675)	–	(3,098,299)
Charge for the year	(489,965)	(131,986)	(10,644)	(107,618)	–	(740,213)
Disposals	46,713	52,334	4,641	10,703	–	114,391
As at 31 December 2017	(2,366,364)	(764,304)	(91,863)	(501,590)	–	(3,724,121)
Carrying amount						
As at 31 December 2017	4,170,414	302,101	20,775	243,699	263,978	5,000,967
As at 31 December 2016	3,526,422	384,866	31,159	304,018	952,016	5,198,481

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27. PROPERTY AND EQUIPMENT (Continued)

According to the relevant laws and regulations, subsequent to the Group's transformation into a joint stock company, the legal title of properties previously held by the predecessor entities are to be transferred to the Group. As at 31 December 2017, the registration transfer process of certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

28. GOODWILL

	As at 31 December 2017	As at 31 December 2016
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

Particulars regarding impairment testing on goodwill are disclosed in Note 29.

29. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in Note 28 has been allocated to three individual cash generating units (CGUs), including corporate banking, personal banking and treasury operations. The carrying amounts of goodwill as at 31 December 2017 and 31 December 2016 allocated to these units are as follows:

	As at 31 December 2017	As at 31 December 2016
Corporate banking (Unit A)	234,934	234,934
Personal banking (Unit B)	108,019	108,019
Treasury operations (Unit C)	<u>97,176</u>	<u>97,176</u>
Total	<u>440,129</u>	<u>440,129</u>

During the years ended 31 December 2017 and 31 December 2016, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Notes to the Consolidated Financial Statements (Continued)

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29. IMPAIRMENT TESTING ON GOODWILL (Continued)

The recoverable amount of corporate banking unit, personal banking unit and treasury operations unit has been determined based on calculation of a value in use. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 8.01% at 31 December 2017 (31 December 2016: 8.31%). The discount rate used reflects specific risks relating to the relevant CGUs. Cash flows beyond the five-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant domestic industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

30. OTHER ASSETS

	NOTE	As at 31 December 2017	As at 31 December 2016
Interest receivable	(1)	6,364,823	4,859,575
Land use rights		436,275	458,624
Foreclosed assets	(2)	112,785	114,563
Intangible assets	(3)	103,762	70,592
Others	(4)	818,732	718,797
Total		<u>7,836,377</u>	<u>6,222,151</u>

(1) Interest receivable

Analysed by type

	As at 31 December 2017	As at 31 December 2016
Debt securities classified as receivables	1,463,226	1,336,091
Held-to-maturity investments	1,425,051	1,406,329
Placements with banks and other financial institutions	1,355,743	755,667
Deposits with banks and other financial institutions	1,014,492	460,073
Loans and advances to customers	839,628	682,057
Available-for-sale financial assets	219,221	93,767
Balances with central bank	43,273	36,285
Financial assets held under resale agreements	2,599	6,997
Financial assets held for trading	1,590	18,143
Financial assets designated at fair value through profit or loss	–	64,166
Total	<u>6,364,823</u>	<u>4,859,575</u>

Notes to the Consolidated Financial Statements (Continued)

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30. OTHER ASSETS (Continued)

- (2) Foreclosed assets

Analysed by type

	As at 31 December 2017	As at 31 December 2016
Land use rights and buildings	123,014	124,928
Allowance for impairment losses	<u>(10,229)</u>	<u>(10,365)</u>
Total	<u>112,785</u>	<u>114,563</u>

- (3) Intangible assets are mainly computer software which are amortised over 10 years.
- (4) The amounts mainly represent receivables from suppliers, decoration fees of leased assets, temporary payments of other receivables, deferred expenditure, and so forth.

31. BORROWINGS FROM CENTRAL BANK

As at 31 December 2017, borrowings from central bank mainly contain the mid-term loan facilities from PBOC, of which the carrying amount is RMB30,500 million (31 December 2016: RMB22,500 million).

32. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2017	As at 31 December 2016
Deposits from:		
Domestic banks	65,263,981	96,461,870
Other domestic financial institutions	<u>20,223,837</u>	<u>7,820,655</u>
Total	<u>85,487,818</u>	<u>104,282,525</u>

Deposits from banks and other financial institutions are interest bearing at prevailing market interest rate.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

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33. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2017	As at 31 December 2016
Domestic banks and other financial institutions	22,063,598	20,645,405
Overseas banks	<u>916,338</u>	<u>110,089</u>
Total	<u>22,979,936</u>	<u>20,755,494</u>

As at 31 December 2017, unconsolidated non-guaranteed WMPs managed by the Bank included WMPs invested in a subsidiary of the Bank, CQRC Financial Leasing. Co Ltd., as interbank borrowings, amounted to RMB500 million (31 December 2016: RMB2,070 million, see Note 49). The Group recognised it as a placement from other banks and financial institutions.

34. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2017	As at 31 December 2016
Analysed by collateral types:		
Debt securities	5,104,920	6,543,669
Bills	<u>2,440,110</u>	<u>2,421,794</u>
Total	<u>7,545,030</u>	<u>8,965,463</u>

All repurchase agreements are due within twelve months from inception.

Notes to the Consolidated Financial Statements (Continued)

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35. DEPOSITS FROM CUSTOMERS

	NOTE	As at 31 December 2017	As at 31 December 2016
Demand deposits			
Corporate customers		121,315,195	110,898,202
Individual customers		107,609,106	106,221,764
Time deposits			
Corporate customers		26,540,309	17,955,894
Individual customers		307,206,545	274,763,690
Pledged deposits	(1)	9,417,851	8,232,291
Others (Including outward remittance and remittance outstanding)		<u>95,250</u>	<u>114,042</u>
Total		<u><u>572,184,256</u></u>	<u><u>518,185,883</u></u>

(1) Analysed by products for which deposit is required:

	As at 31 December 2017	As at 31 December 2016
Bank acceptances	5,927,440	5,354,156
Loans and receivables	956,221	1,060,282
Letters of credit	530,509	142,368
Letters of guarantee	498,355	493,492
Others	<u>1,505,326</u>	<u>1,181,993</u>
Total	<u><u>9,417,851</u></u>	<u><u>8,232,291</u></u>

36. ACCRUED STAFF COSTS

	NOTE	As at 31 December 2017	As at 31 December 2016
Salaries, bonuses and allowances		2,229,790	2,071,065
Supplementary retirement benefits	(1)	2,381,298	2,160,958
Early retirement benefits	(2)	241,176	300,227
Labour union fees and staff education expenses		<u>170,640</u>	<u>150,128</u>
Total		<u><u>5,022,904</u></u>	<u><u>4,682,378</u></u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

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36. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits

The Group sponsors unfunded defined benefit plans for qualified employees. The defined benefit plans include supplementary retirement benefits.

The plans mainly expose the Group to actuarial risks such as: interest rate risk, longevity risk and employee benefit risk.

- Interest risk: A decrease in the bond interest rate will increase the plan liability.
- Longevity risk: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality or survival ages of the participants both during and after their employment. An increase in the life expectancy of the participants will increase the plan's liability.
- Employee benefit risk: The present value of the defined benefit plan liabilities are calculated by reference to the future benefits of the participants. As such, an increase in the benefit of the participants will increase the plan's liability.

The Group's obligation in respect of the supplementary retirement benefits at the end of the reporting period was calculated using the projected accumulated unit credit method by Towers Watson Management Consulting Co., Ltd., an external independent actuary.

Supplementary retirement benefits include supplementary pension and medical benefits.

The principal assumptions used for the purpose of the actuarial valuations for supplementary retirement benefits were as follows:

	As at 31 December 2017	As at 31 December 2016
Discount rate	4.25%	3.50%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2010-2013	

Notes to the Consolidated Financial Statements (Continued)

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36. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	As at 31 December 2017	As at 31 December 2016
Service cost:		
– Current service cost	5,130	3,570
– Past service cost	485,630	387,900
Net interest expense	<u>75,950</u>	<u>56,980</u>
Components of supplementary retirement benefit costs recognised in profit or loss	<u>566,710</u>	<u>448,450</u>
Re-measurement on the net defined benefit liability:	<u>(243,710)</u>	<u>268,940</u>
Components of defined benefit pension expense recognised in other comprehensive income	<u>(243,710)</u>	<u>268,940</u>
Total	<u><u>323,000</u></u>	<u><u>717,390</u></u>

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its supplementary retirement benefit is as follows:

	As at 31 December 2017	As at 31 December 2016
Accrued staff costs		
– supplementary retirement benefits	<u><u>2,381,298</u></u>	<u><u>2,160,958</u></u>

Notes to the Consolidated Financial Statements (Continued)

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36. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

Movement in the present value of the supplementary retirement benefit obligation in the current year were as follows:

	As at 31 December 2017	As at 31 December 2016
Defined benefit obligation at beginning of year	2,160,958	1,543,432
Interest cost	75,950	56,980
Losses arising from re-measurement on the defined benefit liability:		
– Actuarial (gains)/losses arising from changes in financial assumptions	(243,710)	268,940
Current service cost	5,130	3,570
Past service cost	485,630	387,900
Benefits paid	(102,660)	(99,864)
Defined benefit obligation at end of year	<u>2,381,298</u>	<u>2,160,958</u>

(2) Early retirement benefits

Early retirement benefits include basic salary and allowance paid monthly/annually, social insurance contribution and housing fund, and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program to retired staff until they reach their normal retirement age.

For the year ended 31 December 2017, the Group incurred approximately RMB4 million (2016: reversal of approximately RMB38 million) and was included in staff costs and paid RMB63 million (2016: RMB70 million) in respect of the early retirement benefits plan.

37. DEBT SECURITIES ISSUED

	NOTE	As at 31 December 2017	As at 31 December 2016
Interbank certificates of deposit issued	(1)	94,901,345	49,487,030
Subordinated bonds issued	(2)	<u>9,000,000</u>	<u>9,000,000</u>
Total		<u>103,901,345</u>	<u>58,487,030</u>

Notes to the Consolidated Financial Statements (Continued)

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37. DEBT SECURITIES ISSUED (Continued)

- (1) As at 31 December 2017, the total face value of outstanding interbank certificates of deposit issued by the Bank in the China Domestic Interbank Bond Market is RMB94,901 million with the tenor of 1 to 12 months (31 December 2016: RMB49,487 million with the tenor of 1 to 12 months).
- (2) As approved by the PBOC and CBRC, the Bank issued callable fixed rate subordinated bonds of RMB4,000 million on 7 December 2016.

As approved by the PBOC and CBRC, the Bank issued callable fixed rate subordinated bonds of RMB5,000 million on 19 June 2014.

38. DEFERRED TAXATION

- (1) **Recognised deferred tax assets and liabilities which have not been offset:**

	As at 31 December 2017	
	Deferred tax assets/ (liability)	Deductible/ (taxable) temporary differences
Deferred tax assets		
Allowances of impairment losses	2,459,896	9,839,584
Accrued and unpaid wages, bonuses and allowances	591,731	2,366,922
Retirement benefits	103,844	415,377
Adjustment of book value of assets and liabilities on the date of establishment	79,235	316,939
Government grants	21,510	86,038
Changes in fair value of financial instruments	36,617	146,469
Provision	8,753	35,012
	<u>3,301,586</u>	<u>13,206,341</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(44,858)	(179,430)
	<u>3,256,728</u>	<u>13,026,911</u>

Notes to the Consolidated Financial Statements (Continued)

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38. DEFERRED TAXATION (Continued)

(1) Recognised deferred tax assets and liabilities which have not been offset: (Continued)

	As at 31 December 2016	
	Deferred tax assets/ (liability)	Deductible/ (taxable) temporary differences
Deferred tax assets		
Allowances of impairment losses	2,020,716	8,082,864
Accrued and unpaid wages, bonuses and allowances	517,766	2,071,065
Retirement benefits	192,234	768,936
Adjustment of book value of assets and liabilities on the date of establishment	92,204	368,816
Government grants	22,159	88,635
Provision	6,473	25,892
	<u>2,851,552</u>	<u>11,406,208</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(46,736)	(186,944)
Changes in fair value of financial instruments	(23,108)	(92,432)
	<u>(69,844)</u>	<u>(279,376)</u>
	<u>2,781,708</u>	<u>11,126,832</u>

Notes to the Consolidated Financial Statements (Continued)

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38. DEFERRED TAXATION (Continued)

- (2) The followings are the major deferred tax assets and liabilities recognised and movements thereon:

	Allowances of impairment losses	Retirement benefits	Accrued salaries, bonuses and allowances	Provision	Changes in fair value of financial instruments	Government grants	Changes in fair value of net assets including debt securities investment, property and equipment and other assets relating to acquisition of business	Total
As at 1 January 2017	2,020,716	192,234	517,766	6,473	(23,108)	22,159	45,468	2,781,708
Charge/(Credit) to profit or loss	439,180	(27,463)	73,965	2,280	5,428	(649)	(11,091)	481,650
Charge/(Credit) to other comprehensive income	-	(60,927)	-	-	54,297	-	-	(6,630)
As at 31 December 2017	<u>2,459,896</u>	<u>103,844</u>	<u>591,731</u>	<u>8,753</u>	<u>36,617</u>	<u>21,510</u>	<u>34,377</u>	<u>3,256,728</u>
As at 1 January 2016	1,861,221	152,040	478,969	10,826	(40,746)	22,808	68,748	2,553,866
Charge/(Credit) to profit or loss	159,495	(27,041)	38,797	(4,353)	99	(649)	(23,280)	143,068
Charge to other comprehensive income	-	67,235	-	-	17,539	-	-	84,774
As at 31 December 2016	<u>2,020,716</u>	<u>192,234</u>	<u>517,766</u>	<u>6,473</u>	<u>(23,108)</u>	<u>22,159</u>	<u>45,468</u>	<u>2,781,708</u>

