



重庆银行
BANK OF CHONGQING

BANK OF CHONGQING CO., LTD.*

重慶銀行股份有限公司*

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

(Stock Code : 1963)

(Stock Code of Preference Shares : 4616)



2017 ANNUAL REPORT

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

CONTENTS

1	Corporate Information	2
2	Financial Highlights	3
3	Chairman’s Statement	6
4	President’s Statement	7
5	Recognitions and Awards	8
6	Management Discussions and Analysis	9
6.1	Environment and Outlook	9
6.2	Development Strategy	10
6.3	Financial Review	11
6.4	Business Overview	42
6.5	Employees and Human Resources Management	53
6.6	Risk Management	54
6.7	Capital Management	61
7	Significant Events	64
8	Change in Share Capital and Shareholders	65
9	Directors, Supervisors and Senior Management	70
10	Corporate Governance Report	86
11	Report of the Board of Directors	108
12	Report of the Board of Supervisors	117
13	Internal Control	121
14	Independent Auditor’s Report	122
15	Financial Statements	129
16	Notes to the Consolidated Financial Statements	135
17	Unaudited Supplementary Financial Information	239
18	Organizational Chart	242
19	List of Branch Outlets	243
20	Definitions	251

Corporate Information

Legal Name and Abbreviation in Chinese

重慶銀行股份有限公司(Abbreviation: 重慶銀行)

Name in English

Bank of Chongqing Co., Ltd.

Legal Representative

LIN Jun

Authorized Representatives

GAN Weimin (resigned on June 28, 2017)

ZHOU Wenfeng (resigned on March 21, 2017)

RAN Hailing (appointed on June 28, 2017)

WONG Wah Sing (appointed on March 21, 2017)

Acting Secretary to the Board

ZHOU Wenfeng (resigned on March 21, 2017)

WONG Wah Sing (appointed on March 21, 2017)

Joint Company Secretaries

ZHOU Wenfeng (resigned on March 21, 2017)

WONG Wah Sing (appointed on March 21, 2017)

HO Wing Tsz Wendy

Registered Address and Postal Code

No. 6 Yongpingmen Street, Chengxi Avenue,
Jiangbei District,
Chongqing, the PRC
400024

Principal Place of Business in Hong Kong

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

Corporate Website

<http://www.cqcbank.com>

E-mail

ir@cqcbank.com

H Shares

Listing Exchange: The Stock Exchange of Hong Kong Limited
Stock name: BCQ
Stock code: 1963

Offshore Preference Shares

Listing Exchange: The Stock Exchange of Hong Kong Limited

Stock Name: BCQ 17USDPREF

Stock Code: 4616

Date and Registration Authority of Initial Incorporation

September 2, 1996

Administration for Industry and Commerce of Chongqing, the PRC

Unified Social Credit Code of Business License

91500000202869177Y

Financial License Registration Number

B0206H250000001

Auditors

International: *PricewaterhouseCoopers*

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

Domestic: *PricewaterhouseCoopers Zhong Tian LLP*

11/F, PricewaterhouseCoopers Center,
Link Square 2, 202 Hu Bin Road,
Huangpu District, Shanghai, the PRC

Legal Advisor as to PRC Laws

Chongqing Jingsheng Law Firm

Legal Advisor as to Hong Kong Laws

Sullivan & Cromwell (Hong Kong) LLP

H Share Registrar

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

Domestic Share Registrar

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

Financial Highlights

The financial information set out in this annual report has been prepared in accordance with the IFRSs on the basis of consolidation. Unless otherwise stated, such information is the data of the Group denominated in RMB.

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

2.1 Financial Data

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,					
	2017	2016	Year-on-year change between 2017 and 2016 Change (%)	2015	2014	2013
OPERATING RESULTS						
Interest income	18,920,176	16,226,274	16.6	15,507,610	13,236,153	10,467,150
Interest expense	(10,805,081)	(8,548,876)	26.4	(8,505,537)	(7,004,455)	(5,288,532)
Net interest income	8,115,095	7,677,398	5.7	7,002,073	6,231,698	5,178,618
Net fee and commission income	1,680,056	1,926,017	(12.8)	1,512,053	908,846	644,581
Other operating income, net trading losses and net gains on investment securities	219,655	(381)	N/A	78,455	342,566	51,301
Operating income	10,014,806	9,603,034	4.3	8,592,581	7,483,110	5,874,500
Operating expenses	(2,298,865)	(2,537,298)	(9.4)	(3,190,171)	(2,805,275)	(2,282,772)
Impairment losses on assets	(2,999,164)	(2,411,134)	24.4	(1,135,300)	(889,566)	(535,718)
Operating profit	4,716,777	4,654,602	1.3	4,267,110	3,788,269	3,056,010
Share of profit of associates	178,378	3,910	4,462.1	2,809	2,035	1,435
Profit before income tax	4,895,155	4,658,512	5.1	4,269,919	3,790,304	3,057,445
Income tax	(1,130,958)	(1,156,345)	(2.2)	(1,099,858)	(963,161)	(728,179)
Net profit	3,764,197	3,502,167	7.5	3,170,061	2,827,143	2,329,266
Net profit attributable to shareholders of the Bank	3,725,881	3,502,167	6.4	3,170,061	2,827,143	2,329,266
Calculated on a per share basis (RMB)			Change			
Net assets per share attributable to shareholders of the Bank	9.90	7.61	2.29	6.81	5.88	4.98
Basic earnings per share	1.19	1.12	0.07	1.17	1.05	1.10
Dividend per share	0.118	0.291	(0.173)	0.264	0.272	0.224
Major indicators of assets/liabilities			Change (%)			
Total assets	422,763,025	373,103,734	13.3	319,807,987	274,531,145	206,787,015
Of which: loans and advances to customers, net	172,162,090	146,789,046	17.3	121,816,452	104,114,756	88,637,824
Total liabilities	390,303,113	349,291,822	11.7	298,514,992	258,628,122	193,307,744
Of which: customer deposits	238,704,678	229,593,793	4.0	199,298,705	167,932,436	148,801,045
Share capital	3,127,055	3,127,055	(0.0)	3,127,055	2,705,228	2,705,228
Equity attributable to shareholders of the Bank	30,951,596	23,811,912	30.0	21,292,995	15,903,023	13,479,271
Total equity	32,459,912	23,811,912	36.3	21,292,995	15,903,023	13,479,271

