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**BANK OF CHONGQING CO., LTD.\***  
**重慶銀行股份有限公司\***

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1963)**

**ANNOUNCEMENT OF ANNUAL RESULTS FOR  
THE YEAR ENDED DECEMBER 31, 2016**

The board of directors (the “**Board**”) of Bank of Chongqing Co., Ltd.\* (the “**Bank**” or “**Bank of Chongqing**”) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank for the year ended December 31, 2016 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”). The Board and its audit committee have reviewed and confirmed the Annual Results.

**1. CORPORATE INFORMATION**

**1.1 Corporate Basic Information**

Legal Name and Abbreviation in Chinese:	重慶銀行股份有限公司 (Abbreviation: 重慶銀行)
Legal Name in English:	Bank of Chongqing Co., Ltd.
Legal Representative:	GAN Weimin
Authorized Representatives:	GAN Weimin WONG Wah Sing
Listing Exchange of H Shares:	The Stock Exchange of Hong Kong Limited
Stock Name and Stock Code:	Stock Name: BCQ Stock Code: 1963

**1.2 Contact Persons and Contact Details**

Acting Secretary to the Board:	WONG Wah Sing
Joint Company Secretaries:	WONG Wah Sing HO Wing Tsz Wendy
Corporate Website:	<a href="http://www.cqcbank.com">http://www.cqcbank.com</a>
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Registered Address:	No. 153 Zourong Road, Yuzhong District, Chongqing, the People's Republic of China (the “ <b>PRC</b> ”) Postal Code: 400010
Principal Place of Business in Hong Kong:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

## 2. FINANCIAL HIGHLIGHTS

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

### 2.1 Financial Data

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,					
	2016	2015	Year-on-year change between 2016 and 2015	2014	2013	2012
<b>OPERATING RESULTS</b>			<b>Change (%)</b>			
Interest income	16,226,274	15,507,610	4.6	13,236,153	10,467,150	8,308,816
Interest expense	(8,548,876)	(8,505,537)	0.5	(7,004,455)	(5,288,532)	(4,159,185)
Net interest income	7,677,398	7,002,073	9.6	6,231,698	5,178,618	4,149,631
Net fee and commission income	1,926,017	1,512,053	27.4	908,846	644,581	368,046
Other operating income, net trading gains/(losses) and net gains/(losses) on investment securities	(381)	78,455	(100.5)	342,566	51,301	139,619
Operating income	9,603,034	8,592,581	11.8	7,483,110	5,874,500	4,657,296
Operating expenses	(2,537,298)	(3,190,171)	(20.5)	(2,805,275)	(2,282,772)	(1,900,021)
Impairment losses	(2,411,134)	(1,135,300)	112.4	(889,566)	(535,718)	(241,054)
Operating profit	4,654,602	4,267,110	9.1	3,788,269	3,056,010	2,516,221
Share of profit of associates	3,910	2,809	39.2	2,035	1,435	1,162
Profit before income tax	4,658,512	4,269,919	9.1	3,790,304	3,057,445	2,517,383
Income tax	(1,156,345)	(1,099,858)	5.1	(963,161)	(728,179)	(592,578)
Net profit	3,502,167	3,170,061	10.5	2,827,143	2,329,266	1,924,805
Net profit attributable to shareholders of the Bank	3,502,167	3,170,061	10.5	2,827,143	2,329,266	1,924,805
<b>Calculated on a per share basis (RMB)</b>			<b>Change</b>			
Net assets per share attributable to shareholders of the Bank	7.61	6.81	0.80	5.88	4.98	4.09
Basic earnings per share	1.12	1.17	(0.05)	1.05	1.10	0.95
Dividend per share	0.291	0.264	0.027	0.272	0.224	0.07
<b>Major indicators of assets/liabilities</b>			<b>Change (%)</b>			
Total assets	373,103,734	319,807,987	16.7	274,531,145	206,787,015	156,163,478
Of which: loans and advances to customers, net	146,789,046	121,816,452	20.5	104,114,756	88,637,824	75,256,873
Total liabilities	349,291,822	298,514,992	17.0	258,628,122	193,307,744	147,905,128
Of which: customer deposits	229,593,793	199,298,705	15.2	167,932,436	148,801,045	114,043,185
Share capital	3,127,055	3,127,055	0.0	2,705,228	2,705,228	2,020,619
Equity attributable to shareholders of the Bank	23,811,912	21,292,995	11.8	15,903,023	13,479,271	8,258,350
Total equity	23,811,912	21,292,995	11.8	15,903,023	13,479,271	8,258,350

## 2.2 Financial Indicators

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

*Notes:* (1) Calculated by dividing net profit by the average of total assets at the beginning and at the end of the period.

(2) Represents net profit attributable to shareholders of the Bank as a percentage of the average balance of total equity at the beginning and at the end of the period.

(3) Calculated by average return of interest-earning assets minus average interest rate of interest-bearing liabilities.

(4) Calculated by dividing net interest income by average interest-earning assets.

(5) Calculated by dividing operating expenses (less tax and surcharges) by operating income.

(6) Calculated by dividing balance of non-performing loans by total balance of loans and advances to customers.

(7) Calculated by dividing balance of provision for impairment on loans by balance of non-performing loans.

- (8) Calculated by dividing balance of provision for impairment on loans by total balance of loans and advances to customers.
- (9) Core capital adequacy ratio and capital adequacy ratio for 2016, 2015, 2014 and 2013 were calculated in accordance with the latest guidance promulgated by China Banking Regulatory Commission (the “CBRC”) (effective from January 1, 2013), while core capital adequacy ratio and capital adequacy ratio for 2012 were adjusted retroactively in accordance with the latest guidance effective from January 1, 2013.
- (10) Loan-to-deposit ratio is calculated by dividing total balance of loans and advances to customers by total customer deposits.
- (11) Liquidity ratio is calculated in accordance with the formula promulgated by the CBRC.
- (12) Calculated by dividing total loans to the single largest customer by net capital.
- (13) Calculated by dividing total loans to the top ten customers by net capital.