Notes to the Consolidated Financial Statements (Continued)

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39. OTHER LIABILITIES

	NOTE	As at 31 December 2017	As at 31 December 2016
Interest payable	(1)	4,647,804	3,658,213
Other payables	(2)	5,408,023	3,029,653
Deferred income	(3)	564,105	597,506
Tax payables (excluding corporate income tax payable)	(4)	312,599	365,915
Dividends payable		51,395	160,430
Provision		35,012	25,892
Total		<u>11,018,938</u>	<u>7,837,609</u>

(1) Interest payable

	As at 31 December 2017	As at 31 December 2016
Deposits from customers	2,918,377	2,522,511
Deposits from banks and other financial institutions	844,649	687,752
Borrowings from central bank	471,831	163,719
Placements from banks	186,384	94,161
Debt securities issued	176,063	176,063
Financial assets sold under repurchase agreements	50,500	14,007
Total	<u>4,647,804</u>	<u>3,658,213</u>

Notes to the Consolidated Financial Statements (Continued)

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39. OTHER LIABILITIES (Continued)

(2) Other payables

	NOTE	As at 31 December 2017	As at 31 December 2016
Payables from providing agency services		1,917,398	1,058,005
Leasing business related payables		1,404,862	855,127
Items in process of clearing and settlement		994,000	551,567
Dormant accounts		47,172	52,628
Long term loans	(i)	40,629	42,180
Grant payable on behalf of government		18,165	48,732
Others		<u>985,797</u>	<u>421,414</u>
Total		<u>5,408,023</u>	<u>3,029,653</u>

- (i) The amounts represent special purpose loans from International Fund for Agriculture Development (“IFAD”) to support the petty loan in the PRC.

As at 31 December 2017 and 31 December 2016, the loans bore a fixed interest rate of 0.75% per annum. At 31 December 2017, the remaining maturity of the loans was about 27 years. The terms are similar to the related loans granted to customers.

(3) Deferred income

Deferred income mainly represents deferred financial leasing income and government grants, for which the income will be amortised and recognised over the periods necessary to match them with the related costs.

	As at 31 December 2017	As at 31 December 2016
Deferred leasing income	457,671	491,809
Government grants	84,149	86,746
Fee and commission	7,275	15,314
Operating leasing	4,406	1,806
Other deferred income	<u>10,604</u>	<u>1,831</u>
Total	<u>564,105</u>	<u>597,506</u>

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39. OTHER LIABILITIES (Continued)

(4) Tax payables (excluding corporate income tax payable)

	As at 31 December 2017	As at 31 December 2016
Value added tax	262,680	314,751
Urban maintenance and construction tax	17,705	20,466
Individual income tax	17,771	14,221
Others	14,443	16,477
Total	<u>312,599</u>	<u>365,915</u>

40. SHARE CAPITAL

	Number of shares (in thousands)	Amount
31 December 2016	9,300,000	9,300,000
31 December 2017	<u>10,000,000</u>	<u>10,000,000</u>

On 21 September 2017, the Bank issued 700 million ordinary shares at a price of RMB5.75 per share with a par value of RMB1.00. The share capital of the Bank was increased to 10 billion after the issuance of ordinary shares.

41. CAPITAL RESERVE

Capital reserve of the Bank included premium of RMB910 million for the placement of ordinary shares in 2010, premium of RMB7,706 million for the initial public offering of overseas listed foreign shares on the Hong Kong Stock Exchange in 2010, and premium of RMB3,291 million for the placement of ordinary shares in 2017. Share premium net of direct issuance costs was credited to capital reserve, which mainly includes underwriting fees and professional agency service fees.

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42. INVESTMENT REVALUATION RESERVE

	Before-tax amount	Tax impact	Net-of-tax amount
As at 1 January 2016	141,114	(35,279)	105,835
(Losses)/Gains on fair value changes of available-for-sale financial assets	(5,415)	1,354	(4,061)
Amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	<u>(64,740)</u>	<u>16,185</u>	<u>(48,555)</u>
As at 31 December 2016	70,959	(17,740)	53,219
(Losses)/Gains on fair value changes of available-for-sale financial assets	(192,113)	48,028	(144,085)
Amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	<u>(25,076)</u>	<u>6,269</u>	<u>(18,807)</u>
As at 31 December 2017	<u><u>(146,230)</u></u>	<u><u>36,557</u></u>	<u><u>(109,673)</u></u>

43. SURPLUS RESERVE

Under the relevant PRC Laws, the Bank is required to appropriate 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under the generally accepted accounting principles of the PRC ("PRC GAAP") to the discretionary surplus reserve upon approval by the shareholders in the general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

For the year ended 31 December 2017, the Board of Directors proposed to appropriate approximately RMB877 million to the statutory surplus reserve (2016: RMB782 million). The Bank does not propose any appropriations to discretionary surplus reserve (2016: Nil). It is pursuant to the approval by the shareholders in the forthcoming general meeting.

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44. GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, in addition to the individual and collective allowances for impairment losses, the Bank and subsidiaries are required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

For the year ended 31 December 2017, the directors of the Bank proposed to appropriate RMB1,351 million to general reserve pursuant to regulatory requirement in the PRC (2016: RMB1,159 million).

45. RETAINED EARNINGS

The movements of retained earnings of the Bank are set out below:

	2017	2016
As at 1 January	16,248,885	12,468,817
Profit for the year	8,769,424	7,820,943
Appropriation to surplus reserve	(876,942)	(782,094)
Appropriation to general reserve	(1,158,882)	(1,398,781)
Dividends recognised as distribution	(1,860,000)	(1,860,000)
	<u>21,122,485</u>	<u>16,248,885</u>
As at 31 December	<u>21,122,485</u>	<u>16,248,885</u>

46. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 31 December 2017	As at 31 December 2016
Cash	3,273,111	3,604,439
Surplus reserve deposits with central bank	8,946,135	10,549,341
Deposits with banks and other financial institutions	8,364,149	6,784,559
Placements with banks and other financial institutions	25,581,530	48,026,132
Financial assets held under resale agreements	2,443,685	700,000
	<u>48,608,610</u>	<u>69,664,471</u>
Total	<u>48,608,610</u>	<u>69,664,471</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

47. SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group operates mainly in Chongqing, the PRC. Majority of its customers and non-current assets are located in Chongqing, the PRC. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policy and the policies applied in preparing the consolidated financial statements.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

The Group has no major customers which contribute 10 percent or more of the Group's income.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating Segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into three operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings, financial leasing and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Financial market operations

The Group's financial market operations conduct money market or repurchase transactions and debt instruments investment for its own account or on behalf of customers.

Notes to the Consolidated Financial Statements (Continued)

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47. SEGMENT ANALYSIS (Continued)

Operating Segment (Continued)

Unallocated assets mainly include property and equipment, equity investments, goodwill and deferred tax assets of the Group. Unallocated liabilities mainly include tax liabilities and dividends payable.

48. RELATED PARTY TRANSACTIONS

(1) Related parties of the Group

The directors of the Bank consider that the following shareholders are related parties of the Group:

Name of shareholders	Percentage of shares holding of the Bank (%)	
	As at 31 December 2017	As at 31 December 2016
Chongqing Yufu Assets Management Group Co., Ltd. (重慶渝富資產經營管理集團有限公司)	9.98	6.77
Chongqing City Construction Investment (Group) Co., Ltd. (重慶市城市建設投資(集團)有限公司)	7.87	6.68
Chongqing Transport and Travel Investment Group Co.,Ltd. (重慶交通旅遊投資集團有限公司)	5.89	4.55
Loncin Holding Co., Ltd. (隆鑫控股有限公司)	5.70	6.13

Other related parties include key management members and their close family members; the enterprises directly or indirectly controlled by key management members and their close family members or served by key management members and their close family members as directors or senior management; the enterprises controlled by shareholders with more than 5% (including 5%) shares of the Bank; the natural persons or legal persons who satisfy any circumstances above in the next 12 months in accordance with the relevant agreement and arrangement or in the past 12 months.

Notes to the Consolidated Financial Statements (Continued)

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48. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions

During the year, the Group entered into the following material transactions with related parties:

	Interest Income		Interest expense	
	2017	2016	2017	2016
Shareholders of the Bank	448,946	256,962	35,050	3,929
Other related parties	<u>293,026</u>	<u>211,153</u>	<u>16,620</u>	<u>51,635</u>
Total	<u>741,972</u>	<u>468,115</u>	<u>51,670</u>	<u>55,564</u>

	Operating expenses	
	2017	2016
Shareholders of the Bank	<u>3,780</u>	<u>4,930</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions (Continued)

Material outstanding balances with related parties as at year end:

	Loans and advances to related parties		Customer deposits from related parties	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Shareholders of the Bank	8,120,990	8,665,150	1,887,122	1,093,672
Other related parties	<u>5,214,902</u>	<u>4,324,419</u>	<u>2,285,419</u>	<u>3,652,708</u>
Total	<u>13,335,892</u>	<u>12,989,569</u>	<u>4,172,541</u>	<u>4,746,380</u>

	Interest receivable from related parties		Interest payable to related parties	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Shareholders of the Bank	12,623	13,087	733	109
Other related parties	<u>7,973</u>	<u>6,071</u>	<u>3,247</u>	<u>3,830</u>
Total	<u>20,596</u>	<u>19,158</u>	<u>3,980</u>	<u>3,939</u>

	Guarantee provided by related parties	
	As at 31 December 2017	As at 31 December 2016
Other related parties	<u>6,878,774</u>	<u>6,652,303</u>

On 29 December 2017, the Bank transferred its entire equity interest in Changan Auto Finance Co., Ltd. to the shareholders of Chongqing Yufu Assets Management Group Company Limited at a disposal price of RMB132 million.

Notes to the Consolidated Financial Statements (Continued)

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48. RELATED PARTY TRANSACTIONS (Continued)

(3) Transactions between the Bank and its subsidiaries

There are various types of related party transactions between the Bank and its subsidiaries. The conditions and prices of these transactions are determined on the basis of market price and normal course of business, or on the basis of the Group's contractual terms. They are examined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

For the years ended 31 December 2017 and 2016, the Bank's transactions with subsidiaries mainly included deposits with subsidiaries, deposits from subsidiaries, placements with subsidiaries and rediscounted bills business.

As at 31 December 2017, the Bank's deposits with subsidiaries amounted to RMB90 million (31 December 2016: RMB250 million), the Bank's deposits from subsidiaries amounted to RMB723 million (31 December 2016: RMB604 million), the Bank's placements with subsidiaries amounted to RMB3,840 million (31 December 2016: RMB1,830 million).

For the year ended 31 December 2017, the corresponding interest income of the Bank's transactions with the subsidiaries totalled RMB155 million (2016: RMB140 million), the corresponding interest expense totalled RMB2 million (2016: RMB199 million).

(4) Key management personnel

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The remuneration of directors and other members of key management during the year were as follows:

	2017	2016
Basic salaries, bonuses and allowances	2,518	1,725
Contribution to pension schemes	745	566
Fees	820	820
Total	<u>4,083</u>	<u>3,111</u>

Certain key management personnel's final emoluments for the current year are subject to approval by relevant authorities in the PRC and have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group as at 31 December 2017. The disclosed amount of remuneration is the amount paid in current year. The amount of actual remuneration will be announced after approval.

For the year ended 31 December 2017, both the loans made to key management personnel and their relatives, and the corresponding interest income are not material.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

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49. STRUCTURED ENTITIES

(1) Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles (“WMP Vehicles”) formed to issue and distribute wealth management products (“non-guaranteed WMPs”), which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMP Vehicles invest in a range of primarily fixed-rate assets, most typically money market instruments and debt securities. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income. The variable return that the Group has in relation to the non-guaranteed WMPs is not significant; therefore the WMP Vehicles are not consolidated by the Group.

As at 31 December 2017 and 31 December 2016, the outstanding WMPs issued by WMP Vehicles (excluding those with principal guaranteed by the Group) amounted to RMB107,187 million and RMB116,314 million, the Group’s interest in the non-guaranteed WMPs included in Net Fee and Commission Income was RMB1,072 million (2016: RMB797 million).

As at 31 December 2017, among the unconsolidated non-guaranteed WMPs, wealth management products amounted to RMB500 million (2016: RMB2,070 million) were invested in CQRC Financial Leasing Co., Ltd., as interbank lending with a maturity of less than one year.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk from or reduce its interest in WMP vehicles disclosed above during the years ended 31 December 2017 and 2016. The Group is not required to absorb any losses incurred by WMPs before other parties. In 2017 and 2016, no loss was incurred by the WMP Vehicles relating to the Group’s interests in the WMP Vehicles, and the WMP Vehicles did not experience any difficulty in financing their activities.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. STRUCTURED ENTITIES (Continued)

(2) Other unconsolidated structured entities held by the Group

The Group invests in a number of other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. As at 31 December 2017 and 31 December 2016, the Group's maximum exposure to these other unconsolidated structured entities is summarised in the table below.