Financial Highlights

2.2 Financial Indicators

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

Notes:

- (1) *Calculated by dividing net profit by the average of total assets at the beginning and at the end of the period.*
- (2) *Represents net profit attributable to shareholders of the Bank as a percentage of the average balance of equity attributable to shareholders of the Bank at the beginning and at the end of the period. Excluding the impact from preference shares, average return on equity attributable to shareholders of the Bank was 14.95% for the year ended December 31, 2017.*
- (3) *Calculated by average return of interest-earning assets minus average interest rate of interest-bearing liabilities.*
- (4) *Calculated by dividing net interest income by average interest-earning assets.*
- (5) *Calculated by dividing operating expense (less tax and surcharges) by operating income.*
- (6) *Calculated by dividing balance of non-performing loans by total balance of loans and advances to customers.*
- (7) *Calculated by dividing balance of provision for impairment on loans by balance of non-performing loans.*
- (8) *Calculated by dividing balance of provision for impairment on loans by total balance of loans and advances to customers.*
- (9) *Core tier I capital adequacy ratio, tier I capital adequacy ratio and capital adequacy ratio were calculated in accordance with the latest guidance promulgated by China Banking Regulatory Commission (the "CBRC") (effective from January 1, 2013).*
- (10) *Loan-to-deposit ratio is calculated by dividing total balance of loans and advances to customers by total customer deposits.*
- (11) *Liquidity ratio is calculated in accordance with the formula promulgated by the CBRC.*
- (12) *Calculated by dividing total loans to the single largest customer by net capital.*
- (13) *Calculated by dividing total loans to the top ten customers by net capital.*

Chairman's Statement



Dear Shareholders,

In 2017, the external business environment of the banking industry has undergone profound changes. Against the backdrop of deleveraging, risk prevention and strengthened regulation, Bank of Chongqing adhered to putting

the guiding principles of the 19th National Congress into action in spite of the challenges and struggles ahead. Aiming at serving the real economy, the Bank vigorously developed the provision of inclusive finance, and further strengthened its awareness of stable operations and conducting business in compliance with regulations. As a result, the asset size and operating profit sustained steady increase and the indicators met the regulatory requirements. The Bank's brand image was further enhanced. The Bank successfully issued the USD750 million offshore preference shares as well as the RMB6,000 million Tier II Capital debts in China, while optimizing and launching "Hao Qi Dai (好企贷)", "Jie e Dai (捷e贷)", "Xin e Dai (薪e贷)", "You You Dai (优优贷)", and other trade and finance products, thereby effectively meeting the market demand. The Bank obtained an investment credit rating of BBB- from Standard & Poor's and a credit rating of AAA from Lianhe Credit Rating respectively, which were the best credit ratings available among city commercial banks. The research topic initiated by the Bank was awarded the only grand prize among city commercial banks in the selection of the outstanding research results on the development of the banking industry in China. The Bank's research on finance was awarded the "Outstanding Contribution Award" from China Banking Association. The Bank also became the only financial institution in Chongqing entering the list of the 5th session of national civilization units. In the ranking of worldwide bank brands for 2017 by The Banker, a UK magazine, the Bank was ranked the 250th, up by 87 places as compared with last year.

As of the end of 2017, the Bank's total assets amounted to RMB422,763.03 million, representing an increase of 13.3% as compared with the end of last year; the balance of deposits amounted to RMB238,704.68 million, representing an increase of 4.0% as compared with the end of last year; the net loans and advances amounted to RMB172,162.09 million, representing an increase of 17.3% as compared with the end of last year; the net profit for 2017 amounted to RMB3,764.20 million, representing an increase of 7.5% as compared with last year, and the non-performing loans provision coverage was 210.16%, realizing the preservation and appreciation of state-owned assets and shareholders' equity.