### **3. MANAGEMENT DISCUSSIONS AND ANALYSIS**

#### **3.1 Financial Review**

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

As at December 31, 2016, the total assets of the Bank amounted to RMB373,103.73 million, representing a year-on-year increase of 16.7% or RMB53,295.75 million. The Bank adhered to principles of prudent and sustainable credit management and risk control and rationally maintained a reasonable level of aggregate credit and lending pace and strictly controlled its business risks based on changes in the regional and macroeconomic environment and leveraged on the analysis tools of big data. As a result, net loans and advances to customers grew by 20.5%, or RMB24,972.59 million, to RMB146,789.05 million as compared to the end of the previous year, while the non-performing loan ratio decreased to 0.96%. While striving for stable growth in business volume and service networks, the Bank remained customer-oriented by actively exploring online banking, direct banking and other internet financial products and services and continuously accelerating its business transformation and upgrading to keep abreast of customers’ increasing demand for diversification of asset allocation and professional management of deposits under the “New Normal” economy. The Bank adopted an innovative approach to deposit management and optimized its pricing

management system of funding to meet the requirements for the liberalization of interest rates. As at December 31, 2016, customer deposits of the Bank increased by RMB30,295.09 million to RMB229,593.79 million, representing a year-on-year increase of 15.2%, and provided a stable source of funding for the healthy development of the Bank's credit, inter-bank and other intermediary businesses. Alongside the increase in income from the main business operations, the Bank strictly controlled its expenses and realized a continuous decline in its cost-to-income ratio which recorded a year-on-year decrease of 6.97 percentage points to 23.72% in 2016, representing a persistent rise in operating efficiency of the Bank.

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

## 3.2 Analysis of the Financial Statements

### 3.2.1 Analysis of the Income Statement

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

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

### 3.2.1.1 Net interest income

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

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

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

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

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

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

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

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

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

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

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

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



### 3.2.1.2 Interest income

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

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

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

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

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

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

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

#### (3) Interest income from balances with central bank

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

(4) Interest income from amounts due from other banks and financial institutions

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

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

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

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

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

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

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

### 3.2.1.3 Interest expense

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

#### (1) Interest expense on customer deposits

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

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

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

(2) Interest expense on amount due to other banks and financial institutions

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

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

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

(3) Interest expense on issuance of bonds

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

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

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

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

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

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

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

### 3.2.1.5 Non-interest income

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

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

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

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

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

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

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

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

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

(2) Net trading gains/(losses)

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year		Change in amount	Change in percentage (%)
	ended December 31, 2016	2015		
Exchange gains	10,904	23,901	(12,997)	(54.4)
Net losses from interest rate products	<u>(61,570)</u>	<u>(132)</u>	<u>(61,438)</u>	46543.9
<b>Total</b>	<b><u>(50,666)</u></b>	<b><u>23,769</u></b>	<b><u>(74,435)</u></b>	NA

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

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

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



### 3.2.1.6 Operating expenses

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

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

#### (1) Staff costs

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

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

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

(2) Taxes and surcharges

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

(3) Depreciation and amortization

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

(4) General and administrative expense

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

3.2.1.7 *Impairment losses on assets*

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

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

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

### 3.2.1.8 Investment in associates

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

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

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

### 3.2.1.9 Income tax expense

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

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

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

### 3.2.2 Analysis of the Statement of Financial Position

#### 3.2.2.1 Assets

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

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

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

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

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

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

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

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

(1) Loans and advances to customers

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

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

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

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

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

### Distribution of loans by type of collateral

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

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

## Movements on provision for impairment on loans to Customers

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

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

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

(2) Investment securities

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

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



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

### 3.2.2.2 Liabilities

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

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

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

(1) Customer deposits

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

Of which: Pledged deposits held as collateral	11,115,432	4.8	16,619,121	8.3
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As at December 31, 2016, customer deposits amounted to RMB229,593.79 million, representing an increase of RMB30,295.09 million or 15.2% as compared to the end of the previous year. Corporate deposits balance were RMB154,532.82 million, representing an increase of RMB20,004.51 million or 14.9% as compared to the end of the previous year; individual deposits balance were RMB58,695.11 million, representing an increase of RMB18,517.92 million or 46.1% as compared to the end of the previous year; corporate and individual demand deposits balance amounted to RMB77,887.83 million, representing an increase of RMB11,805.57 million or 17.9% as compared to the end of the previous year; corporate and individual time deposits balance amounted to RMB135,340.09 million, representing an increase by RMB26,716.86 million or 24.6% as compared to the end of the previous year.

(2) Bonds issued

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

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

Pursuant to a resolution of the extraordinary general meeting passed on May 16, 2014 and the “Approval for Bank of Chongqing Co., Ltd. to Issue Tier 2 Capital Bonds”(《關於重慶銀行股份有限公司發行二級資本債券的批覆》) (Yu Yin Jian Fu [2015] No. 107) by the CBRC on September 21, 2015, the Bank issued the RMB1,500 million Tier 2 Capital bonds within the domestic inter-bank bond market of China on February 22, 2016. Such Tier 2 Capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.4% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on February 22, 2021. The bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable. These Tier 2 capital bonds are qualified as Tier 2 Capital Instruments in accordance with the CBRC requirements.