	As at 31 December 2017			
	Financial assets designated at fair value through profit or loss	Available-for-sale investments	Held-to-maturity investment	Debt instruments classified as receivables
WMPs issued by other banks	–	147,663,128	–	–
Trust beneficial rights	–	3,676	–	46,316,724
Assets management plans	–	–	–	108,546
Asset-backed securities	–	19,740	2,461,210	–
Total	–	147,686,544	2,461,210	46,425,270
	As at 31 December 2016			
	Financial assets designated at fair value through profit or loss	Available-for-sale investments	Held-to-maturity investment	Debt instruments classified as receivables
Debt instruments issued by financial institutions	1,009,400	–	–	–
WMPs issued by other banks	–	78,274,089	–	42,091,861
Trust beneficial rights	–	3,502	–	29,342,531
Assets management plans	–	–	–	604,522
Asset-backed securities	–	–	5,898,392	–
Total	1,009,400	78,277,591	5,898,392	72,038,914

Notes to the Consolidated Financial Statements (Continued)

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49. STRUCTURED ENTITIES (Continued)

(2) Other unconsolidated structured entities held by the Group (Continued)

Information of the total size of the unconsolidated structured entities listed above is not readily available from the public.

(3) Consolidated structured entities

The consolidated structured entities issued and managed by the Group mainly consist of guaranteed WMPs, and partial unguaranteed WMPs satisfying the criteria of control. For the year ended 31 December 2017, the Group did not provide financial supporting to the WMPs. There was no unguaranteed WMPs consolidated by the Group at 31 December 2017 (31 December 2016: RMB400 million).

50. CONTINGENT LIABILITIES AND COMMITMENTS

(1) Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2017, provision of RMB7.09 million was made, based on court judgments or legal advice (31 December 2016: RMB2.82 million). The directors of the Bank believe, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

(2) Capital commitments

	As at 31 December 2017	As at 31 December 2016
Contracted but not provided for	<u>335,916</u>	<u>304,241</u>

(3) Credit commitments

	As at 31 December 2017	As at 31 December 2016
Bank acceptances	14,502,293	12,322,869
Undrawn credit cards limit	11,169,073	10,423,227
Letters of guarantee	6,479,329	5,921,932
Letters of credit issued	<u>1,540,948</u>	<u>850,870</u>
Total	<u>33,691,643</u>	<u>29,518,898</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

50. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(3) Credit commitments (Continued)

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. The directors of the Bank are of the opinion that such commitments are conditional and revocable and are therefore not included in the commitments disclosure above.

(4) Credit-risk-weighted amounts for credit commitments

	As at 31 December 2017	As at 31 December 2016
Credit commitments	<u>16,033,337</u>	<u>13,705,397</u>

The credit-risk-weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

(5) Operating lease commitment

The Group has the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment as at year end:

	As at 31 December 2017	As at 31 December 2016
Within 1 year	78,608	80,423
1 to 2 years	50,254	61,642
2 to 3 years	28,661	50,037
3 to 4 years	15,555	25,779
4 to 5 years	8,703	9,444
Above 5 years	<u>32,686</u>	<u>16,090</u>
Total	<u>214,467</u>	<u>243,415</u>

The leases are negotiated with lease terms of 1 to 15 years.

During the year ended at 31 December 2017, operating lease expense recognised as operating expenses by the Group was RMB110.79 million (2016: RMB104.18 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

50. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(6) Collateral

Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement and borrowings from central bank by the Group is as follows:

	As at 31 December 2017	As at 31 December 2016
Bonds	43,253,732	34,068,951
Bills	2,449,291	2,407,219
Loans and advances	—	2,354,670
Total	<u>45,703,023</u>	<u>38,830,840</u>

Collateral accepted

The Group received bills and securities as collaterals under resale agreements. The Group has no collaterals, that have been re-pledged, with the obligation of the Group to return at the maturity date as at 31 December 2017 and 2016.

51. TRANSFER OF FINANCIAL ASSETS

(1) Financial assets sold under repurchase agreements

In daily operating activities, the Group entered into repurchase agreements with certain counterparties. As at 31 December 2017, there are debt securities with carrying amount of RMB5,320 million under these agreements classified to held-to-maturity investments (31 December 2016: RMB7,121 million). The carrying amount of bills, which were sold by the Group to certain counterparties and were subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices, was RMB2,449 million (31 December 2016: RMB2,407 million). The proceeds from selling such debt securities and bills totalling 7,545 million as at 31 December 2017 (31 December 2016: RMB8,965 million) are presented as “financial assets sold under repurchase agreements” (see Note 34).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

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51. TRANSFER OF FINANCIAL ASSETS (Continued)

(1) Financial assets sold under repurchase agreements (Continued)

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

(2) Rediscounted bills

As at 31 December 2017 and 31 December 2016, the carrying amount of the outstanding rediscounted bills of the Group, which qualifies for derecognition, were RMB1,764 million and RMB21,927 million, respectively.

(3) Asset securitisation

In the course of securitisation transactions, the Group sells assets to special purpose trusts from whom the asset-backed securities are subsequently sold to the investors. The Group may hold some asset-backed securities in these businesses, thus reserving part of risks and rewards of transferred credit assets. The Group analyses and judges whether to derecognise relevant credit assets based on degree of retention of risks and rewards.

As at 31 December 2017, the carrying amount of the credit assets transferred by the Group to special purpose trust was RMB1,910 million before transfer. The Group has derecognised relevant credit assets. The carrying amount of the Group's share of the above asset-backed securities as at 31 December 2017 was RMB90 million, with a maximum loss exposure similar to the carrying amount. As at 31 December 2016, there are not any credit assets transferred to special purpose trusts within the Group.

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT

(1) Overview

The primary risk management of the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

The major risks the Group faces include credit risk, market risk and liquidity risk. The market risk includes currency risk, interest risk and other price risk. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There have been no significant changes in the risk management departments or in any risk management policies for the year 2017.

(2) Risk Management Framework

The Bank has a risk management committee under the Board of Directors. Risk management committee is responsible for setting the overall risk management and internal control strategies of the Group and the Bank, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies set by the risk management committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

(3) Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Credit risk management (Continued)

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by strict compliance with its credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

Apart from the credit risk exposures on credit-related assets and deposits with banks and other financial institutions, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality including by reference to external credit rating information where available. In addition, the Group also provides financial guarantee services to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the contract. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

Impairment assessment

Key factors on impairment assessment

The Group generally measures and manages the quality of credit risk-bearing assets based on the Guideline for Loan Credit Risk Classification issued by the CBRC which requires the Group to classify loans into the following five category loan classification: normal, special mention, substandard, doubtful and loss. Loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. The main factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which relates to borrowers' repayment ability, credit record, repayment intention, projected profitability, guarantees or collateral and legal responsibility of repayment. The allowances for impairment losses are assessed collectively or individually as appropriate.

The Group assesses the impairment for loans and advances to customers at the end of reporting period in accordance with the accounting policies set out in Note 3. In addition, analysis based on the contractual amounts of the loans and advances to customers at the end of reporting period are provided internally to management for the purpose of assessing financial risks. Hence, certain quantitative disclosure in financial risk management has been prepared based on the original contractual amounts of those instruments particularly loans and advances to customers.

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Impairment assessment (Continued)

Key factors on impairment assessment (Continued)

The five-category loan classification in which the Group classifies its loans and advances to customers is set out below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special mention: Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
- Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
- Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- Loss: Only a small portion or none of principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The accounting policies regarding the Group's estimation of impairment losses on financial assets are set out in Note 3 "Impairment of Financial Assets".

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of each financial asset recognised in the consolidated statements of financial position and credit commitments disclosed in Note 50 "Contingent Liabilities and Commitments".

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

A summary of the maximum exposure to credit risk is as follows:

	As at 31 December 2017	As at 31 December 2016
Financial assets		
Balances with central bank	93,738,974	82,231,553
Deposits with banks and other financial institutions	45,380,379	34,582,759
Placements with banks and other financial institutions	102,641,378	112,571,397
Financial assets held for trading	519,234	3,511,939
Financial assets designated at fair value through profit or loss	–	1,009,400
Derivative financial assets	169,629	52,261
Financial assets held under resale agreements	2,443,685	3,699,871
Loans and advances to customers	324,109,622	288,116,411
Available-for-sale financial assets – debt instruments	165,084,216	89,965,566
Held-to-maturity investments	72,444,185	67,842,199
Debt securities classified as receivables	78,743,066	101,151,277
Other financial assets	7,131,914	5,523,301
Subtotal	<u>892,406,282</u>	<u>790,257,934</u>
Off-balance sheet credit commitments	<u>33,691,643</u>	<u>29,518,898</u>
Total	<u><u>926,097,925</u></u>	<u><u>819,776,832</u></u>

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level, the most typical of these is by obtaining collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

The main types of collateral obtained are as follows:

- Mortgage loans to personal customers are generally collateralised by mortgages over residential properties;
- Other personal lending and corporate loans and advances are mainly collateralised by charges over land and properties and other assets of the borrowers; and
- Reverse repurchase transactions are mainly collateralised by bonds, bills or loans and advances to customers.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers

- (i) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows:

	As at 31 December 2017		As at 31 December 2016	
	Amount	%	Amount	%
Corporate loans and advances				
Manufacturing	66,039,250	29.38	56,850,024	28.11
Water, environment and public utilities management	46,775,553	20.81	41,116,149	20.33
Retail and wholesale	25,550,655	11.37	22,017,081	10.89
Leasing and commercial services	18,036,420	8.02	13,740,713	6.79
Production and supply of electricity, gas and water	14,186,054	6.31	11,764,109	5.82
Real estate	10,725,323	4.77	14,142,799	6.99
Transportation, logistics and postal services	10,468,016	4.66	7,803,289	3.86
Construction	8,101,005	3.60	6,683,862	3.30
Financial industry	5,787,688	2.57	9,654,281	4.77
Agriculture, forestry, animal husbandry and fishery	4,154,949	1.85	4,137,074	2.05
Sanitation and social work	4,054,052	1.80	3,097,541	1.53
Education	3,295,430	1.47	3,391,127	1.68
Others	7,620,840	3.39	7,841,728	3.88
Subtotal	<u>224,795,235</u>	<u>100.00</u>	<u>202,239,777</u>	<u>100.00</u>
Personal loans and advances				
Mortgages	50,185,504	44.20	43,614,637	44.42
Loans to private business and employment assistance loans	38,120,621	33.57	35,053,951	35.70
Credit cards	4,211,008	3.71	5,072,244	5.17
Others	21,034,199	18.52	14,440,826	14.71
Subtotal	<u>113,551,332</u>	<u>100.00</u>	<u>98,181,658</u>	<u>100.00</u>
Total	<u>338,346,567</u>		<u>300,421,435</u>	

As at 31 December 2017, discounted bills included in corporate loans and advances were RMB10,043 million (31 December 2016: RMB12,327 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

- (i) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows: (Continued)

Details of impaired loans, loan loss allowances, charges (reversal), and amounts written off in respect of economic sectors which constitute 10% or more of total corporate loans and advances are as follows:

	2017				
	Gross impaired loans	Individually assessed allowances	Collectively assessed allowances	Charge for the year	Written off for the year
Manufacturing	893,376	(508,707)	(2,487,778)	(540,293)	237,730
Water, environment and public utilities management	–	–	(1,453,150)	(170,076)	–
Retail and wholesale	<u>814,231</u>	<u>(434,639)</u>	<u>(1,109,274)</u>	<u>(808,892)</u>	<u>250,944</u>
	2016				
	Gross impaired loans	Individually assessed allowances	Collectively assessed allowances	Charge for the year	Written off for the year
Manufacturing	719,089	(375,685)	(2,295,885)	(593,097)	216,197
Water, environment and public utilities management	–	–	(1,283,074)	(345,075)	–
Retail and wholesale	<u>474,695</u>	<u>(237,461)</u>	<u>(722,927)</u>	<u>(471,180)</u>	<u>287,916</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

- (ii) The composition of the contractual amount of loans and advances to customers by contractual maturity and collateral type is analysed as follows:

	As at 31 December 2017			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	25,241,877	13,926,549	4,312,907	43,481,333
Guaranteed loans	39,644,148	34,321,716	23,936,111	97,901,975
Collateralised and other secured loans				
– loans secured by property and other immovable assets	59,197,089	27,979,999	65,588,835	152,765,923
– other pledged loans	14,616,528	9,694,832	19,885,976	44,197,336
Total	138,699,642	85,923,096	113,723,829	338,346,567

	As at 31 December 2016			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	17,070,678	7,524,076	4,926,981	29,521,735
Guaranteed loans	38,619,756	21,468,206	17,770,077	77,858,039
Collateralised and other secured loans				
– loans secured by property and other immovable assets	54,758,237	40,503,919	60,980,496	156,242,652
– other pledged loans	15,966,799	5,686,095	15,146,115	36,799,009
Total	126,415,470	75,182,296	98,823,669	300,421,435

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iii) Overdue loans at contractual amount

	As at 31 December 2017				
	Up to 90 days	90 – 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	92,554	142,730	17,649	8,832	261,765
Guaranteed loans	352,070	429,275	223,043	59,106	1,063,494
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,081,898	1,269,846	1,151,856	132,945	3,636,545
– other pledged loans	15,832	–	25,000	–	40,832
Total	1,542,354	1,841,851	1,417,548	200,883	5,002,636