2018 is the opening year for implementing the guiding principles and spirits of the 19th National Congress of the Communist Party. It is the 40th anniversary of the reform and opening-up policy. It is also the crucial year to carry on the implementation of the "13th Five-Year Plan". We will stay true to our missions of serving the local areas, serving the small and micro enterprises and serving the residents while adhering to the bottom line of conducting business in compliance with regulations and with care. Targeting at high-quality development with reform and innovation at a high starting point as the drivers as well as high-level management as the safeguard, the Bank is determined to work as a team in seizing opportunities amid challenges to promote the scientific, stable and sustainable development of the Bank.

Looking back, none of the steps and progress made by the Bank would have been possible without the support of the Shareholders, regulatory authorities, industry partners, loyal customers and the people from all sectors of the society. You witnessed and contributed to our development. On behalf of the Board, I would like to express my most heartfelt gratitude to all of you. In the coming year, the Board will join hands with our high-spirited employees to cope with challenges and achieve excellent performance, so as to deliver satisfactory results to all investors.

Lin Jun

Chairman

Bank of Chongqing Co., Ltd.

President's Statement



Dear Shareholders,

In 2017, facing the complicated changes in the macro environment, market environment as well as the regulatory environment, and under the strong support from the investors and the society, the Bank continued to enhance

the quality and efficiency of development and strictly implement the regulatory requirements by following the direction of reform and innovation. The overall development of the Bank was steady with improvement. The main business indicators sustained at a level higher than the industry average, with provision to loans, provision coverage and other risk indicators being superior to regulatory requirements. Customers, business, assets and other structure were further optimized.

During the year, we successfully issued offshore preference shares and Tier II Capital debts, significantly enhancing our capital strength. Chongqing Xinyu Financial Leasing Co., Ltd. commenced operation and achieved sound development, showing the preliminary results of the Group's operation. The Bank obtained the business qualification for trading basic derivatives, and was the first city commercial bank obtaining such qualification in Western China. Its first private asset securitization project at the Banking Registration Center was successful, which further optimized the structure of the existing on-balance assets. Our self-operated online personal loan products achieved a breakthrough from zero. The product line and operation network

of "Hao Qi Dai (好企贷)" was further enriched and expanded. The new credit risk management system was introduced to provide strong support for the operation and risk management of the credit granting business. The head office business department was selected as the "Top 100 Demonstration Units of Civilized and Standardized Service in China Banking Industry in 2017". The customer service center was awarded the title of "National Youth Civilized Unit". Such honors demonstrated the whole new level of our premium civilized services. These achievements were bound up with the trust and support from the investors, customers and the society. On behalf of the management team, I would like to express my most heartfelt gratitude to the people from all sectors of the society who care about and support the development of the Bank.

2018 is the crucial year for the Bank to implement a series of regulatory requirements, deepen reform and transformation, strengthen compliance management and facilitate high-quality development. Staying true to our mission of serving the real economy and people's livelihood, we will follow the 2016-2020 Development Strategic Planning of the Bank and establish a new development philosophy. Centering on the "three critical battles" as well as the implementation of the "eight strategic action plans" and the development strategies in Sichuan, Shaanxi and Guizhou regions, the Bank will practically strengthen the financial supply and continue to enhance its comprehensive strength, market competitiveness and risk prevention under the benign interaction with the real economy, so as to create greater value for the investors and the whole society.

Ran Hailing

Executive Director and President

Bank of Chongqing Co., Ltd.

Recognitions and Awards

- The Bank was honored by Central Guidance Commission on Building Spiritual Civilization as the “5th Session National Civilized Units”;
- The Bank was honored by China Enterprise Confederation as the “2016-2017 National Corporate Culture Outstanding Exemplar Enterprises”;
- The Bank was honored by China Banking Association as the “Top 100 Demonstration Units of Civilized and Standardized Service in China Banking Industry in 2017”;
- The Bank was honored by China Banking Association with the “Outstanding Contribution Award of the Second Standing Committee of Industry Development Committee of China Banking Association”;
- The Bank was honored by China Banking Association with the “Best Social Responsibility Practice Case Award and Best Social Responsibility Special Contribution Branch Award in the Banking Industry in China in 2016”;
- The Bank was selected as “a constituent member of the Hang Seng SCHK Mainland China Banks Index”;
- In the ranking of worldwide bank brands from The Banker, a UK magazine, in 2017, the Bank was ranked the 250th, up by 87 places as compared with last year;
- The Business Department of Liangjiang Branch, Business Department of Chengdu Guang’an Branch and the Guiyang Liupanshui Zhongshan Middle Road Sub-branch of the Bank were honored by China Banking Association as the “Five-star Branches of Civilized and Standardized Service in China Banking Industry in 2017”; the Wenhua Gong Sub-branch, Bishan Sub-branch and Qianjiang Sub-branch were honored by China Banking Association as the “Four-star Branches of Civilized and Standardized Service in China Banking Industry in 2017”; and the Sanxia Plaza Sub-branch, Hechuan Sub-branch, Fengdu Sub-branch, Business Department of Chengdu Leshan Branch and Guiyang Guanshanhu Sub-branch were honored by China Banking Association as the “Three-star Branches of Civilized and Standardized Service in China Banking Industry in 2017”;
- The Bank was honored by the People’s Bank of China with the “Third Prize of the Banking Technology Development Award in 2016”;
- The Bank was honored by CBRC Chongqing Bureau as the “Outstanding Entity of Financial Services from Financial Institutions to Small and Micro Enterprises in the Banking Industry in 2016”; and
- The Bank was honored by the Chongqing Business Management Department of the People’s Bank of China with the “Risk Management Excellence Award”.