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

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

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

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

(3) Due to other banks and financial institutions

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

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

### 3.2.2.3 Shareholders' equity

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

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

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

### 3.2.3 Loan quality analysis

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

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

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

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

### 3.2.3.2 Concentration of loans

#### (1) Concentration by industry and non-performing loan

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

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

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

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

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

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

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

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

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

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



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

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

(2) Concentration of borrowers

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

a. Indicators of concentration

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

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

b. Loans to top ten single borrowers

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

(3) Distribution of loans and non-performing loans by product type

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

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

Notes: (1) Personal commercial property loans only include mortgage loans and exclude the part of other consumer loans which is used to purchase commercial properties.

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

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

(4) Overdue loans and advances to customers

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

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

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

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

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

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

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

#### ***3.2.4.1 Capital adequacy ratio***

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

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

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

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

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

### 3.2.4.2 Leverage ratio

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

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

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

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

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

### 3.2.5 Segment information

#### 3.2.5.1 Summary of geographical segment

<i>(Expressed in percentage)</i>	As at December 31,							
	2016		2015		2014		2013	
	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Deposits	81.55	18.45	81.19	18.81	77.49	22.51	77.81	22.19
Loans	74.93	25.07	75.82	24.18	74.00	26.00	73.83	26.17
Assets	85.88	14.12	83.37	16.63	81.40	18.60	77.72	22.28
Loan to deposit ratio	58.73	86.84	56.99	78.43	59.21	71.60	57.71	71.74
Non-performing loan ratio	0.76	1.64	0.65	2.02	0.31	1.80	0.26	0.75
Provision for impairment to non-performing loans	<u>372.68</u>	<u>183.92</u>	<u>347.34</u>	<u>136.75</u>	<u>704.36</u>	<u>128.30</u>	<u>787.84</u>	<u>268.30</u>
	For the year ended December 31,							
<i>(Expressed in percentage)</i>	2016		2015		2014		2013	
	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Return on average total assets	1.07	0.63	1.27	0.05	1.24	0.94	1.47	0.58
Net fee and commission income to operating income	21.53	13.02	19.34	14.14	13.25	7.65	10.88	11.48
Cost-to-income ratio	<u>22.85</u>	<u>30.11</u>	<u>29.58</u>	<u>40.47</u>	<u>30.60</u>	<u>31.85</u>	<u>30.51</u>	<u>42.15</u>

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





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

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

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

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

### **3.3 Risk Management**

#### ***3.3.1 Credit risk***

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

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

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

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

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

### ***3.3.2 Operational risk***

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

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

### ***3.3.3 Market risk***

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

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

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

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

### *3.3.3.2 Exchange rate risk*

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

### **3.3.4 Liquidity risk management**

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

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

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

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

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

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

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

Undiscounted contractual cash flows categorized by contractual maturities

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

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

*Liquidity coverage ratio of the Bank*

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

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

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

### **3.3.5 Market risk management**

#### *3.3.5.1 Analysis of interest rate risk*

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

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

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

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

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



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

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

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

### 3.3.5.2 Interest rate sensitivity analysis

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	<b>Estimated changes of net interest income</b>	
	<b>December 31, 2016</b>	<b>December 31, 2015</b>
+ 100 basis points parallel move in all yield curves	<b>44,645</b>	42,712
- 100 basis points parallel move in all yield curves	<b>(44,645)</b>	(42,712)
 <i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	 <b>Change of other comprehensive income</b>	
	<b>December 31, 2016</b>	<b>December 31, 2015</b>
+ 100 basis points parallel move in all yield curves	<b>(570,673)</b>	(370,886)
- 100 basis points parallel move in all yield curves	<b>602,614</b>	332,421

### 3.3.5.3 Exchange rate sensitivity analysis

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

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

## 3.4 Outlook

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

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

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

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

In 2017, the Bank will continue to implement the restructuring and upgrading of various businesses. The Bank will further enhance its operational and management standards, deepen its reform of internal governance, improve products and services, establish and optimize an efficient internet financial platform, so as to achieve continuous innovation and development and provide the Bank’s customers with an even more comprehensive range of financial products and services.

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

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

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

## 5. OTHER INFORMATION

### 5.1 Corporate Governance Code

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

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

During the Reporting Period, the Bank had fully complied with the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and, where appropriate, adopted the recommended best practices therein. The Bank also strictly abided by the applicable laws, regulations and Listing Rules in respect of the management of inside information.

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

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

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

The board of supervisors of the Bank had a total of nine supervisors, of which there were four staff supervisors, namely Mr. YANG Xiaotao, Mr. HUANG Changsheng, Mr. LIN Min and Mr. ZHOU Xiaohong; two shareholder supervisors, namely Mr. CHEN Yan and Mr. WU Bing; and three external supervisors, namely Mr. CHEN Zhong, Mr. CHEN Zhengsheng and Mr. YIN Xianglong.

The senior management of the Bank comprised a total of seven members, namely Mr. RAN Hailing, Mr. LIU Jianhua, Ms. YANG Shiyin, Mr. ZHOU Guohua, Ms. PENG Yanxi, Mr. HUANG Ning and Mr. ZHOU Wenfeng.

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

#### *Changes in Directors*

On March 18, 2016, the Board approved Mr. QIN Wei's resignation as non-executive director of the Bank and member of the Strategic Committee under the Board due to work re-designation with effect from the same date.

On April 22, 2016, Mr. LI He and Mr. KONG Xiangbin, independent non-executive directors of the Bank, were respectively appointed as a member of the Strategic Committee and the Information Technology Guidance Committee under the Board with effect from the same date.