	As at 31 December 2016				
	Up to 90 days	90 – 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	114,834	206,538	13,270	16,742	351,384
Guaranteed loans	376,891	216,343	197,599	21,989	812,822
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,290,479	886,775	1,062,788	79,346	3,319,388
– other pledged loans	79,948	28,706	–	–	108,654
Total	1,862,152	1,338,362	1,273,657	118,077	4,592,248

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iv) Credit quality of loans and advances to customers at contractual amount

	As at 31 December 2017	As at 31 December 2016
Neither overdue nor impaired	333,132,181	295,635,435
Overdue but not impaired	1,912,983	1,913,468
Impaired	<u>3,301,403</u>	<u>2,872,532</u>
Subtotal	338,346,567	300,421,435
Less: Allowances for impairment losses	<u>(14,236,945)</u>	<u>(12,305,024)</u>
Loans and advances to customers, net	<u><u>324,109,622</u></u>	<u><u>288,116,411</u></u>

Loans and advances neither overdue nor impaired

	As at 31 December 2017		
	Normal	Special mention	Total
Corporate loans and advances	215,664,342	6,157,964	221,822,306
Personal loans and advances	<u>110,227,398</u>	<u>1,082,477</u>	<u>111,309,875</u>
Total	<u><u>325,891,740</u></u>	<u><u>7,240,441</u></u>	<u><u>333,132,181</u></u>

	As at 31 December 2016		
	Normal	Special mention	Total
Corporate loans and advances	194,532,744	5,656,928	200,189,672
Personal loans and advances	<u>94,287,675</u>	<u>1,158,088</u>	<u>95,445,763</u>
Total	<u><u>288,820,419</u></u>	<u><u>6,815,016</u></u>	<u><u>295,635,435</u></u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iv) Credit quality of loans and advances to customers at contractual amount (continued)

Loans and advances overdue but not impaired

	As at 31 December 2017				Total	Fair value of collateral
	Up to 30 days (including 30 days)	30 – 60 days (including 60 days)	60 – 90 days (including 90 days)	More than 90 days		
Corporate loans and advances	185,533	147,011	96,260	477,266	906,070	1,739,684
Personal loans and advances	534,462	192,840	166,224	113,387	1,006,913	1,512,356
Total	719,995	339,851	262,484	590,653	1,912,983	3,252,040

	As at 31 December 2016				Total	Fair value of collateral
	Up to 30 days (including 30 days)	30 – 60 days (including 60 days)	60 – 90 days (including 90 days)	More than 90 days		
Corporate loans and advances	360,369	61,849	39,682	105,518	567,418	451,174
Personal loans and advances	789,901	267,837	188,489	99,823	1,346,050	2,180,624
Total	1,150,270	329,686	228,171	205,341	1,913,468	2,631,798

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iv) Credit quality of loans and advances to customers at contractual amount (continued)

Impaired loans and advances

	As at 31 December 2017		
	Contractual amount	Allowance for impairment losses	Carrying amount
Individually assessed	2,066,859	(1,189,630)	877,229
Collectively assessed	1,234,544	(1,001,671)	232,873
Total	3,301,403	(2,191,301)	1,110,102

	As at 31 December 2016		
	Contractual amount	Allowance for impairment losses	Carrying amount
Individually assessed	1,482,687	(768,156)	714,531
Collectively assessed	1,389,845	(1,190,862)	198,983
Total	2,872,532	(1,959,018)	913,514

Including:

	As at 31 December 2017	As at 31 December 2016
Individually assessed and impaired	2,066,859	1,482,687
Individually assessed and impaired loans and advances as a percentage of gross loans and advances	0.61%	0.49%
Fair value of collateral	3,529,389	2,712,226

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

(v) Rescheduled loans and advances

Rescheduled loans are loans that have been renegotiated due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are subject to ongoing monitoring. The amount of rescheduled loans and advances is shown as follow:

	As at 31 December 2017		As at 31 December 2016	
	Total	Percentage of gross loans and advances to customers	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	615,617	0.18%	298,196	0.10%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	37,054	0.01%	52,018	0.02%

(vi) Assets foreclosed under credit enhancement arrangement

All the new foreclosed assets acquired by the Group were houses and buildings, with carrying amount of RMB2.52 million (2016: RMB4.02 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities

(i) Credit quality of debt securities

	As at 31 December 2017	As at 31 December 2016
Neither overdue nor impaired	318,816,436	265,188,773
Impaired	<u>158,547</u>	<u>50,000</u>
Subtotal	318,974,983	265,238,773
Less: Individually assessed allowance for impairment losses	(60,852)	(15,000)
Collectively assessed allowance for impairment losses	<u>(2,123,430)</u>	<u>(1,743,392)</u>
Debt securities, net	<u><u>316,790,701</u></u>	<u><u>263,480,381</u></u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities (Continued)

(i) Credit quality of debt securities (Continued)

Debt securities neither overdue nor impaired

	As at 31 December 2017					Total
	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	
Government bonds	-	-	60,740	25,530,137	6,199,000	31,789,877
Public sector, quasi-government bonds	289,411	-	284,509	24,304,317	-	24,878,237
Financial institution bonds	-	-	56,663	5,910,919	2,926,225	8,893,807
Corporate bonds	90,014	-	10,775,228	15,450,922	24,561,095	50,877,259
Interbank deposit certificates	139,809	-	-	1,513,871	-	1,653,680
Debt financing plans	-	-	1,014,205	-	499,777	1,513,982
Trust and asset management plans	-	-	5,229,743	-	46,316,723	51,546,466
WMPs issued by other banks	-	-	147,663,128	-	-	147,663,128
Total	519,234	-	165,084,216	72,710,166	80,502,820	318,816,436

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities (Continued)

(i) Credit quality of debt securities (Continued)

Debt securities neither overdue nor impaired (Continued)

	As at 31 December 2016					Total
	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	
Government bonds	–	–	–	16,097,775	3,772,000	19,869,775
Public sector, quasi-government bonds	1,173,201	–	–	22,842,152	–	24,015,353
Financial institution bonds	–	–	–	10,097,398	749,628	10,847,026
Corporate bonds	101,829	–	1,546,906	19,126,164	25,577,828	46,352,727
Interbank deposit certificates	2,236,909	–	–	–	–	2,236,909
Debt instruments issued by financial institutions	–	1,009,400	–	–	–	1,009,400
Trust and asset management plans	–	–	10,094,571	–	30,347,062	40,441,633
WMPs issued by other banks	–	–	78,324,089	–	42,091,861	120,415,950
Total	3,511,939	1,009,400	89,965,566	68,163,489	102,538,379	265,188,773

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities (Continued)

(i) Credit quality of debt securities (Continued)

Impaired debt securities

	As at 31 December 2017	As at 31 December 2016
Held-to-maturity investments		
– Corporate bonds	<u>50,000</u>	<u>50,000</u>
Less: Allowance for impairment losses	<u>(30,000)</u>	<u>(15,000)</u>
Carrying amount	<u>20,000</u>	<u>35,000</u>
	As at 31 December 2017	As at 31 December 2016
Debt securities classified as receivables		
– Others	<u>108,547</u>	<u>–</u>
Less: Allowance for impairment losses	<u>(30,852)</u>	<u>–</u>
Carrying amount	<u>77,695</u>	<u>–</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities (Continued)

(ii) Debt securities analysed by credit rating and credit risk characteristics

The Group and the Bank relies on credit rating provided by the external credit agencies in the PRC to classify the debt securities.

	As at 31 December 2017				Total
	AAA	AA	A and below	Unrated	
Financial assets held for trading					
Public sector, quasi-government bonds	-	-	-	289,411	289,411
Corporate bonds	-	-	-	90,014	90,014
Interbank deposit certificates	-	-	-	139,809	139,809
Subtotal	-	-	-	519,234	519,234
Available-for-sale financial assets					
Government bonds	-	-	-	60,740	60,740
Public sector, quasi-government bonds	-	-	-	284,509	284,509
Financial institution bonds	-	36,923	-	19,740	56,663
Corporate bonds	225,608	1,602,729	-	8,946,891	10,775,228
Debt financing plans	-	-	-	1,014,205	1,014,205
Trust and asset management plans	-	-	-	5,229,743	5,229,743
WMPs issued by other banks	-	-	-	147,663,128	147,663,128
Subtotal	225,608	1,639,652	-	163,218,956	165,084,216
Held-to-maturity investments					
Government bonds	-	-	-	25,530,137	25,530,137
Public sector, quasi-government bonds	3,068,407	-	-	21,235,910	24,304,317
Financial institution bonds	4,482,468	1,428,451	-	-	5,910,919
Corporate bonds	8,971,862	5,920,987	108,154	183,938	15,184,941
Interbank deposit certificates	-	-	-	1,513,871	1,513,871
Subtotal	16,522,737	7,349,438	108,154	48,463,856	72,444,185
Debt securities classified as receivables					
Government bonds	-	-	-	6,199,000	6,199,000
Financial institution bonds	1,294,755	1,631,470	-	-	2,926,225
Corporate bonds	-	-	-	24,070,094	24,070,094
Debt financing plans	-	-	-	489,777	489,777
Trust and asset management plans	-	-	-	45,057,970	45,057,970
Subtotal	1,294,755	1,631,470	-	75,816,841	78,743,066
Total	18,043,100	10,620,560	108,154	288,018,887	316,790,701

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities (Continued)

(ii) Debt securities analysed by credit rating and credit risk characteristics (Continued)

	As at 31 December 2016				Total
	AAA	AA	A and below	Unrated	
Financial assets held for trading					
Public sector, quasi-government bonds	–	–	–	1,173,201	1,173,201
Corporate bonds	–	–	–	101,829	101,829
Interbank deposit certificates	–	–	–	2,236,909	2,236,909
Subtotal	–	–	–	3,511,939	3,511,939
Financial assets designated at fair value through profit or loss					
Debt instruments issued by financial institutions	–	–	–	1,009,400	1,009,400
Subtotal	–	–	–	1,009,400	1,009,400
Available-for-sale financial assets					
Corporate bonds	206,723	779,303	–	560,880	1,546,906
Trust and asset management plans	–	–	–	10,094,571	10,094,571
WMPs issued by other banks	–	–	–	78,324,089	78,324,089
Subtotal	206,723	779,303	–	88,979,540	89,965,566
Held-to-maturity investments					
Government bonds	–	–	–	16,097,775	16,097,775
Public sector, quasi-government bonds	3,268,160	–	–	19,573,992	22,842,152
Financial institution bonds	5,271,034	4,468,070	358,294	–	10,097,398
Corporate bonds	12,016,283	6,670,989	82,910	34,692	18,804,874
Subtotal	20,555,477	11,139,059	441,204	35,706,459	67,842,199
Debt securities classified as receivables					
Financial institution bonds	499,628	250,000	–	–	749,628
Corporate bonds	–	–	–	25,066,428	25,066,428
Government bonds	–	–	–	3,772,000	3,772,000
Trust and asset management plans	–	–	–	29,471,360	29,471,360
WMPs issued by other banks	–	–	–	42,091,861	42,091,861
Subtotal	499,628	250,000	–	100,401,649	101,151,277
Total	21,261,828	12,168,362	441,204	229,608,987	263,480,381

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

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52. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

The Asset and Liability Management Committee of the Group mapped out the index management system of the ratios of asset and liability structure, based on the principles of liquidity, safety, and profitability; determines annual target values of these indexes in accordance with regulatory requirement and business plan; and allocates and distributes the tasks to branches for implementation. In the process of implementation, Risk Management Department of the headquarter supervises the implementation quality of branches, by preparing monthly and quarterly statistic tables of assets and liabilities management indexes, to achieve the expected objectives of matching of assets and liabilities.

The Group established the supervision system of indexes of asset and liability management, the liquidity reverse system, and relevant emergency management measures, to reduce the liquidity risk of the Group. The Group worked out the ratio of liquidity in accordance with the requirement of CBRC, and reported to CBRC monthly.