Management Discussions and Analysis

6.1 Environment and Outlook

In 2017, the world economy performed well. There was a significant recovery in the global trade and cross-border capital flows. Under the support of the improvement in the trading and investment environment and other conditions, the economic recovery sustained and continued to prosper. The U.S. economy maintained the upward trend with good performance in its key economic indicators. In Japan, the drivers of economic recovery became stronger, but the economy was still stuck with the low inflation environment. By virtue of the accommodative financial environment, faster growth in international trade and sustainable drivers for strong economic growth, the economic growth in the Eurozone presented robust momentum. The emerging economies continued to be the major driver for the global economic growth. The economic vitality of East Asia and South Asia was remarkable. China's contribution to the global economy in 2017 accounted for about one-third. Nevertheless, the world economy also faced with a number of challenges. The revival of the conceptions of anti-globalization and trade protectionism as well as the global debt risk constituted the important uncertainties for the global economic recovery.

In 2017, China's economy ran smoothly overall, contributing a lot to the steady growth of the global economy. The Chinese government continued to deepen the economic structural adjustments coupled with further promotion and implementation of the "One Belt, One Road" strategy and other reform measures, creating new impetus for economic growth. China's GDP was RMB82.71 trillion in this year, up by 6.9% year on year. The price level was maintained within a reasonable range, with the consumer price index rising by 1.6% year on year. China's monetary credit and financial markets operated smoothly as a whole: M2 increased by 8.2% to RMB167.68 trillion; the balance of M1 increased to RMB54.38 trillion with year-on-year growth of 11.8%; and the balance of M0 amounted to RMB7.06 trillion with year-on-year growth of 3.4%. As at December 31, 2017, the RMB loan balance

was RMB120.13 trillion with year-on-year growth of 12.7%, among which the incremental RMB loans were RMB13.53 trillion, representing year-on-year growth of RMB878.2 billion; and the RMB deposit balance was RMB164.10 trillion with year-on-year growth of 9.0%, among which the incremental RMB deposits were RMB13.51 trillion, representing a year-on-year decrease of RMB1.36 trillion. In the year, total imports and exports amounted to RMB27.79 trillion, representing a year-on-year increase of 14.2%, among which total exports amounted to RMB15.33 trillion with a year-on-year increase of 10.8% and total imports amounted to RMB12.46 trillion with a year-on-year increase of 18.7%.

In 2017, Chongqing thoroughly promoted the supply-side structural reform and implemented various tasks to maintain stable growth, deepen reform, adjust structure, improve livelihood and prevent risks, achieving steady economic development. Its regional gross domestic product reached RMB1,950.03 billion, representing year-on-year growth of 9.3%, which was 2.4 percentage points higher than the national average and topped other provinces, municipalities and autonomous regions across the country. In particular, the primary, secondary and tertiary industries grew by 4.0%, 9.5% and 9.9% respectively year on year. The city's per capita disposable income for urban residents was RMB32,193, representing a year-on-year increase of 8.7%. The city's total retail sales of consumer goods reached RMB806.77 billion, representing a year-on-year increase of 11.0%. As at December 31, 2017, the RMB loan balance from financial institutions within the city was RMB2,787.19 billion with year-on-year growth of 12.5%; the RMB deposit balance was RMB3,371.90 billion with year-on-year growth of 8.0%. The total imports and exports of the city increased by 8.9% year on year to RMB450.83 billion, among which the total exports amounted to RMB288.37 billion with a year-on-year increase of 7.8%, and the total imports amounted to RMB162.45 billion with a year-on-year increase of 11.0%.

Management Discussions and Analysis

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

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

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

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

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

6.2 Development Strategy

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

On business development strategy, the Bank will embark on the strategy of "accelerating the transformation of existing businesses and creating a collaborative and diversified layout for mixed operations during the period of the "13th Five-Year" Plan, to enhance its operational capacity on a comprehensive basis. Firstly, the Bank will promote the transformation under the customer-oriented model, improve its professional services, and accelerate the development of the existing primary businesses with retailing, small and micro, and asset management businesses as strategic sources of growth; secondly, the Bank, by taking into consideration new trends of the financial industry and favorable policies, will select new businesses with development potential, proactively develop mixed operation, foster new businesses and launch new pilot projects.