On May 31, 2016, the Board approved Mr. ZHAN Wanghua's resignation as an executive director, a member of the Information Technology Guidance Committee of the Board, a member of the Risk Management Committee of the Board and the chief risk officer of the Bank due to work re-designation with effect from the same date.

On June 17, 2016, the 2015 annual general meeting of the Bank approved the appointments of Mr. LIU Jianhua and Mr. WONG Wah Sing as executive directors, and Mr. YANG Yusong as non-executive director, respectively, with their appointments taking effect upon the approval of their directorship qualification by China Banking Regulatory Commission Chongqing Bureau (the "**CBRC Chongqing Bureau**").

On August 1, 2016, the CBRC Chongqing Bureau approved the qualification of Mr. LIU Jianhua for serving as executive director of the Bank. The term of office of Mr. LIU Jianhua as an executive director has become effective from the date of approval, and shall end upon the expiry of the fifth session of the Board.

On September 13, 2016, the CBRC Chongqing Bureau approved the qualification of Mr. WONG Wah Sing for serving as an executive director and the chief risk officer of the Bank. The term of office of Mr. WONG Wah Sing as an executive director has become effective from the date of approval, and shall end upon the expiry of the fifth session of the Board.

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

On March 21, 2016, Mr. ZHOU Yongkang resigned from the position as external supervisor of the Bank due to work re-designation with effect from June 17, 2016.

On June 17, 2016, the 2015 annual general meeting of the Bank approved the appointment of Mr. CHEN Zhong as external supervisor. Mr. CHEN Zhong began to serve as external supervisor of the Bank since June 17, 2016 and on the same day, Mr. ZHOU Yongkang ceased to serve as external supervisor of the Bank.

On February 3, 2017, Mr. CHEN Zhengsheng resigned from the position as external supervisor of the Bank due to work re-designation. The resignation of Mr. CHEN Zhengsheng will not come into effect until a new supervisor is elected at the Bank's general meeting to fill the vacancy.

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

On April 22, 2016, the Board approved the nomination of Mr. SUI Jun as a vice president of the Bank. The appointment of Mr. SUI Jun will take effect upon the approval of his qualification by CBRC Chongqing Bureau.

On March 21, 2017, the Board approved Mr. ZHOU Wenfeng's resignation from the position as company secretary, acting secretary of the Board and authorized representative of the Bank due to work re-designation with effect from March 21, 2017. On the same day, the Board considered and approved to appoint Mr. WONG Wah Sing as company secretary, acting secretary of the Board and the authorized representative of the Bank with effect from March 21, 2017.

## 5.4 Securities Transactions by Directors and Supervisors

In respect of securities transactions by directors, supervisors and senior management, the Bank has adopted the Administrative Measures on the Holding and Change of Holding of Shares by Directors, Supervisors and Senior Management of Bank of Chongqing Co., Ltd. (the “**Measures**”) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all directors and supervisors of the Bank, all directors and supervisors of the Bank have confirmed that they have complied with such code of conduct and the Measures throughout the Reporting Period.

## 5.5 Profits and Dividends

The Bank’s revenue for the year ended December 31, 2016 and the Bank’s financial position as at the same date are set out in the section headed “Financial Report” of this results announcement.

The distribution of a final dividend of RMB0.264 (tax inclusive) per share for the year ended December 31, 2015 (“**2015 Final Dividend**”), amounting to a total dividend of RMB825,542,468.52 (tax inclusive) based on the profit and number of shares issued for the year ended December 31, 2015, was considered and approved at the 2015 annual general meeting held on June 17, 2016. The final dividend for the year 2015 was distributed to holders of H Shares and domestic shares on July 22, 2016.

The Board of the Bank has proposed a final dividend of RMB0.291 per share (tax inclusive) for the year ended December 31, 2016 (“**2016 Final Dividend**”), amounting to an aggregate amount of RMB909,972,948.26 (tax inclusive) to all shareholders of the Bank. The dividend distribution proposal will be submitted to the 2016 annual general meeting for approval. If the proposal is approved at the 2016 annual general meeting, the dividend will be distributed to holders of domestic shares and holders of H Shares whose names appear on the register of members on June 30, 2017. The proposed dividend will be denominated in RMB. Dividends to holders of domestic shares shall be paid in RMB, and dividends to holders of H Shares shall be paid in Hong Kong dollars. The exchange rate of RMB to HK\$ to be adopted shall be the average middle rates of the five business days preceding the date of declaration of such dividends by the Bank at the 2016 annual general meeting (being May 26, 2017, inclusive) as announced by the People’s Bank of China. The register of members of the Bank will be closed from Sunday, June 25, 2017 to Friday, June 30, 2017 (both days inclusive), during such period no transfer of domestic shares or H Shares will be registered. In order to be entitled to the dividend payment, holders of H shares of the Bank who have not registered the related transfer documents are required to lodge the transfer documents together with the relevant share certificates with the Bank’s H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, June 23, 2017.

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

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

*(All amounts expressed in millions of RMB except percentages, unless otherwise stated)*

	2015	2014	2013
Cash dividend (tax inclusive)	825.54	735.82	605.97
As a percentage of profit for the year	26.04%	26.03%	26.02%

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

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

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

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

## **5.8 Review of Annual Results of 2016**

The 2016 financial statements prepared in accordance with the IFRSs have been audited by PricewaterhouseCoopers in accordance with International Standards on Auditing.