The assets which can be used for repaying debt and paying for the outstanding credit commitments contain cash and balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets designated at fair value through profit and loss, and so forth. In normal operation, majority of deposits will not be withdrawn immediately on the maturity date. Therefore, the Group will retain this part of cash flow. The Group can also dispose available-for-sale financial assets for fund-raising to repay matured debt.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

	As at 31 December 2017							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	84,792,839	12,219,246	-	-	-	-	-	97,012,085
Deposits with banks and other financial institutions	-	6,535,349	8,858,800	13,538,725	16,447,505	-	-	45,380,379
Placements with banks and other financial institutions	-	-	39,223,565	23,271,458	40,146,355	-	-	102,641,378
Financial assets held for trading	-	-	139,809	-	90,014	289,411	-	519,234
Derivative financial assets	-	-	760	3,165	24,106	141,598	-	169,629
Financial assets held under resale agreements	-	-	2,443,685	-	-	-	-	2,443,685
Loans and advances to customers	2,593,002	-	13,370,005	20,991,507	109,144,622	91,908,557	86,101,929	324,109,622
Available-for-sale financial assets	696,400	-	47,338,587	33,709,096	67,770,291	15,486,719	779,523	165,780,616
Held-to-maturity investments	20,000	-	553,811	1,606,851	7,939,101	40,946,852	21,377,570	72,444,185
Debt securities classified as receivables	-	-	1,320,034	2,063,753	16,023,809	53,225,245	6,110,225	78,743,066
Other financial assets	-	768,799	1,767,289	1,649,555	2,555,210	22	391,039	7,131,914
Total financial assets	88,102,241	19,523,394	115,016,345	96,834,110	260,141,013	201,998,404	114,760,286	896,375,793
Borrowings from central bank	-	-	2,045,000	5,035,000	24,258,420	-	-	31,338,420
Deposits from banks and other financial institutions	-	1,442,986	29,809,542	19,112,000	35,023,290	100,000	-	85,487,818
Placements from banks and other financial institutions	-	-	8,738,639	3,102,520	11,138,777	-	-	22,979,936
Derivative financial liabilities	-	-	710	11,112	23,726	141,041	-	176,589
Financial assets sold under repurchase agreements	-	-	5,630,571	1,914,459	-	-	-	7,545,030
Deposits from customers	-	249,002,848	32,926,017	84,166,531	138,788,427	67,300,430	3	572,184,256
Debt securities issued	-	-	8,039,080	26,665,663	60,196,602	-	9,000,000	103,901,345
Other financial liabilities	-	5,453,663	752,370	1,177,292	1,990,177	641,696	40,629	10,055,827
Total financial liabilities	-	255,899,497	87,941,929	141,184,577	271,419,419	68,183,167	9,040,632	833,669,221
Net position	88,102,241	(236,376,103)	27,074,416	(44,350,467)	(11,278,406)	133,815,237	105,719,654	62,706,572

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (continued)

	As at 31 December 2016							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	71,682,212	14,153,780	-	-	-	-	-	85,835,992
Deposits with banks and other financial institutions	-	4,996,477	7,841,082	7,407,000	14,338,200	-	-	34,582,759
Placements with banks and other financial institutions	-	-	67,097,125	32,797,416	12,676,856	-	-	112,571,397
Financial assets held for trading	-	-	101,829	496,323	1,740,586	882,673	290,528	3,511,939
Financial assets designated at fair value through profit or loss	-	-	50,200	959,200	-	-	-	1,009,400
Derivative financial assets	-	-	89	247	1,663	50,262	-	52,261
Financial assets held under resale agreements	-	-	700,000	2,599,866	400,005	-	-	3,699,871
Loans and advances to customers	2,334,079	-	13,914,129	17,853,610	103,443,461	74,703,045	75,868,087	288,116,411
Available-for-sale financial assets	176,191	-	30,819,291	35,989,095	22,350,598	599,859	206,723	90,141,757
Held-to-maturity investments	35,000	-	649,319	3,588,831	9,583,985	36,373,758	17,611,306	67,842,199
Debt securities classified as receivables	-	-	1,837,765	17,145,785	31,888,483	47,619,616	2,659,628	101,151,277
Other financial assets	11,831	665,405	1,349,210	1,656,403	1,840,073	379	-	5,523,301
Total financial assets	74,239,313	19,815,662	124,360,039	120,493,776	198,263,910	160,229,592	96,636,272	794,038,564
Borrowings from central bank	-	-	1,500,000	2,043,950	20,370,000	1,040,550	-	24,954,500
Deposits from banks and other financial institutions	-	3,380,703	34,166,037	35,850,000	30,536,341	349,444	-	104,282,525
Placements from banks and other financial institutions	-	-	10,617,394	5,118,100	5,020,000	-	-	20,755,494
Derivative financial liabilities	-	-	89	248	1,660	50,214	-	52,211
Financial assets sold under repurchase agreements	-	-	7,518,660	1,446,803	-	-	-	8,965,463
Deposits from customers	-	235,142,287	24,851,010	79,452,915	133,893,463	44,846,204	4	518,185,883
Debt securities issued	-	-	10,356,822	8,737,428	30,392,780	-	9,000,000	58,487,030
Other financial liabilities	-	3,316,888	669,475	1,282,307	1,319,193	57,823	42,180	6,687,866
Total financial liabilities	-	241,839,878	89,679,487	133,931,751	221,533,437	46,344,235	9,042,184	742,370,972
Net position	74,239,313	(222,024,216)	34,680,552	(13,437,975)	(23,269,527)	113,885,357	87,594,088	51,667,592

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the expected undiscounted contractual cash flows. The Group manages liquidity risk on basis of expected undiscounted cash flows.

	As at 31 December 2017							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	84,792,839	12,266,121	-	-	-	-	-	97,058,960
Deposits with banks and other financial institutions	-	6,537,057	9,115,946	14,053,292	17,209,334	-	-	46,915,629
Placements with banks and other financial institutions	-	-	39,991,615	23,737,959	41,385,630	-	-	105,115,204
Financial assets held for trading	-	-	140,000	-	102,610	307,950	-	550,560
Financial assets held under resale agreements	-	-	2,447,020	-	-	-	-	2,447,020
Loans and advances to customers	2,593,002	-	14,539,212	24,202,465	119,995,593	119,399,086	123,000,606	403,729,964
Available-for-sale financial assets	696,400	-	47,482,806	34,133,173	70,218,326	18,462,435	856,927	171,850,067
Held-to-maturity investments	20,000	-	731,574	2,146,852	10,317,195	49,441,921	24,875,000	87,532,542
Debt securities classified as receivables	-	-	1,551,262	2,947,737	19,798,033	61,038,842	7,221,961	92,557,835
Other financial assets	-	767,091	-	-	-	-	-	767,091
Total financial assets	88,102,241	19,570,269	115,999,435	101,221,478	279,026,721	248,650,234	155,954,494	1,008,524,872
Non-derivative financial liabilities								
Borrowings from central bank	-	-	2,104,966	5,225,480	24,671,671	-	-	32,002,117
Deposits from banks and other financial institutions	-	1,444,803	30,238,879	19,485,322	36,651,417	124,093	-	87,944,514
Placements from banks and other financial institutions	-	-	8,820,935	3,301,403	11,646,162	-	-	23,768,500
Financial assets sold under repurchase agreements	-	-	5,650,997	1,956,950	-	-	-	7,607,047
Deposits from customers	-	249,087,300	33,485,498	85,576,295	141,580,969	73,368,089	4	583,098,155
Debt securities issued	-	-	8,050,000	26,880,000	62,091,000	1,884,000	10,246,000	109,151,000
Other financial liabilities	-	5,367,394	-	-	-	-	48,552	5,415,946
Total financial liabilities	-	255,899,497	88,350,375	142,425,450	276,641,219	75,376,182	10,294,556	848,987,279
Net position	88,102,241	(236,329,228)	27,649,060	(41,203,972)	2,385,502	173,274,052	145,659,938	159,537,593
Derivative financial instruments								
Gross amount								
Total inflows	-	-	52,502	683,184	1,391,405	4,605,898	-	6,732,989
Total outflows	-	-	(52,452)	(691,131)	(1,391,025)	(4,605,341)	-	(6,739,949)
Net position	-	-	50	(7,947)	380	557	-	(6,960)

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2016							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	71,682,212	14,190,422	-	-	-	-	-	85,872,634
Deposits with banks and other financial institutions	-	4,998,163	7,958,234	7,545,154	14,811,345	-	-	35,312,896
Placements with banks and other financial institutions	-	-	67,547,172	33,340,118	12,908,314	-	-	113,795,604
Financial assets held for trading	-	-	102,034	519,140	1,818,240	1,033,620	319,680	3,792,714
Financial assets designated at fair value through profit or loss	-	-	53,970	1,034,539	-	-	-	1,088,509
Financial assets held under resale agreements	-	-	700,158	2,652,688	406,900	-	-	3,759,746
Loans and advances to customers	2,334,079	-	15,267,704	21,277,096	116,670,895	98,374,610	105,541,719	359,466,103
Available-for-sale financial assets	176,191	-	30,871,473	36,265,306	22,817,596	710,243	209,230	91,050,039
Held-to-maturity investments	35,000	-	775,686	4,340,426	11,785,134	43,912,746	21,070,360	81,919,352
Debt securities classified as receivables	-	-	2,061,522	18,401,817	35,138,377	53,756,554	3,038,946	112,397,216
Other financial assets	-	663,726	-	-	-	-	-	663,726
Total financial assets	74,227,482	19,852,311	125,337,953	125,376,284	216,356,801	197,787,773	130,179,935	889,118,539
Non-derivative financial liabilities								
Borrowings from central bank	-	-	1,548,866	2,180,471	20,683,058	1,076,754	-	25,489,149
Deposits from banks and other financial institutions	-	3,381,067	34,369,401	36,253,135	31,315,978	421,836	-	105,741,417
Placements from banks and other financial institutions	-	-	10,652,386	5,197,747	5,119,280	-	-	20,969,413
Financial assets sold under repurchase agreements	-	-	7,525,323	1,463,208	-	-	-	8,988,531
Deposits from customers	-	235,142,287	24,875,344	79,705,692	135,665,044	48,100,157	5	523,488,529
Debt securities issued	-	-	10,370,000	8,780,000	31,451,000	1,884,000	10,717,000	63,202,000
Other financial liabilities	-	2,987,473	-	-	-	-	51,670	3,039,143
Total financial liabilities	-	241,510,827	89,341,320	133,580,253	224,234,360	51,482,747	10,768,675	750,918,182
Net position	74,227,482	(221,658,516)	35,996,633	(8,203,969)	(7,877,559)	146,305,026	119,411,260	138,200,357
Derivative financial instruments								
Gross amount								
Total inflows	-	-	6,666	9,285	91,727	4,260,168	-	4,367,846
Total outflows	-	-	(6,666)	(9,285)	(91,724)	(4,260,121)	-	(4,367,796)
Net position	-	-	-	-	3	47	-	50

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

Assets available to meet all of the liabilities include cash, balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, available-for-sale financial assets, financial assets held for trading and financial assets designated at fair value through profit or loss. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

Off-balance sheet items

Off-balance sheet items of the Group include acceptances, undrawn credit card limits and others. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

	31 December 2017			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	14,502,293	–	–	14,502,293
Undrawn credit card limits	11,169,073	–	–	11,169,073
Letters of guarantee	1,774,807	4,696,482	8,040	6,479,329
Letters of credit issued	1,538,004	2,944	–	1,540,948
Total	28,984,177	4,699,426	8,040	33,691,643

	31 December 2016			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	12,322,869	–	–	12,322,869
Undrawn credit card limits	10,423,227	–	–	10,423,227
Letters of guarantee	242,069	5,671,823	8,040	5,921,932
Letters of credit issued	826,456	24,414	–	850,870
Total	23,814,621	5,696,237	8,040	29,518,898

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk

Market risk is the risk of loss, in respect of the Group's and the Bank's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from the proprietary business of the Group.

The Group considers the market risk arising from equity prices in respect of its trading and investment portfolios is immaterial.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and to a lesser extent in other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures.

The exchange rate of RMB to USD is under a managed floating exchange rate system. The exchange rate of RMB to USD has certain fluctuations over the past two years. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

	As at 31 December 2017				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	96,911,517	99,281	1,287	–	97,012,085
Deposits with banks and other financial institutions	44,115,739	1,040,984	94,243	129,413	45,380,379
Placements with banks and other financial institutions	99,818,604	2,822,774	–	–	102,641,378
Financial assets held for trading	519,234	–	–	–	519,234
Derivative financial assets	169,629	–	–	–	169,629
Financial assets held under resale agreements	2,443,685	–	–	–	2,443,685
Loans and advances to customers	321,542,846	2,553,060	–	13,716	324,109,622
Available-for-sale financial assets	165,780,616	–	–	–	165,780,616
Held-to-maturity investments	72,412,134	32,051	–	–	72,444,185
Debt securities classified as receivables	78,743,066	–	–	–	78,743,066
Other financial assets	7,067,218	64,640	–	56	7,131,914
Total financial assets	889,524,288	6,612,790	95,530	143,185	896,375,793
Borrowings from central bank	30,685,000	653,420	–	–	31,338,420
Deposits from banks and other financial institutions	85,487,687	131	–	–	85,487,818
Placements from banks and other financial institutions	19,841,970	3,137,966	–	–	22,979,936
Derivative financial liabilities	4,513	172,076	–	–	176,589
Financial assets sold under repurchase agreements	7,545,030	–	–	–	7,545,030
Deposits from customers	569,945,024	2,111,305	25,767	102,160	572,184,256
Debt securities issued	103,901,345	–	–	–	103,901,345
Other financial liabilities	9,993,797	61,596	–	434	10,055,827
Total financial liabilities	827,404,366	6,136,494	25,767	102,594	833,669,221
Net position	62,119,922	476,296	69,763	40,591	62,706,572
Notional amount of derivative financial instruments	–	6,444,939	–	–	6,444,939
Credit commitments	28,168,109	4,588,864	–	934,670	33,691,643

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

	As at 31 December 2016				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	85,759,396	74,968	1,628	–	85,835,992
Deposits with banks and other financial institutions	34,299,241	182,233	85,593	15,692	34,582,759
Placements with banks and other financial institutions	109,865,967	2,705,430	–	–	112,571,397
Financial assets held for trading	3,511,939	–	–	–	3,511,939
Financial assets designated at fair value through profit or loss	1,009,400	–	–	–	1,009,400
Derivative financial assets	8,779	43,482	–	–	52,261
Financial assets held under resale agreements	3,699,871	–	–	–	3,699,871
Loans and advances to customers	285,726,617	2,243,096	–	146,698	288,116,411
Available-for-sale financial assets	90,141,757	–	–	–	90,141,757
Held-to-maturity investments	67,807,506	34,693	–	–	67,842,199
Debt securities classified as receivables	101,151,277	–	–	–	101,151,277
Other financial assets	5,513,833	9,257	–	211	5,523,301
Total financial assets	788,495,583	5,293,159	87,221	162,601	794,038,564
Borrowings from central bank	23,913,950	1,040,550	–	–	24,954,500
Deposits from banks and other financial institutions	104,282,386	139	–	–	104,282,525
Placements from banks and other financial institutions	18,189,987	2,433,985	–	131,522	20,755,494
Derivative financial liabilities	43,431	8,780	–	–	52,211
Financial assets sold under repurchase agreements	8,965,463	–	–	–	8,965,463
Deposits from customers	516,706,668	1,426,309	31,139	21,767	518,185,883
Debt securities issued	58,487,030	–	–	–	58,487,030
Other financial liabilities	6,666,260	21,579	–	27	6,687,866
Total financial liabilities	737,255,175	4,931,342	31,139	153,316	742,370,972
Net position	51,240,408	361,817	56,082	9,285	51,667,592
Notional amount of derivative financial instruments	–	4,367,846	–	–	4,367,846
Credit commitments	24,979,146	3,616,124	–	923,628	29,518,898

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against USD by 5% on net profit.