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

6.3 Financial Review

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

As at December 31, 2017, the total assets of the Group amounted to RMB422,763.03 million, representing an increase of RMB49,659.29 million or 13.3% as

compared to the end of the previous year. The Group adhered to principles of prudent and sustainable credit management and risk control and rationally maintained a reasonable level of aggregate credit and lending pace and strictly controlled its business risks based on changes in the regional and macroeconomic environment. As a result, net loans and advances to customers grew by RMB25,373.04 million, or 17.3%, to RMB172,162.09 million as compared to the end of the previous year, while the non-performing loan ratio was at 1.35%, which is higher than that at the end of the previous year. While striving for stable growth in service networks and business volume, the Group remained customer-centric by actively exploring online financial products and services and continuously accelerating its business transformation and upgrading to meet customers’ increasing demands for diversification of asset allocation. The Group adopted an innovative approach to deposit management and optimized its pricing practices of funding to meet the requirements for the liberalization of interest rates. As at December 31, 2017, the amount of customer deposits increased by RMB9,110.89 million to RMB238,704.68 million, representing an increase of 4.0% as compared to the end of the previous year, providing a stable source of funds for the healthy development of the Group’s credit, inter-bank and other intermediary businesses. Alongside the increase in income from the main business operations, the Group strictly controlled its expenses and realized a continuous decline in its cost-to-income ratio which recorded a year-on-year decrease of 1.72 percentage points to 22.00% in 2017, representing a persistent rise in operating efficiency of the Group.

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

Management Discussions and Analysis

I. Analysis of the Income Statement

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

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

1. Net interest income

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

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

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

Management Discussions and Analysis

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

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

Notes:

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

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

Management Discussions and Analysis

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

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

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

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

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

2. Interest income

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

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

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

2.1 Interest income from loans and advances to customers

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

2.2 Interest income from investment securities

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

Management Discussions and Analysis

2.3 Interest income from balances with central bank

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

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

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

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

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

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

As a result of the foregoing factors, the Group's total interest income due from other banks and financial institutions in 2017 increased by RMB464.75 million or 32.4% to RMB1,899.82 million as compared to that of the previous year.

2.5 Financial assets at fair value through profit or loss

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

3. Interest expense

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

3.1 Interest expense on customer deposits

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

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

In 2017, the Group's interest expense on customer deposits was RMB5,342.85 million, representing a year-on-year increase of RMB106.70 million or 2.0%, primarily due to a year-on-year increase in the average balance of customer deposits by 7.9%, offset by a decrease in average cost ratio of customer deposits by 13 basis points as compared to that of the previous year.

Management Discussions and Analysis

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

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

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

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

3.3 Interest expense on issuance of debt securities

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

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

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

4. Net interest spread and net interest margin

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

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

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

5. Non-interest income

5.1 Net fee and commission income

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

Management Discussions and Analysis

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

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

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

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

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

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

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

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

5.2 Net trading gains/(losses)

The net trading gains/(losses) mainly consists of exchange gains/(losses) and net gains/(losses) from interest rate products. Exchange gains/(losses) include gains and losses generated from foreign exchange spot transactions and gains and losses generated from the translation of foreign currency monetary assets and liabilities into Renminbi. In 2017, the Group's exchange gains amounted to RMB8.58 million, mainly due to the appreciation of the major currencies such as US dollars and Hong Kong dollars held by the Bank. Net gains/(losses) from interest rate products held for trading mainly includes gains or losses generated from the adjustment of the trading securities into fair value. In 2017, the Group's net losses from interest rate products amounted to RMB29.80 million, mainly due to losses arising from the fluctuation in interest rates due to adjustment of bond-securities investment portfolio. As a result of the above factors, in 2017, the Group's net trading losses amounted to RMB21.22 million.

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

5.3 Net gains on investment securities

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

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

Management Discussions and Analysis

6. Operating expenses

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

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

6.1 Staff costs

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

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

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

6.2 Tax and surcharges

Tax and surcharges mainly relate to revenue generated from our financial products and services with respect to lending (interest income), transfer of securities and other financial services. In 2017, tax and surcharges were RMB95.11 million, representing a significant year-on-year decrease of RMB164.66 million or 63.4%.

6.3 Depreciation and amortization

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

6.4 General and administrative expense

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

7. Impairment losses

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

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

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

8. Investment in associates

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

Management Discussions and Analysis

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

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

Pursuant to the resolution of board meeting of Chongqing Three Gorges Bank Co., Ltd. (“Three Gorges Bank”) on 21 April, 2017, the Bank appointed a director to board of Three Gorges Bank on that day, and therefore, the Group had significant influence on Three Gorges Bank. Three Gorges Bank became the associated company of the Group. The registered capital of invested company is RMB4,847.00 million and 4.97% of equity interest is held by the Group. The investment cost of the Group amounted to RMB379.02 million.