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

## 6. FINANCIAL REPORT

### BANK OF CHONGQING CO., LTD. STATEMENTS OF COMPREHENSIVE INCOME

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

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



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

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

**BANK OF CHONGQING CO., LTD.**  
**STATEMENTS OF FINANCIAL POSITION**

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

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

**BANK OF CHONGQING CO., LTD.**  
**STATEMENTS OF CHANGES IN EQUITY**

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

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

**BANK OF CHONGQING CO., LTD.**  
**STATEMENTS OF CASH FLOWS**

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

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

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

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

**BANK OF CHONGQING CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

**1 BASIS OF PRESENTATION**

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

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

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

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

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

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

***Amendments to IFRS 11***

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

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

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

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

## 1 BASIS OF PRESENTATION (CONTINUED)

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

#### *IFRS 14*

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

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

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

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

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

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

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

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

## 1 BASIS OF PRESENTATION (CONTINUED)

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

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

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

The amendments to IFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The availability of exception is premised on the basis of fair value measurement of the subsidiary by the investment entity parent. The intermediate parent would also need to meet the other criteria for exception listed in IFRS 10.

The amendments also clarify that an investment entity should consolidate a subsidiary which is not an investment entity and which provides services in support of the investment entity's investment activities, such that it acts as an extension of the investment entity. However, the amendments also confirm that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties.

The amendments to IAS 28 allow an entity which is not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture for their subsidiaries when applying the equity method.

#### *Amendments to IAS 1*

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

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

The key areas addressed by the changes are as follows:

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



## 1 BASIS OF PRESENTATION (CONTINUED)

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

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

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

#### *Amendments to IAS 7*

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

#### *Amendments to IAS 12*

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

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

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

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

## 1 BASIS OF PRESENTATION (CONTINUED)

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

#### *IFRS 15*

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

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

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

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

#### *IFRS 9*

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

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

## 1 BASIS OF PRESENTATION (CONTINUED)

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

#### *IFRS 9 (continued)*

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

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

#### *IFRS 16*

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

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

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

**2 NET INTEREST INCOME***(All amounts expressed in thousands of RMB unless otherwise stated)*

	2016	2015
<b>Interest income</b>		
Balances with central bank	543,694	494,110
Due from other banks and financial institutions	1,435,073	1,712,037
Loans and advances to customers	8,256,513	7,545,665
Investment securities	5,852,130	5,561,218
Financial assets at fair value through profit or loss	138,864	194,580
	<u>16,226,274</u>	<u>15,507,610</u>
<b>Interest expense</b>		
Due to other banks and financial institutions	(1,975,392)	(3,139,322)
Customer deposits	(5,236,158)	(5,003,513)
Debt securities issued	(1,337,326)	(362,702)
	<u>(8,548,876)</u>	<u>(8,505,537)</u>
<b>Net interest income</b>	<u>7,677,398</u>	<u>7,002,073</u>
	2016	2015
Interest income accrued on loans and advances to customers individually impaired	<u>112,399</u>	<u>59,493</u>

### 3 NET FEE AND COMMISSION INCOME

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

	2016	2015
<b>Fee and commission income</b>		
Financial advisory and consulting services	66,103	249,944
Wealth management agency service	854,787	436,537
Custodian service	671,746	613,009
Bank card services	206,940	171,072
Credit commitments	149,599	54,251
Settlement and agency services	72,162	64,586
	<u>2,021,337</u>	<u>1,589,399</u>
<b>Fee and commission expense</b>		
Settlement and agency services	(55,312)	(50,107)
Bank card services	(17,533)	(17,022)
Others	(22,475)	(10,217)
	<u>(95,320)</u>	<u>(77,346)</u>
<b>Net fee and commission income</b>	<u><u>1,926,017</u></u>	<u><u>1,512,053</u></u>

### 4 NET TRADING (LOSSES)/GAINS

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

	2016	2015
Foreign exchange	10,904	23,901
Interest rate instruments	(61,570)	(132)
	<u>(50,666)</u>	<u>23,769</u>

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

The retranslation gains of foreign currency monetary assets and liabilities were RMB1,554 thousand and RMB15,355 thousand for the years ended 31 December 2016 and 2015 respectively.

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

## 5 OTHER OPERATING INCOME

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

	2016	2015
Profit on sale of property, plant and equipment	351	925
Profit on sale of foreclosed assets	1,126	–
Dividend income from unlisted available-for-sale investments	21,193	14,809
Government grants <sup>(a)</sup>	16,964	36,101
Rental income from investment properties	1,247	1,139
Income from dormant accounts	1,768	617
Other miscellaneous income <sup>(b)</sup>	7,288	11,338
	<u>49,937</u>	<u>64,929</u>

### (a) Government grants

The government grants of 2016 mainly included bonus of incremental small business loans from Chengdu Branch, subsidies of loans to Ecological Development Areas, bonus of assessment of the Bank from government and bonus of contribution in supporting local economic development, etc.

The government grants of 2015 mainly included bonus of incremental agricultural loans, financial incentives and subsidies of loans to Ecological Development Area in northeast and southeast Chongqing, bonus of Financial Services Office and so on.

### (b) Other miscellaneous income mainly comprises cashier surplus, compensation on breach of contract, incomes from writing off other payables.