	As at 31 December 2017 (Decrease)/ Increase in Net profit	As at 31 December 2016 (Decrease)/ Increase in Net profit
RMB 5% appreciation	(17,861)	(13,568)
RMB 5% depreciation	17,861	13,568

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

Interest rate risk

The interest rate risk of the Group arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

	As at 31 December 2017						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	92,198,824	-	-	-	-	4,813,261	97,012,085
Deposits with banks and other financial institutions	14,121,453	13,538,725	16,447,505	-	-	1,272,696	45,380,379
Placements with banks and other financial institutions	39,223,565	23,271,458	40,146,355	-	-	-	102,641,378
Financial assets held for trading	139,809	-	90,014	289,411	-	-	519,234
Derivative financial assets	-	-	-	-	-	169,629	169,629
Financial assets held under resale agreements	2,443,685	-	-	-	-	-	2,443,685
Loans and advances to customers	218,149,241	25,057,816	75,072,376	5,785,856	44,333	-	324,109,622
Available-for-sale financial assets	47,338,587	33,709,096	67,770,291	15,486,719	779,523	696,400	165,780,616
Held-to-maturity investments	553,811	1,606,851	7,939,101	40,946,852	21,377,570	20,000	72,444,185
Debt securities classified as receivables	1,320,034	2,063,753	16,023,809	53,225,245	6,110,225	-	78,743,066
Other financial assets	-	-	-	-	-	7,131,914	7,131,914
Total financial assets	415,489,009	99,247,699	223,489,451	115,734,083	28,311,651	14,103,900	896,375,793
Borrowings from central bank	2,045,000	5,035,000	24,258,420	-	-	-	31,338,420
Deposits from banks and other financial institutions	31,252,528	19,112,000	35,023,290	100,000	-	-	85,487,818
Placements from banks and other financial institutions	8,738,639	3,102,520	11,138,777	-	-	-	22,979,936
Derivative financial liabilities	-	-	-	-	-	176,589	176,589
Financial assets sold under repurchase agreement	5,630,571	1,914,459	-	-	-	-	7,545,030
Deposits from customers	281,919,646	84,166,531	138,788,427	67,196,930	3	112,719	572,184,256
Debt securities issued	8,039,080	26,665,663	60,196,602	-	9,000,000	-	103,901,345
Other financial liabilities	-	-	-	-	40,629	10,015,198	10,055,827
Total financial liabilities	337,625,464	139,996,173	269,405,516	67,296,930	9,040,632	10,304,506	833,669,221
Interest rate risk gap	77,863,545	(40,748,474)	(45,916,065)	48,437,153	19,271,019	3,799,394	62,706,572

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

	As at 31 December 2016						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	80,320,027	-	-	-	-	5,515,965	85,835,992
Deposits with banks and other financial institutions	12,643,561	7,407,000	14,338,200	-	-	193,998	34,582,759
Placements with banks and other financial institutions	67,097,125	32,797,416	12,676,856	-	-	-	112,571,397
Financial assets held for trading	101,829	496,323	1,740,586	882,673	290,528	-	3,511,939
Financial assets designated at fair value through profit or loss	50,200	959,200	-	-	-	-	1,009,400
Derivative financial assets	-	-	-	-	-	52,261	52,261
Financial assets held under resale agreements	700,000	2,599,866	400,005	-	-	-	3,699,871
Loans and advances to customers	195,373,176	17,407,545	71,177,723	3,498,175	659,792	-	288,116,411
Available-for-sale financial assets	30,819,291	35,989,095	22,350,598	599,859	206,723	176,191	90,141,757
Held-to-maturity investments	884,279	4,685,104	12,418,279	32,550,008	17,304,529	-	67,842,199
Debt securities classified as receivables	1,837,765	17,533,154	31,501,114	47,619,616	2,659,628	-	101,151,277
Other financial assets	-	-	-	-	-	5,523,301	5,523,301
Total financial assets	389,827,253	119,874,703	166,603,361	85,150,331	21,121,200	11,461,716	794,038,564
Borrowings from central bank	1,500,000	2,043,950	20,370,000	1,040,550	-	-	24,954,500
Deposits from banks and other financial institutions	37,546,740	35,850,000	30,536,341	349,444	-	-	104,282,525
Placements from banks and other financial institutions	10,617,394	5,118,100	5,020,000	-	-	-	20,755,494
Derivative financial liabilities	-	-	-	-	-	52,211	52,211
Financial assets sold under repurchase agreement	7,518,660	1,446,803	-	-	-	-	8,965,463
Deposits from customers	259,984,009	79,452,915	133,893,463	44,846,204	4	9,288	518,185,883
Debt securities issued	10,356,822	8,737,428	30,392,780	-	9,000,000	-	58,487,030
Other financial liabilities	-	-	-	-	42,180	6,645,686	6,687,866
Total financial liabilities	327,523,625	132,649,196	220,212,584	46,236,198	9,042,184	6,707,185	742,370,972
Interest rate risk gap	62,303,628	(12,774,493)	(53,609,223)	38,914,133	12,079,016	4,754,531	51,667,592

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net profit and comprehensive income, based on the Group's position of interest-bearing assets and liabilities at the end of the reporting period.

	2017		2016	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income
+100 basis points	<u>1,821,221</u>	<u>135,794</u>	<u>1,765,262</u>	<u>63,611</u>
-100 basis points	<u>(1,821,221)</u>	<u>(135,794)</u>	<u>(1,765,262)</u>	<u>(63,611)</u>

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products; therefore the impact of yield curves movement on interest expenses related to demand deposits has been excluded.

The sensitivity analysis on net profit is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate available-for-sale financial assets at end of the reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

The Group, based on regulatory requirement, conducts interest risk management in accordance with relevant regulations in Basel Accord.

This assumption does not represent the policy of use of funds and interest rate risk management of the Group. Therefore, the impact mentioned above may be different from actual situations.

Besides, the impact analysis of changes in interest rate mentioned above is a way of illustration, showing the estimated changes of net profit and other comprehensive income in cases of estimated yield and current interest risk of the Group. However, the risk management measures which may be adopted by management have not been taken into consideration in the analysis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(6) Capital management

The Group's and the Bank's objectives on capital management are to:

- safeguard the Group's and the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's and the Bank's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of business.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Administrative Measures on the Capital of Commercial Banks (Trial). For systematically important banks, CBRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. During the reporting period, the Group is in compliance with these legal and regulatory requirements.

The risk-weighted assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee. The similar calculation is adopted for off-balance sheet exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardised approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculated the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements promulgated by the CBRC.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

(6) Capital management (Continued)

	As at 31 December 2017	As at 31 December 2016
Core tier-one capital adequacy ratio	10.39%	9.85%
Tier-one capital adequacy ratio	10.40%	9.86%
Capital adequacy ratio	13.03%	12.70%
Components of capital base		
Core tier-one capital:		
Share capital	10,000,000	9,300,000
Valid portion of capital reserve	12,261,233	8,941,739
Surplus reserve and general reserve	20,183,496	18,054,103
Retained earnings	21,243,958	16,297,378
Valid portion of non-controlling interests	561,500	667,644
Total core tier-one capital	64,250,187	53,260,864
Deductions:		
Goodwill	(440,129)	(440,129)
Other intangible assets	(103,762)	(70,592)
Net core tier-one capital	63,706,296	52,750,143
Other tier-one capital:		
Non-controlling interests	74,867	46,894
Net tier-one capital	63,781,163	52,797,037
Tier-two capital		
Valid portion of tier-two capital instruments issued and related premium	9,000,000	9,000,000
Surplus provision for loan impairment	7,012,556	6,098,601
Valid portion of non-controlling interests	148,002	95,880
Net capital base	79,941,721	67,991,518
Risk-weighted assets		
Credit-risk-weighted assets	568,017,030	493,986,677
Market-risk-weighted assets	3,344,361	1,926,713
Operational risk-weighted assets	42,075,237	39,425,317

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(1) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements is observable and the significance of the inputs to the fair value measurement in its entirety, which is described below.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of the listed equity securities on exchanges. Where Level 1 inputs are not available, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates, own credit spread and counterparty credit spreads, as appropriate. If these parameters used in the model are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as Level 2.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(1) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorised and determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Nature of assets/liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)	
		31/12/2017	31/12/2016			
Financial assets held for trading	Debt securities issued by:			Level 2	See Note 1.	
	– Corporations	90,014	101,829			
	– Public sector and quasi- governments	289,411	1,173,201			
	– Interbank deposit certificates	139,809	2,236,909			
Financial assets designated at fair value through profit or loss	Unlisted debt instruments issued by financial institutions	–	1,009,400	Level 3	Based on fair value of underlying assets, mainly comprising bonds and money market financial instruments traded in the China Domestic Interbank Bond Market	
Derivatives	Assets	169,629	52,261	Level 2	Discounted cash flows. Future cash flows are estimated based on foreign currency forward rates (from observable yield curves at the end of the reporting period), discounted at a rate that reflects the credit risk of various counterparties.	
	Liabilities	176,589	52,211			
Available-for-sale financial assets	Listed equity securities issued by: – Financial institutions	688,400	62,628	Level 2	Based on observable H-share market price and adjusted for the lack of marketability.	
	Debt securities issued by:			Level 2	See Note 1.	
	– Governments	60,740	–			
	– Public sector and quasi-governments	284,509	–			
	– Corporations	10,775,228	1,546,906			
		– Financial institutions	56,663	–	Level 3	Discounted cash flows. Future cash flows are estimated and discounted using yield curve for similar quoted wealth management products issued by financial institutions.
		– Debt financing plans	1,014,205	–		
		– Trust and asset management plans	5,229,743	10,094,571		
	– WMPs issued by other financial institutions	147,663,128	78,324,089			

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(1) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Note 1: The debt securities traded on China Domestic Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository And Clearing Co., Ltd. (CCDCC), and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

There were no significant transfers between all levels during the year of 2017 and 2016.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(2) Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy

	2017			
	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Derivative financial assets	Derivative financial Liabilities
As at 1 January 2017	1,009,400	88,418,660	–	–
Total gain or loss:				
Purchases	–	266,728,710	–	–
Sales and settlements	(1,009,400)	(201,240,294)	–	–
Transfer in	–	–	–	–
As at 31 December 2017	<u>–</u>	<u>153,907,076</u>	<u>–</u>	<u>–</u>
	2016			
	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Derivative financial assets	Derivative financial Liabilities
As at 1 January 2016	2,909,700	–	1,510	1,510
Total gain or loss:				
Purchases	–	215,913,665	–	–
Sales and settlements	(1,900,300)	(127,495,005)	(1,510)	(1,510)
Transfer in	–	–	–	–
As at 31 December 2016	<u>1,009,400</u>	<u>88,418,660</u>	<u>–</u>	<u>–</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(3) Fair value financial assets and financial liabilities that are not measured at fair value on a recurring basis

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements are not included in the tables below.