9. Income tax

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

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

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

II. Analysis of the Statement of Financial Position

1. Assets

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

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

Note:

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

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

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

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

Management Discussions and Analysis

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

Total amount due from other banks and financial institutions decreased by RMB18,706.26 million or 33.6% to RMB37,000.09 million as compared to the end of the previous year, primarily due to (1) the increase of net amounts due from other banks and financial assets by RMB176.58 million or 1.0%, and (2) the significant decrease of RMB18,882.84 million or 50.3% in financial assets held under resale agreements.

1.1 Loans and advances to customers

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

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

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

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

Management Discussions and Analysis

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

Distribution of loans by type of collateral

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateralized loans	69,308,295	39.1	78,018,314	51.7
Pledged loans	15,063,354	8.5	16,179,930	10.7
Guaranteed loans	75,927,183	42.9	48,515,413	32.1
Unsecured loans	16,908,072	9.5	8,306,984	5.5
Total loans and advances to customers	177,206,904	100.0	151,020,641	100.0

Management Discussions and Analysis

Movements on impairment allowance for loans to customers

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

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

In 2017, in strict accordance with the relevant requirements of accounting standards and the regulatory authorities, the Group took into account of external economic dynamics and macro control policies and strived to increase provision for impairment on loans and advances. As at December 31, 2017, the balance of impairment allowance for loans and advances to customers was RMB5,044.81 million, representing an increase of RMB813.22 million or 19.2% as compared to the end of the previous year; and the impairment allowance for non-performing loans ratio decreased by 83.19 percentage points to 210.16% from that as at the end of the previous year.

1.2 Investment securities

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

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

Management Discussions and Analysis

As at December 31, 2017, the Group's total financial assets at fair value through profit or loss and other investment securities amounted to RMB159,429.10 million, representing an increase of RMB39,116.37 million or 32.5% as compared to the end of the previous year. Financial assets at fair value through profit or loss was RMB702.20 million, representing a decrease of RMB179.78 million or 20.4% as compared to the end of the previous year, primarily due to the normal repayment of corporate bonds principal. The balance of investment in receivables was RMB100,607.73 million, representing an increase of RMB24,856.97 million or 32.8% as compared to the end of last year, mainly due to the increase in the Group's holdings of financial bonds of commercial bank with stable income. The balance of available-for-sale financial assets was RMB37,106.80 million, representing an increase of RMB13,221.34 million or 55.4% as compared to the end of the previous year, primarily due to the additional holding of monetary funds and other bonds to increase the Group's return on investment. The balance of held-to-maturity investment securities was RMB21,012.38 million, representing an increase of RMB1,217.83 million or 6.2% as compared to the end of the previous year, primarily due to the increase in the Group's holdings of treasury bonds with low risks and stable income.

2. Liabilities

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

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

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

2.1 Customer deposits

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

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

2.2 Debt securities issued

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

Management Discussions and Analysis

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

Pursuant to a resolution of the general meeting passed on May 16, 2014 and the “Approval for Bank of Chongqing Co., Ltd. to Issue Tier II Capital Bonds” (《關於重慶銀行股份有限公司發行二級資本債券的批覆》) (Yu Yin Jian Fu [2015] No. 107) by the CBRC on September 21, 2015, the Bank issued the RMB1,500 million Tier II Capital bonds within the domestic inter-bank bond market of China in February, 2016. Such Tier II Capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.40% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on February 22, 2021. The bonds have the write-down feature of a Tier II capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable. These Tier II capital bonds are qualified as Tier II Capital Instruments in accordance with the CBRC requirements.

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

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 Tier II capital in accordance with relevant requirements of the CBRC.

Pursuant to a resolution of the extraordinary general meeting passed on November 25, 2011 and the “Approval for Bank of Chongqing to Issue Financial Bonds” (《關於重慶銀行發行金融債券的批覆》) (Yin Jian Fu [2012] No. 526) by the CBRC on September 21, 2012, the Bank issued 5-year financial bonds for small and micro enterprises with a principal amount of RMB3,000 million in the domestic inter-bank bond market of China on April 25, 2013. Such financial bonds bear a fixed coupon rate of 4.78% per annum before maturity, payable annually. All proceeds raised are used for loans to small and micro enterprises.

In 2017, the Group issued a total of 205 inter-bank certificates of deposit by discounting with a tenor of one month to one year. As at December 31, 2017, 124 inter-bank certificates of deposit issued were outstanding with a total nominal value of RMB79,770 million.

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

2.3 Due to other banks and financial institutions

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

As at December 31, 2017, the Group's balance due to other banks and financial institutions amounted to RMB55,771.25 million, representing a decrease of RMB4,579.53 million or 7.6% as compared to the end of the previous year. The Group's balance due to central bank decreased by RMB211.27 million or 10.8% as compared to the end of the previous year; its deposits from banks increased by RMB8,642.66 million or 30.7% as compared to the end of the previous year; deposits from other financial institutions decreased by RMB7,028.27 million or 58.0% as compared to the end of the previous year; the Group's placements from banks and other financial institutions increased by RMB3,514.05 million or 135.9%; notes sold under repurchase agreements decreased to 0; and securities sold under repurchase agreements increased substantially by RMB3,009.78 million or 100.8% as compared to the end of the previous year.