## 6 OPERATING EXPENSES

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

	2016	2015
Staff costs (including directors and supervisors' emoluments)	1,162,439	1,626,120
General and administrative expenses	800,819	731,577
Tax and surcharges	259,774	553,110
Depreciation of property, plant and equipment	117,260	108,272
Amortisation of intangible assets	23,224	19,673
Amortisation of land use rights	4,863	4,863
Depreciation of investment properties	311	318
Amortisation of long-term prepaid expenses	25,146	20,207
Rental expenses	93,064	77,648
Professional fees	30,681	29,225
Auditors' remuneration		
– Audit services	3,463	3,300
– Non-audit services	240	386
Donations	13,650	7,900
Others	2,364	7,572
	<u>2,537,298</u>	<u>3,190,171</u>

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

	2016	2015
Salaries and bonuses	743,419	1,223,219
Pension costs	152,021	140,690
Housing benefits and subsidies	77,853	77,524
Labor union and staff education expenses	22,615	32,128
Other social security and benefit costs	166,531	152,559
	<u>1,162,439</u>	<u>1,626,120</u>

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

	2016	2015
Loans and advances to customers		
– Collectively assessed	1,008,258	420,012
– Individually assessed	872,805	593,407
Loans and receivables	528,545	117,114
Others	1,526	4,767
	<u>2,411,134</u>	<u>1,135,300</u>

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

	2016	2015
Current income tax	1,603,207	1,388,133
Deferred income tax	(446,862)	(288,275)
	<u>1,156,345</u>	<u>1,099,858</u>

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

## 9 INCOME TAX EXPENSE (CONTINUED)

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

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate 25% (2015: 25%) to profit before income tax can be reconciled as follows:

	2016	2015
Profit before income tax	4,658,512	4,269,919
Tax calculated at a tax rate of 25%	1,164,628	1,067,480
Tax effect arising from non-taxable income <sup>(a)</sup>	(106,387)	(57,049)
Tax effect of expenses that are not deductible for tax purposes <sup>(b)</sup>	98,811	91,014
Tax filing differences for previous years	(707)	(1,587)
Income tax expense	<u>1,156,345</u>	<u>1,099,858</u>

- (a) The Bank's non-taxable income mainly represents interest income arising from treasury bonds, which is non-taxable in accordance with PRC tax laws.
- (b) The Bank's expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses etc., which exceed the tax deduction limits pursuant to PRC Laws.

## 10 BASIC AND DILUTED EARNINGS PER SHARE

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

- (a) Basic earnings per share are calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Net profit attributable to shareholders of the Bank (in thousands of RMB)	<u>3,502,167</u>	<u>3,170,061</u>
Weighted average number of ordinary shares issued (in thousand)	<u>3,127,055</u>	<u>2,715,629</u>
Basic earnings per share (in RMB)	<u>1.12</u>	<u>1.17</u>

- (b) Diluted earnings per share

For the years ended 31 December 2016 and 2015, there was no potential diluted ordinary share, so the diluted earnings per share was the same as the basic earnings per share.



## 11 INVESTMENT SECURITIES

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

	As at 31 December	
	2016	2015
<b>Investment securities – loans and receivables</b>		
Debt securities – at amortised cost		
– Trust schemes <sup>(a)</sup>	35,231,091	50,160,905
– Wealth management products purchased from financial institutions	8,423,514	4,308,582
– Directional asset management plans <sup>(b)</sup>	28,793,071	13,516,686
– Commercial acceptance bills purchased under resale agreements	–	4,306,545
– Local government bonds	4,096,900	958,900
– Asset-Backed Securities	6,010	27,882
Less: Impairment allowances	(799,831)	(271,286)
<b>Loans and receivables – Total</b>	<b>75,750,755</b>	<b>73,008,214</b>
<b>Investment securities – available-for-sale</b>		
Debt securities – at fair value		
– Listed outside Hong Kong	4,976,026	8,006,306
– Unlisted	18,332,753	10,472,231
<b>Debt securities</b>	<b>23,308,779</b>	<b>18,478,537</b>
Equity securities – at fair value		
– Unlisted	576,664	492,416
Others	14	14
<b>Available-for-sale – Total</b>	<b>23,885,457</b>	<b>18,970,967</b>
<b>Investment securities – held-to-maturity</b>		
Debt securities – at amortised cost		
– Listed outside Hong Kong	13,750,809	4,457,687
– Unlisted	6,043,733	9,359,037
<b>Held-to-maturity – Total</b>	<b>19,794,542</b>	<b>13,816,724</b>

Investment securities' impairment movement:

	Loans and receivables	Available for sale financial assets	Held-to-maturity investments	Total
As at 1 January 2016	271,286	–	–	271,286
Charge for the year	541,021	–	–	541,021
Reversal of the year	(12,476)	–	–	(12,476)
As at 31 December 2016	<b>799,831</b>	<b>–</b>	<b>–</b>	<b>799,831</b>
	Loans and receivables	Available for sale financial assets	Held-to-maturity investments	Total
As at 1 January 2015	154,172	–	–	154,172
Charge for the year	122,246	–	–	122,246
Reversal of the year	(5,132)	–	–	(5,132)
As at 31 December 2015	<b>271,286</b>	<b>–</b>	<b>–</b>	<b>271,286</b>

## 11 INVESTMENT SECURITIES (CONTINUED)

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

Investment securities are analysed by issuer as follows:

	As at 31 December	
	2016	2015
<b>Investment securities – loans and receivables</b>		
– Trust company	35,237,101	50,188,787
– Securities company	14,455,970	13,411,717
– Fund company	151,023	–
– Commercial bank	8,423,514	8,615,127
– Asset management company	14,186,078	104,969
– Government	4,096,900	958,900
Less: Impairment allowance	(799,831)	(271,286)
	<u>75,750,755</u>	<u>73,008,214</u>
<b>Investment securities – available-for-sale</b>		
– Policy bank	3,581,372	3,079,089
– Corporate entity	16,570,761	15,140,594
– Commercial bank	50,564	70,611
– Trust company	311,354	188,243
– Fund company	2,600,000	–
– Government	194,728	–
– Equity investment at fair value	576,664	492,416
– Others	14	14
	<u>23,885,457</u>	<u>18,970,967</u>
<b>Investment securities – held-to-maturity</b>		
– Government	16,167,633	10,515,099
– Policy bank	3,176,909	2,835,625
– Commercial bank	420,000	420,000
– Corporate entity	30,000	46,000
	<u>19,794,542</u>	<u>13,816,724</u>
(a) The trust schemes:		
	2016	2015
The trust schemes purchased from trust company		
– guaranteed by other bank	1,000,000	2,248,800
– guaranteed by guarantee company	565,000	2,731,000
– pledged by certificates of deposit	1,220,300	11,110,400
– collateralised by properties	17,785,743	22,725,705
– guaranteed by third-party company	7,461,000	1,874,000
– unsecured	468,048	–
Subtotal	<u>28,500,091</u>	<u>40,689,905</u>
The trust schemes purchased from commercial bank		
– guaranteed by other bank	6,731,000	9,471,000
Total	<u>35,231,091</u>	<u>50,160,905</u>