	As at 31 December 2017		As at 31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	324,109,622	324,227,945	288,116,411	288,326,579
Held-to-maturity investments	72,444,185	71,329,422	67,842,199	68,728,093
Debt securities classified as receivables	78,743,066	78,716,482	101,151,277	102,219,970
Financial assets held under resale agreements	2,443,685	2,446,025	3,699,871	3,708,777
Total	477,740,558	476,719,874	460,809,758	462,983,419
Financial liabilities				
Deposits from customers	572,184,256	579,810,603	518,185,883	522,951,499
Debt securities issued	103,901,345	100,129,828	58,487,030	57,402,838
Total	676,085,601	679,940,431	576,672,913	580,354,337

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(3) Fair value financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

The following table gives the information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities		Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
		31/12/2017	31/12/2016		
Loans and advances to customers		324,227,945	288,326,579	Level 3	Discounted cash flows. Future cash flows are estimated and discounted using the yield curve with reference to the PBOC benchmark interest rates and credit spread for specific borrowers.
Held-to-maturity investments		71,329,422	68,728,093	Level 2	With regard of RMB bonds provided by CCDCC, the interest rate yield curve of the relevant bonds is the key parameter of measurement of the fair value. While the fair value of foreign currency bonds is determined by the results of valuation from Bloomberg.
Debt securities classified as receivables	Debt securities issued by financial institution and corporations	27,097,605	26,805,071	Level 2	See Note 1.
	Government bonds	5,934,732	3,717,126	Level 2	See Note 1.
	Debt financing plans	491,851	–	Level 3	Discounted cash flows. Future cash flows are estimated based on expected contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
	Trust and asset management plans	45,192,294	29,622,690		
	WMPs issued by other banks	–	42,075,083		
Financial assets held under resale agreements	Collateral type as: – Bills and trust beneficial rights and asset management plans	2,446,025	3,708,777	Level 3	Discounted cash flows. Future cash flows that are estimated based on contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
Deposits from customers		579,810,603	522,951,499	Level 3	Discounted cash flows. Future cash flows are estimated based on contractual amounts and discounted at a rate with reference to the PBOC benchmark interest rates for deposits of similar remaining maturities.
Debt securities issued		100,129,828	57,402,838	Level 2	See Note 1.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(3) Fair value financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

Note 1: The debt securities traded on China Domestic Interbank Bond Market are classified into Level 2. Their fair values are provided by CCDCC and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

There were no significant transfers between levels during the year of 2017 and 2016.

54. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK

	NOTE	As at 31 December 2017	As at 31 December 2016
Assets			
Cash and balances with central bank		96,786,804	85,581,955
Deposits with banks and other financial institutions		43,781,688	33,496,799
Placements with banks and other financial institutions		106,481,378	114,401,397
Financial assets held for trading		519,234	3,511,939
Financial assets designated at fair value through profit or loss		–	1,009,400
Derivative financial assets		169,629	52,261
Financial assets held under resale agreements		2,443,685	3,699,871
Loans and advances to customers		299,538,760	270,460,467
Available-for-sale financial assets		165,780,616	90,091,757
Held-to-maturity investments		72,444,185	67,842,199
Debt securities classified as receivables		78,743,066	100,763,908
Investment in subsidiaries	26	2,748,729	2,645,000
Property and equipment		4,830,822	5,015,109
Deferred tax assets		3,144,739	2,680,359
Goodwill		440,129	440,129
Other assets		7,488,011	5,992,446
Total Assets		885,341,475	787,684,996

Notes to the Consolidated Financial Statements (Continued)

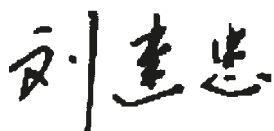
For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

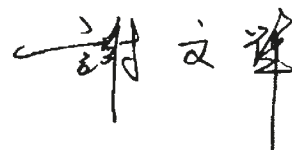
54. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

	NOTE	As at 31 December 2017	As at 31 December 2016
Liabilities			
Borrowings from central bank		31,153,420	24,740,550
Deposits from banks and other financial institutions		86,205,190	104,706,136
Placements from banks and other financial institutions		7,897,936	10,565,494
Derivative financial liabilities		176,589	52,211
Financial assets sold under repurchase agreements		7,545,030	8,965,463
Deposits from customers		570,436,411	516,104,429
Accrued staff costs		4,879,614	4,566,161
Corporate income tax payable		839,024	708,619
Debt securities issued		103,901,345	58,487,030
Other liabilities		8,970,395	6,373,029
Total liabilities		822,004,954	735,269,122
Equity			
Share capital	40	10,000,000	9,300,000
Capital reserve	41	12,493,286	9,201,954
Investment revaluation reserve	42	(109,673)	53,219
Actuarial changes reserve		(130,651)	(313,434)
Surplus reserve	43	9,457,152	8,580,210
General reserve	44	10,503,922	9,345,040
Retained earnings	45	21,122,485	16,248,885
Total equity		63,336,521	52,415,874
Total liabilities and equity		885,341,475	787,684,996

Approved and authorised for issue by the Board of Directors on 29 March 2018.



LIU JIANZHONG
CHAIRMAN



XIE WENHUI
EXECUTIVE DIRECTOR AND PRESIDENT

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

54. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

(1) Reserve movement of the Bank

	2017					
	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2017	9,201,954	53,219	(313,434)	8,580,210	9,345,040	16,248,885
Profit for the year	-	-	-	-	-	8,769,424
Other comprehensive income	-	(162,892)	182,783	-	-	-
Total comprehensive income for the year	-	(162,892)	182,783	-	-	8,769,424
Contribution from non-controlling interests	3,291,332	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	876,942	-	(876,942)
Appropriation to general reserve	-	-	-	-	1,158,882	(1,158,882)
Dividend distribution	-	-	-	-	-	(1,860,000)
As at 31 December 2017	<u>12,493,286</u>	<u>(109,673)</u>	<u>(130,651)</u>	<u>9,457,152</u>	<u>10,503,922</u>	<u>21,122,485</u>
	2016					
	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2016	9,201,954	105,835	(111,729)	7,798,116	7,946,259	12,468,817
Profit for the year	-	-	-	-	-	7,820,943
Other comprehensive income	-	(52,616)	(201,705)	-	-	-
Total comprehensive income for the year	-	(52,616)	(201,705)	-	-	7,820,943
Appropriation to surplus reserve	-	-	-	782,094	-	(782,094)
Appropriation to general reserve	-	-	-	-	1,398,781	(1,398,781)
Dividend distribution	-	-	-	-	-	(1,860,000)
As at 31 December 2016	<u>9,201,954</u>	<u>53,219</u>	<u>(313,434)</u>	<u>8,580,210</u>	<u>9,345,040</u>	<u>16,248,885</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

55. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

- (1) According to section 383 of the Hong Kong Companies Ordinance, the emoluments and retirement benefits of directors are disclosed in Note 10, payments or benefits in respect of termination of directors' services, material interests of directors in transactions, arrangements or contracts entered into by the Bank or another company in the same group of companies, and consideration provided to or receivable by third parties for making available the services of a person as a director or in any other capacity is not material during the year 2017 (2016: not material).
- (2) Loans and credit transactions provided to certain controlled body corporates and connected entities of directors and supervisors

Name of the borrower	As at 31 December 2016	As at 31 December 2017	Maximum outstanding during the year 2017	Amounts fallen due but not been paid	Provisions as at 31 December 2017	Term	Interest Rate (%)	Security
Connected entities	3,088,800	7,630,808	10,073,765	-	243,423	1-10 years	4.19-7.34	Guarantee, certificates of deposit, construction in process, real estate, etc.

56. EVENTS AFTER THE REPORTING PERIOD

- (1) On 29 March 2018, the Board of Directors proposed the profit distribution plan for the year 2017, as disclosed in Note 14 "Dividends", Note 43 "Surplus reserve", and Note 44 "General reserve". This plan is subject to the shareholders' approval in the forthcoming annual general meeting.

Besides the items mentioned above, the Group and the Bank have no significant events after the reporting period.

Unaudited Supplemental Financial Information

For the year ended 31 December 2017

(Amounts in millions of Renminbi, unless otherwise stated)

LIQUIDITY RATIOS

THE GROUP

	As at 31 December 2017	As at 31 December 2016
RMB current assets to RMB current liabilities	44.14	37.63
Foreign currencies current assets to foreign currencies current liabilities	<u>57.43</u>	<u>110.29</u>

LIQUIDITY COVERAGE RATIO

THE GROUP

	As at 31 December 2017	As at 31 December 2016
Liquidity coverage (%)	<u>180.04</u>	<u>134.38</u>

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2017

(Amounts in millions of Renminbi, unless otherwise stated)

CURRENCY CONCENTRATIONS

THE GROUP

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2017				
Spot assets	6,597.8	94.3	143.6	6,835.7
Spot liabilities	(5,958.1)	(198.4)	(102.8)	(6,259.3)
Forward purchases	3,091.8	–	–	3,091.8
Forward sales	(3,353.2)	–	–	(3,353.3)
Net position	<u>378.3</u>	<u>(104.1)</u>	<u>40.8</u>	<u>315.0</u>
As at 31 December 2016				
Spot assets	5,260.6	214.8	173.5	5,648.9
Spot liabilities	(5,023.4)	(31.1)	(170.9)	(5,225.4)
Forward purchases	2,183.9	–	–	2,183.9
Forward sales	(2,183.9)	–	–	(2,183.9)
Net position	<u>237.2</u>	<u>183.7</u>	<u>2.6</u>	<u>423.5</u>

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2017

(Amounts in millions of Renminbi, unless otherwise stated)

INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and the Group's international claims are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions and loans and advances to customers.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Non-bank private sector	Total
As at 31 December 2017			
Asia Pacific (excluding Mainland China)	3,302.3	2,684.0	5,986.3
– of which attributed to Hong Kong	194.6	–	194.6
North America	554.3	–	554.3
Europe	135.3	–	135.3
Total	3,991.9	2,684.0	6,675.9
As at 31 December 2016			
Asia Pacific (excluding Mainland China)	2,942.3	2,478.3	5,420.6
– of which attributed to Hong Kong	68.7	–	68.7
North America	105.1	–	105.1
Europe	18.1	–	18.1
Total	3,065.5	2,478.3	5,543.8

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2017

(Amounts in millions of Renminbi, unless otherwise stated)

SUMMARY OF INFORMATION ON GEOGRAPHICAL SEGMENTS

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

	For the year ended 31 December 2017			For the year ended 31 December 2016		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	4,074.3	17,426.4	21,500.7	3,793.3	15,611.4	19,404.7
Net fee and commission income	1,064.6	1,231.0	2,295.6	1,046.3	1,072.1	2,118.4
Net trading losses	–	(36.8)	(36.8)	–	(15.6)	(15.6)
Other operating income, net	76.3	134.2	210.5	73.4	80.8	154.2
Total operating income	5,215.2	18,754.8	23,970.0	4,913.0	16,748.7	21,661.7
Internal transfer of income and expense	6,191.7	(6,191.7)	–	5,715.9	(5,715.9)	–
Income after adjustment	11,406.9	12,563.1	23,970.0	10,628.9	11,032.8	21,661.7

(1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of the twelve village and township banking subsidiaries and the information of Qujing Branch.

Summary of geographical segment

(Expressed in percentage)	As at 31 December									
	2017		2016		2015		2014		2013	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Deposits	67.83	32.17	67.54	32.46	66.52	33.48	66.30	33.70	68.01	31.99
Loans	44.67	55.33	46.98	53.02	47.87	52.13	50.18	49.82	52.60	47.40
Assets	45.65	54.35	48.59	51.41	46.73	53.27	44.86	55.14	47.77	52.23
Loan-deposit ratio	38.94	101.70	40.33	94.70	41.10	88.95	44.74	87.40	45.63	87.43
Return on average total assets	1.00	1.10	1.04	1.07	1.06	1.10	1.20	1.23	1.29	1.28
Net fee and commission income to operating income	9.33	9.80	9.84	9.72	5.60	8.08	4.18	6.62	2.90	5.57
Cost-to-income ratio	36.85	31.34	37.51	34.46	35.35	34.01	41.27	35.17	41.46	33.47

Organization Chart



Notes:

- representing the implementation of the division of the system management mode;
- representing the implementation of the prospective division of the system management mode;
- representing the implementation of straight line management mode.