Management Discussions and Analysis

3. Shareholders' equity

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	3,127,055	9.7	3,127,055	13.1
Preferred shares	4,909,307	15.1	–	0.0
Capital reserve	4,680,638	14.4	4,680,638	19.7
Other reserves	6,637,648	20.5	6,145,647	25.8
Retained earnings	11,596,948	35.7	9,858,572	41.4
Total equity attributable to shareholders of the Bank	30,951,596	95.4	23,811,912	100.0
Non-controlling interests	1,508,316	4.6	–	0.0
Total equity	32,459,912	100.0	23,811,912	100.0

As at December 31, 2017, the Group had paid-in capital of RMB3,127.06 million, preferred shares of RMB4,909.31 million, capital reserve of RMB4,680.64 million, other reserves of RMB6,637.65 million, and retained earnings of RMB11,596.95 million. Among other reserves, (1) surplus reserve increased by RMB372.59 million as compared to the end of the previous year, primarily due to the provisions made for statutory surplus reserve; and (2) general reserve increased by RMB704.94 million as compared to the end of the previous year, as an additional reserve was provided to ensure that the general reserve was not less than 1.5% of the balance of risk assets as at the end of the previous year.

III. Loan quality analysis

1. Breakdown of loans by the five-category classification

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Pass	167,870,228	94.74	143,592,658	95.08
Special mention	6,936,217	3.91	5,985,484	3.96
Substandard	1,449,377	0.82	780,628	0.52
Doubtful	807,165	0.45	590,655	0.39
Loss	143,917	0.08	71,216	0.05
Total loans and advances to customers	177,206,904	100.00	151,020,641	100.00
Amount of non-performing loans	2,400,459	1.35	1,442,499	0.96

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

Management Discussions and Analysis

2. Concentration of loans

2.1 Concentration by industry and non-performing loan

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

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

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

Management Discussions and Analysis

In 2017, in the face of 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.

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

The amount of non-performing loans in the manufacturing industry increased by RMB116.35 million as compared to the end of the previous year, and the non-performing loan ratio increased by 1.23 percentage points, mainly because the metal smelting and rolling industry and the Chinese liquor manufacturing industry were greatly impacted by the market, thus leading to the increase in non-performing loan ratio in these industries;

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

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

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

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

Management Discussions and Analysis

2.2 Concentration of borrowers

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

(1) Indicators of concentration

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

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

(2) Loans to top ten single borrowers

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

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

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

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

Notes:

- (1) Personal commercial property loans only include mortgage loans and exclude other consumer loans which are used to purchase commercial properties.
- (2) Other loans include Yangtze Card revolving credit loans (長江卡循環貸款), Yangtze Quick and Easy Loan (長江快易貸), personal consumer automobile mortgage loans (indirect type), personal consumer automobile mortgage loans (direct type), other personal loans for general consumption needs, Xing Fu Dai (幸福貸), Jie Li Dai (接利貸), Shun Di Dai (順抵貸), Xin Jin Dai (薪金貸), Wei Li Dai (微粒貸), Kuai E Dai (快E貸), Kuai I Dai (快I貸), Jie e Dai (捷e貸), Xin e Dai (薪e貸) and Fenqile Co-Branded Loans(分期樂聯合貸款).

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

Management Discussions and Analysis

2.4 Overdue loans and advances to customers

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

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

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

IV. Segment information

1. Summary of geographical segment

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

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

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

2. Summary of business segment

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

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

V. Analysis of off-balance-sheet items

Off-balance-sheet items of the Group mainly include contingent liabilities and commitments, such as the credit commitments, capital expenditure commitments and operating lease commitments. Credit commitments, the major component of off-balance-sheet items, comprise bank acceptances, credit card commitments, issuance of letters of credit and issuance of letters of guarantee, among which credit card commitments, bank acceptances, and issuance of letters of credit are the major components. As at December 31, 2017, the balance of unused credit card limits was RMB2,868.18 million, representing an increase of RMB302.00 million or 11.8% as compared to the end of the previous year; the balance of guarantees, commitments and letters of credit was RMB24,346.51 million, representing a decrease of RMB3,809.05 million or 13.5% as compared to the end of the previous year; the balance of operating lease commitments was RMB157.01 million, representing a decrease of RMB14.28 million or 8.3% as compared to the end of the previous year; the balance of capital expenditure commitments was RMB378.81 million, representing an decrease of RMB65.93 million or 14.8% as compared to the end of the previous year. In the meantime, the additional financial lease-out commitments of RMB180.00 million were made during the year.