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

(b) The directional asset management plans:

	2016	2015
The asset management plans purchased from securities company		
– guaranteed by other bank	<b>721,000</b>	2,727,000
– guaranteed by guarantee company	–	120,000
– pledged by certificates of deposit	<b>2,076,808</b>	2,811,212
– collateralised by properties	<b>880,000</b>	580,000
– guaranteed by third-party company	<b>2,539,010</b>	864,000
– unsecured	<b>6,382,672</b>	423,025
Subtotal	<b>12,599,490</b>	7,525,237
The asset management plans purchased from commercial bank		
– guaranteed by other bank	<b>1,856,480</b>	5,886,480
The asset management plans purchased from asset management company		
– guaranteed by third-party company	<b>380,000</b>	–
– guaranteed by fund company	<b>358,902</b>	104,969
– unsecured	<b>13,447,176</b>	–
Subtotal	<b>14,186,078</b>	104,969
The asset management plans purchased from fund company		
– unsecured	<b>151,023</b>	–
Total	<b>28,793,071</b>	13,516,686

Net gains/(losses) on investment securities include:

	2016	2015
Net gains/(losses) arising from de-recognition of held-for-trading financial assets	<b>12,082</b>	(11,591)
Net (losses)/gains arising from de-recognition of available-for-sale financial assets	<b>(11,734)</b>	1,348
	<b>348</b>	(10,243)

## 12 INVESTMENT IN ASSOCIATES

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

	As at 31 December	
	2016	2015
Balance at the beginning of the year	29,214	26,405
Additional investment in an associate	205,270	–
Share of profit of associates	3,910	2,809
	<u>238,394</u>	<u>29,214</u>
Balance at the end of the year	<u><u>238,394</u></u>	<u><u>29,214</u></u>

As at 5 May 2011, the Bank invested RMB22,000 thousand in Xingyi Wanfeng Village Bank Co., Ltd., and held 20% of equity interest of RMB110,000 thousand registered capital.

As at 15 June 2016, the Bank invested RMB54,000 thousand in Mashang Consumer Finance Co., Ltd ('Mashang Finance'). As at 14 August 2016, the Bank increased the investment to RMB205,270 thousand account for 15.79% of equity interest of RMB1.3 billion registered capital.

Since 2 of 11 directors of Mashang Finance are appointed by the Bank, the Bank has significant influence on Mashang Finance. Therefore Mashang Finance is regarded as an associate of the Bank.

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

	Place of incorporation	Assets	Liabilities	Revenue	Profit	Interest held
<b>As at/for the year ended 31 December 2016</b>						
Xingyi Wanfeng Village Bank Co., Ltd.	PRC	<u>1,531,825</u>	<u>1,367,062</u>	<u>65,165</u>	<u>20,734</u>	<u>20%</u>
Mashang Consumer Finance Co., Ltd.	PRC	<u>7,629,866</u>	<u>6,336,434</u>	<u>157,911</u>	<u>6,522</u>	<u>15.79%</u>
<b>As at/for the year ended 31 December 2015</b>						
Xingyi Wanfeng Village Bank Co., Ltd.	PRC	<u>1,402,697</u>	<u>1,257,963</u>	<u>49,921</u>	<u>14,043</u>	<u>20%</u>

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

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

### Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Bank's financial guarantees and credit related commitments which the Bank commits to extend to customers:

	As at 31 December	
	2016	2015
Guarantees	4,226,922	2,280,292
Letters of credit	4,223,832	1,213,968
Acceptances	19,704,807	30,088,599
Other commitments with an original maturity of		
– Under 1 year	<u>2,566,179</u>	<u>2,116,877</u>
	<u><u>30,721,740</u></u>	<u><u>35,699,736</u></u>

### 13 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

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

#### Capital expenditure commitments

	As at 31 December	
	2016	2015
Contracted but not provided for:		
– Capital expenditure commitments for buildings	161,235	183,412
– Acquisition of IT system	104,007	57,826
	<u>265,242</u>	<u>241,238</u>
Authorised but not contracted for:		
– Capital expenditure commitments for buildings	179,499	139,025
	<u>179,499</u>	<u>139,025</u>

#### Operating lease commitments

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

	As at 31 December	
	2016	2015
Within 1 year	51,925	60,066
Between 1 to 5 years	94,905	110,211
Later than 5 years	24,459	24,901
	<u>171,289</u>	<u>195,178</u>

#### External investment commitment

According to the investment agreement signed with Qidi Holding Co., Ltd., Chongqing Yijin Aluminum Co., Ltd., and Longkou Tianshun Wall Material Co., Ltd. on 28 September 2016, the Bank of Chongqing Co., Ltd. promised to contribute RMB1.5 billion in establishing Chongqing Xinyu Financial Leasing Co., Ltd. with shareholding at 51%. Up to 31 December 2016, the Bank of Chongqing Co., Ltd had not made any payments related to the event above.