Branches and Subsidiaries

Branches

Qujing Branch

Address: Block 2 and 3, "Renhe Garden,
Yunding Town Center" Dahua Bridge,
Qilin West Road, Qilin District, Qujing
City, Yunnan Province, China

Postal Code: 655000

Tel: 0874-3193599

Fax: 0874-3193565

Liangjiang Branch

Address: No. 21, 23, 25 Jintong Road, New
North Zone, Chongqing City, China

Postal Code: 401122

Tel: 023-88502278

Fax: 023-88502278

Wanzhou Branch

Address: No. 99 Taibai Road, Wanzhou District,
Chongqing City, China

Postal Code: 404100

Tel: 023-58156268

Fax: 023-58156260

Jiangjin Branch

Address: Block E, Jinhui Garden, Binjiang West
Road, Jijiang Street Office, Jiangjin
District, Chongqing City, China

Postal Code: 402260

Tel: 023-47538041

Fax: 023-47522632

Hechuan Branch

Address: No. 2 Jiuchang Road, Hechuan District,
Chongqing City, China

Postal Code: 401520

Tel: 023-42835185

Fax: 023-42841214

Sub-branches

Yuzhong Branch

Address: No. 142 Xinhua Road, Yuzhong District,
Chongqing City, China

Postal Code: 400011

Tel: 023-63702177

Fax: 023-63716557

Jiangbei Branch

Address: 1-1, No. 10, Yanghe Road East,
Jiangbei District, Chongqing City,
China

Postal Code: 400020

Tel: 023-67864030

Fax: 023-67723755

Shapingba Branch

Address: No. 118 Xiaoyanggong Bridge,
Shapingba District, Chongqing City,
China

Postal Code: 400030

Tel: 023-65330998

Fax: 023-65332566

Xiyong Branch

Address: No. 28 Xiyong Avenue, Shapingba
District, Chongqing City, China

Postal Code: 401333

Tel: 023-65518880

Fax: 023-65518880

Dadukou Branch

Address: 3/F, Block A1, Tianchenhuafu, Chunhui
Road Street, Dadukou District,
Chongqing City, China

Postal Code: 400084

Tel: 023-68836636

Fax: 023-68901484

Branches and Subsidiaries

Nan'an Branch

Address: No. 24 Jiangnan Avenue, Nanping,
Nan'an District, Chongqing City, China
Postal Code: 400060
Tel: 023-62947564
Fax: 023-62947517

Jiulongpo Branch

Address: No. 2 Xijiao Road, Yang Jia Ping,
Jiulongpo District, Chongqing City,
China
Postal Code: 400050
Tel: 023-86105779
Fax: 023-68437557

Beibei District

Address: No. 20 Beixia West Road, Beibei,
District, Chongqing City, China
Postal Code: 400700
Tel: 023-68864083
Fax: 023-68862728

Yubei Branch

Address: 1-1, Block 1, No. 91 Shuanglong
Avenue, Shuanglonghu Street, Yubei
District, Chongqing City, China
Postal Code: 401120
Tel: 023-67813712
Fax: 023-67822014

Ba'nan Branch

Address: No. 145 Longzhou Avenue, Ba'nan
District, Chongqing City, China
Postal Code: 401320
Tel: 023-66212977
Fax: 023-66222960

Wansheng Branch

Address: No. 36 Wandong North Road,
Wansheng District, Chongqing City,
China
Postal Code: 400800
Tel: 023-48299505
Fax: 023-48299504

Fuling Branch

Address: Block 1, Hongfu Building No. 55
Xinghua Middle Road, Fuling District,
Chongqing City, China
Postal Code: 408000
Tel: 023-72229797
Fax: 023-72237722

Changshou Branch

Address: No. 13 Xiangyang Road, Fengcheng
Street Office, Changshou District,
Chongqing City, China
Postal Code: 401220
Tel: 023-40240574
Fax: 023-40258075

Yongchuan Branch

Address: No. 399, Honghe Middle Road,
Yongchuan District, Chongqing City,
China
Postal Code: 402160
Tel: 023-49863765
Fax: 023-49885099

Nanchuan Branch

Address: No. 28 Jinfo Avenue, Nanchuan
District, Chongqing City, China
Postal Code: 408400
Tel: 023-71423626
Fax: 023-71429898

Qijiang Branch

Address: No. 34 Jiulong Avenue, Wenlong Street, Qijiang District, Chongqing City, China

Postal Code: 401420

Tel: 023-48663010

Fax: 023-48658598

Tongnan Branch

Address: No. 4, Xingtong Avenue, Guilin Street Office, Tongnan County, Chongqing City, China

Postal Code: 402660

Tel: 023-44553817

Fax: 023-44554249

Tongliang Branch

Address: No. 102 Zhongxing Road, Bachuan Street, Tongliang County, Chongqing City, China

Postal Code: 402560

Tel: 023-45689247

Fax: 023-45682975

Dazu Branch

Address: Fu No. 2 No.390 Wuxing Avenue, Tangxiang Street Office, Dazu County, Chongqing City, China

Postal Code: 402360

Tel: 023-43789737

Fax: 023-43722323

Rongchang Branch

Address: No. 106 Haitang Avenue, Changzhou Street Office, Rongchang County, Chongqing City, China

Postal Code: 402460

Tel: 023-46730454

Fax: 023-46739122

Bishan Branch

Address: No. 4 Bitong Road, Bicheng Street Office, Bishan County, Chongqing City, China

Postal Code: 402760

Tel: 023-41401133

Fax: 023-41427834

Liangping Branch

Address: No. 1, Block 26, Minghao Commercial Area, Liangshan Town, Liangping County, Chongqing City, China

Postal Code: 405200

Tel: 023-53223401

Fax: 023-53223401

Chengkou Branch

Address: No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City, China

Postal Code: 405900

Tel: 023-59221503

Fax: 023-59221503

Fengdu Branch

Address: No. 187 2nd Shangye Road, Sanhe Town, Fengdu County, Chongqing City, China

Postal Code: 408299

Tel: 023-70736444

Fax: 023-70736533

Dianjiang Branch

Address: No. 12 Renmin East Road, Guixi Town, Dianjiang County, Chongqing City, China

Postal Code: 408300

Tel: 023-74512937

Fax: 023-74685719

Zhong County Branch

Address: No. 49 Ba Wang Road, Zhongzhou Town, Zhong County, Chongqing City, China

Postal Code: 404300

Tel: 023-54243943

Fax: 023-54243942

Kai County Branch

Address: (Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kai County, Chongqing City, China

Postal Code: 405400

Tel: 023-52250701

Fax: 023-52250253

Branches and Subsidiaries

Yunyang Branch

Address: No. 1335 Yunjiang Avenue,
Qinglong Subdistrict, Yunyang County,
Chongqing City, China

Postal Code: 404500

Tel: 023-55161480

Fax: 023-55161480

Fengjie Branch

Address: No. 32 Gongping Lane, Yufujie Road,
Fengjie County, Chongqing City,
China

Postal Code: 404600

Tel: 023-56560373

Fax: 023-56560229

Wushan Branch

Address: No. 258 Guangdong East Road,
Wushan County, Chongqing City,
China

Postal Code: 404700

Tel: 023-57680904

Fax: 023-67680904

Wuxi Branch

Address: Unit 1-1, No.7 Yanghe Garden, No.25,
Binhe Zhilu, Boyang Street, Wuxi
County, Chongqing City, China

Postal Code: 405800

Tel: 023-51529828

Fax: 023-51520799

Qianjiang Branch

Address: No. 599 Jiefang Road, Qianjiang
District, Chongqing City, China

Postal Code: 409000

Tel: 023-79237426

Fax: 023-79236496

Shizhu Branch

Address: No. 41 Xinkai Road, Nanbin Town,
Shizhu Tujia Autonomous County,
Chongqing City, China

Postal Code: 409100

Tel: 023-73332466

Fax: 023-73337976

Wulong Branch

Address: No. 36 Furong Middle Road, Xiangkou
Town, Wulong County, Chongqing
City, China

Postal Code: 408500

Tel: 023-77723233

Fax: 023-77722595

Xiushan Branch

Address: Shizi Street, Yuxiu Avenue, Zhonghe
Town, Xiushan Tujia and Miao
Autonomous County, Chongqing City,
China

Postal Code: 409900

Tel: 023-76662163

Fax: 023-76671163

Youyang Branch Co., Ltd.

Address: No. 5, Taohuayuan Middle Road,
Taohuayuan Town, Youyang Tujia and
Miao Autonomous County, Chongqing
City, China

Postal Code: 409800

Tel: 023-75532959

Fax: 023-75552534

Pengshui Branch

Address: Fu No. 4, 2 Shizui Street, Hanjia Street,
Pengshui Miao and Tujia Autonomous
County, Chongqing City, China

Postal Code: 409600

Tel: 023-78492863

Fax: 023-78849965

Subsidiaries

Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.

(江蘇張家港渝農商村鎮銀行股份有限公司)
 Address: No. 487 and 489 Chang'an Road,
 Zhangjiagang City, Jiangsu Province
 Postal Code: 215600
 Tel: 0512-58918959
 Fax: 0512-58918969

Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.

(四川大竹渝農商村鎮銀行股份有限公司)
 Address: Block H8/9, Huangge Commercial
 Plaza, Xinhua Road East, Zhuyang
 Town, Dazhu County, Sichuan
 Province
 Postal Code: 635100
 Tel: 0818-6256123
 Fax: 0818-6256616

Yunnan Dali CQRC Village and Township Bank

(雲南大理渝農商村鎮銀行有限責任公司)
 Address: No. 176 Yangbi Road, Economic
 Development Zone, Dali Prefecture,
 Yunnan Province
 Postal Code: 671000
 Tel: 0872-2188319
 Fax: 0872-2188667

Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.

(雲南祥雲渝農商村鎮銀行有限責任公司)
 Address: No. 16, Block 11, "Xiangyun Yinxiang
 Garden", Wenyuan Road north side,
 Xiangcheng Town, Xiangyun County,
 Dali Prefecture, Yunnan Province
 Postal Code: 672100
 Tel: 0872-3997552
 Fax: 0872-3122977

Yunnan Heqing CQRC Village and Township Bank Co., Ltd.

(雲南鶴慶渝農商村鎮銀行有限責任公司)
 Address: 15 Xinghe Road, Yunhe Town, Hexing
 County, Dali Prefecture, Yunnan
 Province
 Postal Code: 671500
 Tel: 0872-4125480
 Fax: 0872-4123500

Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.

(廣西鹿寨渝農商村鎮銀行有限責任公司)
 Address: 8 Guiyuan Road, Nanxin District,
 Luzhai County, Liuzhou City, Guangxi
 Province
 Postal Code: 545600
 Tel: 0772-6663027
 Fax: 0772-6663029

Fujian Shaxian CQRC Village and Township Bank Co., Ltd.

(福建沙縣渝農商村鎮銀行有限責任公司)
 Address: Floor 1 & 2, North Tower of Yongshun
 Building, Xincheng Central Road, Sha
 County, Sanming City, Fujian Province
 Postal Code: 365050
 Tel: 0598-5758880
 Fax: 0598-5758880

Fujian Fuan CQRC Village and Township Bank Co., Ltd.

(福建福安渝農商村鎮銀行有限責任公司)
 Address: 1 Guanhang Road, Cheng Bei, Fu'an
 City, Fujian Province
 Postal Code: 355000
 Tel: 0593-8988916
 Fax: 0593-8988920

Branches and Subsidiaries

Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.

(雲南香格里拉渝農商村鎮銀行有限責任公司)

Address: 3AS-1-1, No. 7 Huajun Plaza,
Changzheng Da Road, Xianggelila
County, Yunnan Province

Postal Code: 674499

Tel: 0887-8980066

Fax: 0887-8989811

Fujian Shi Shi CQRC Village and Township Bank Co., Ltd.

(福建石獅渝農商村鎮銀行有限責任公司)

Address: No. 2454、2456、2458、Hong Xing
International Building, Baqi Road,
Shishi City, Fujian Province

Postal Code: 362700

Tel: 0595-82269866

Fax: 0595-82268878

Fujian Pingtan CQRC Village and Township Bank Co., Ltd.

(福建平潭渝農商村鎮銀行有限責任公司)

Address: A3-A6, 19th Pai, Kangde Huayuan
Villa, Tancheng Town, Pingtan
County, Fujian Province

Postal Code: 350400

Tel: 0591-86175991

Fax: 0591-86175991

Yunnan Xishan CQRC Village and Township Bank Co., Ltd.

(雲南西山渝農商村鎮銀行有限責任公司)

Address: No. 924, 926, 928 Dianchi Road,
Kunming City, Yunnan

Postal Code: 650000

Tel: 0871-68183750

Fax: 0871-68183750

CQRC Financial Leasing Co., Ltd.

(渝農商金融租賃有限責任公司)

Address: Floor 24 and 25, Twin towers A,
Buildings 3, No. 10, Qingfeng North
Road, Yubei District, Chongqing,
China

Postal Code: 401121

Tel: 023-63569568

Fax: 023-63569555

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

Bank or our Bank	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
Banking Regulatory Commission Chongqing Bureau	China Banking Regulatory Commission Chongqing Regulatory Bureau (中國銀行業監督管理委員會重慶監管局)
CBRC	China Banking Regulatory Commission (中國銀行業監督管理委員會)
CSRC	China Security Regulating Commission (中國證券監督管理委員會)
CPC	Chinese Communist Party (中國共產黨)
Board of Directors of the Bank or the Board	The board of directors of the Bank
Board of Supervisors	the board of supervisors of the Bank
County Area	the regions other than Urban Area of Chongqing City, including 29 districts and counties
Articles of Association	Articles of Association of Chongqing Rural Commercial Bank Co., Ltd.*, as amended from time to time
Domestic Shares	the ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each
Group	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) and its subsidiaries
RMB or Renminbi	Renminbi, the lawful currency of the PRC
yuan	RMB yuan
HKD or HK\$ or HK dollars	Hong Kong dollars, the lawful currency of Hong Kong
PRC or China	the People's Republic of China
Hong Kong	Hong Kong Special Administrative Region, the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

Definitions

Hong Kong Listing Rules	The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
Two Highs and One Surplus Industry	indicates with high pollution, high energy consumption and excess capacity
Listing	the listing of H shares on the Main Board of the Hong Kong Stock Exchange
rural commercial bank	a short-hand reference to rural and commercial bank (農村商業銀行)
Sannong	a short-hand reference to the Chinese pronunciation of the phrase “agriculture, rural areas and farmers”
three-transformation	the strategy for future development of the Bank, that is, characteristic operation, streamlining the management and fostering good corporate culture
village and township banks	bank institutions that are approved by CBRC (中國銀監會) to be incorporated in rural areas to provide services to local farmers or enterprises
“One Belt and One Road”	Silk Road Economic Belt and the 21th Century Maritime Silk Road
ETC	Electronic Toll Collection System
Shareholder(s)	Shareholder(s) of the Bank
IFRSs	International Financial Reporting Standards
Central bank	the People’s Bank of China



重庆农村商业银行

CHONGQING RURAL COMMERCIAL BANK

Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing, China

Mail Box: 400023

www.cqrcb.com