#### Legal proceedings

Legal proceedings are initiated by third parties against the Bank as defendant. The Bank has 9 outstanding legal claims of RMB15,615 thousand as at 31 December 2016 (2015: 2 outstanding legal claims for loan of RMB6,000 thousand and for mortgage of RMB23,000 thousand respectively). After consulting legal professionals, the management believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Bank.

## 14 DIVIDENDS

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

	2016	2015
Dividend declared during the year	<u>825,542</u>	<u>735,822</u>
Dividend per share (in RMB) (Based on prior year shares)	<u>0.264</u>	<u>0.272</u>

Under the PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up prior year's cumulative losses, if any;
- (ii) Allocations to the non-distributable statutory accumulation reserve of 10% of the net profit of the Bank.

In accordance with the relevant regulations, after the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with the China Accounting Standards and (ii) the retained profit determined in accordance with IFRS.

A dividend of RMB0.291 per share in respect of profit for the year ended 31 December 2016 (2015: RMB0.264 per share), amounting to a total dividend of RMB909,973 thousand based on the number of shares issued as at 31 December 2016, will be proposed for approval at the Annual General Meeting. These financial statements do not reflect this dividend payable in liabilities.

## 15 SEGMENT ANALYSIS

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

The Bank's operating segments are business units which provide different financial products and service and are engaged in different types of financial transactions. As different operating segments face different clients and counterparties supported by specific techniques and market strategies, they operate independently.

Corporate banking mainly provides corporate customers with financial products and services including deposits and loans.

Retailing banking mainly provides individual customers with financial products and services including deposits and loans.

Treasury mainly performs inter-bank lending and borrowing, bonds investment, re-purchasing and foreign currency transactions.

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

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

	2016				Total
	Corporate Banking	Retail Banking	Treasury	Unallocated	
Net Interest income/(expense) from external customers	3,318,446	(558,257)	4,917,209	–	7,677,398
Inter-segment net interest income/(expense)	<u>1,758,464</u>	<u>1,321,079</u>	<u>(3,079,543)</u>	<u>–</u>	<u>–</u>
<b>Net interest income</b>	<b>5,076,910</b>	<b>762,822</b>	<b>1,837,666</b>	<b>–</b>	<b>7,677,398</b>
<b>Net fee and commission income</b>	<b>154,327</b>	<b>217,398</b>	<b>1,554,292</b>	<b>–</b>	<b>1,926,017</b>
Net trading income/(expense)	10,904	–	(61,570)	–	(50,666)
Net gains on investment securities	–	–	348	–	348
Share of profit of associates	–	–	3,910	–	3,910
Other operating income	1,405	2,567	21,193	24,772	49,937
Impairment losses	(1,830,803)	(45,510)	(523,795)	(11,026)	(2,411,134)
Operating expense	(1,457,721)	(707,983)	(349,150)	(22,444)	(2,537,298)
– Depreciation and amortisation	(98,130)	(47,659)	(23,505)	(1,510)	(170,804)
– Others	<u>(1,359,591)</u>	<u>(660,324)</u>	<u>(325,645)</u>	<u>(20,934)</u>	<u>(2,366,494)</u>
<b>Profit before income tax</b>	<b><u>1,955,022</u></b>	<b><u>229,294</u></b>	<b><u>2,482,894</u></b>	<b><u>(8,698)</u></b>	<b><u>4,658,512</u></b>

As at 31 December 2016

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

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

	2015				Total
	Corporate Banking	Retail Banking	Treasury	Unallocated	
Net Interest income from external customers	2,242,000	300,151	4,459,922	–	7,002,073
Inter-segment net interest income/(expense)	<u>2,029,518</u>	<u>527,638</u>	<u>(2,557,156)</u>	<u>–</u>	<u>–</u>
<b>Net interest income</b>	4,271,518	827,789	1,902,766	–	7,002,073
<b>Net fee and commission income</b>	346,874	176,931	988,248	–	1,512,053
Net trading income	–	–	23,769	–	23,769
Net losses on investment securities	–	–	(10,243)	–	(10,243)
Share of profit of an associate	–	–	2,809	–	2,809
Other operating income	655	7,505	14,809	41,960	64,929
Impairment losses	(920,274)	(93,145)	(117,114)	(4,767)	(1,135,300)
Operating expense	(1,713,171)	(898,535)	(566,389)	(12,076)	(3,190,171)
– Depreciation and amortisation	(82,342)	(43,187)	(27,223)	(581)	(153,333)
– Others	<u>(1,630,829)</u>	<u>(855,348)</u>	<u>(539,166)</u>	<u>(11,495)</u>	<u>(3,036,838)</u>
<b>Profit before income tax</b>	<u>1,985,602</u>	<u>20,545</u>	<u>2,238,655</u>	<u>25,117</u>	<u>4,269,919</u>

As at 31 December 2015

<b>Capital expenditure</b>	<u>148,122</u>	<u>55,097</u>	<u>192,582</u>	<u>632</u>	<u>396,433</u>
<b>Segment assets</b>	<u>119,491,853</u>	<u>44,447,139</u>	<u>155,358,361</u>	<u>510,634</u>	<u>319,807,987</u>
<b>Segment liabilities</b>	<u>(165,895,183)</u>	<u>(42,314,118)</u>	<u>(90,304,091)</u>	<u>(1,600)</u>	<u>(298,514,992)</u>



## 7. RELEASE OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.cqcbank.com). The 2016 annual report prepared in accordance with the IFRSs will be released on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.cqcbank.com), and will be dispatched to the holders of H Shares of the Bank in due course.

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

By order of the Board  
**Bank of Chongqing Co., Ltd.\***  
**GAN Weimin**  
*Chairman*

Chongqing, the PRC, March 21, 2017

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

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