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

Management Discussions and Analysis

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2016			
	Within 1 year	1 to 5 years	Over 5 years	Total
Unused credit card limits	2,566,179	–	–	2,566,179
Guarantees, acceptances and letters of credit	24,831,532	3,323,130	899	28,155,561
Irrevocable loan commitments	34,704	53,491	–	88,195
Operating lease commitments	51,925	94,905	24,459	171,289
Capital expenditure commitments	389,238	55,503	–	444,741
Total	27,873,578	3,527,029	25,358	31,425,965

6.4 Business Overview

6.4.1 Corporate Banking Business

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

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2017	December 31, 2016	Change (%)
Net interest income from external customers	4,224,549	3,318,446	27.3
Inter-segment net interest income	1,542,406	1,758,464	(12.3)
Net interest income	5,766,955	5,076,910	13.6
Net fee and commission income	320,783	154,327	107.9
Net trading gains	8,581	10,904	(21.3)
Other operating income	–	1,405	(100.0)
Impairment losses on assets	(2,223,317)	(1,830,803)	21.4
Operating expenses	(1,213,687)	(1,457,721)	(16.7)
– Depreciation and amortization	(97,189)	(98,130)	(1.0)
– Others	(1,116,498)	(1,359,591)	(17.9)
Profit before income tax	2,659,315	1,955,022	36.0
Capital expenditure	138,140	90,118	53.3
Segment assets	154,284,077	149,108,552	3.5
Segment liabilities	(177,173,388)	(175,015,654)	1.2

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

(I) Corporate Deposits

As at December 31, 2017, the balance of our corporate deposits amounted to RMB152.70 billion, accounting for 63.97% of the balance of total deposits.

According to Chongqing Administration of the PBOC, as at December 31, 2017, the balance of our RMB corporate deposits (including security deposits) in Chongqing amounted to RMB121.82 billion, ranking the fourth in Chongqing, following the Chongqing branch of Industrial and Commercial Bank of China, Chongqing Rural Commercial Bank Co., Ltd. and the Chongqing branch of China Construction Bank. Our RMB corporate deposits in Chongqing accounted for a market share of 8.0%.

(II) Corporate Loans

Our corporate lending business was prudent and moderate. We carried out corporate lending business with combination of national macro control policies in a prudent, steady and moderate manner in line with the economic conditions and industry trend of the region where our customers operate. As at December 31, 2017, the balance of our corporate loans (excluding discount of bills) amounted to RMB109.78 billion, representing growth of RMB4.43 billion or 4.2% as compared to the end of the previous year.

The Bank proactively fulfilled its social responsibility and carried out financial poverty alleviation. It discharged its duties as the leading bank and created demonstration enterprises, projects and villages of financial poverty alleviation. More credit investment was made in poor counties including Pengshui, Shizhu and Qianjiang to promote the local economic development. The Bank was thus recognized by Chongqing Operations Office of the PBOC and Chongqing Poverty Alleviation Office.

(III) Corporate Banking Products

Our corporate banking product portfolio achieved further improvement. Firstly, catering to the needs of our customers, we proactively tailored our financial products to their specific industry features, settlement practices and capital retention patterns with reference to regional economic and industry conditions. The Bank explored new source for deposits and strove to carry out bond issuing and asset monitoring businesses. The bonds issued amounted to RMB10.0 billion in 2017, in aggregate. Secondly, the Bank conducted profound innovation in respect of the model for cooperation among banks, governments and enterprises, for the purpose of catering to the needs of the governments at the district and county level for new urbanization and industry upgrading. As at the end of 2017, the Bank had established 23 Innovative and Entrepreneurial Funds (雙創基金) with the aggregate size of up to RMB22.3 billion, including investment of RMB19.5 billion by the Bank. Thirdly, as a proactive response to the national call, the Bank intensified support for the real economy, launched “You You Dai (優優貸)” and proactively marketed upstream and downstream customers and settlement funds, to achieve allied development of assets and liabilities and a win-win situation between the Bank and enterprises. Fourthly, the Bank heavily involved in the strategic China-Singapore (Chongqing) interconnection construction program and pilot free trade zone program and promoted product innovation centering on cross-border finance, finance in free trade zone and trading bank, along with the successive implementation of overseas debt investment, domestic guarantee for overseas debts in dual currencies, rental factoring in free trade zone, rail waybill financing, forfeiting secondary market transactions, and financial derivatives trading, further increasing the Bank’s capabilities in serving the real economy and integrated operations. Fifthly, the Bank promoted information intelligence with the construction of business systems. In 2017, the Bank introduced the global trade and finance system, financial derivatives system and supply chain financial system stem and supply chain finance system at the same time to enhance its capabilities in providing financial services and risk management as well as providing strong support for business development.

Management Discussions and Analysis

6.4.2 Small and Micro Enterprise Banking Business

(I) Overview of Small and Micro Enterprise Banking Business as at December 31, 2017

As at December 31, 2017, according to the statistics of the four national ministries, the balance of our small and micro enterprise loans amounted to RMB66.39 billion, representing an increase of RMB7.39 billion or 12.5% as compared with the end of the previous year. The number of loan customers was 21,130, increasing by 8 as compared with the end of the previous year. The approval rate for small and micro enterprises loans was 86.48%, representing an increase of 0.03 percentage point as compared with the end of the previous year, in full compliance with the “three minimums” regulatory goals for small and micro enterprise banking business.

As regards to the customer structure, the Bank explored to develop a further business model of small, micro and grass-root enterprises. The small and micro enterprise loans with an individual lending amount of below RMB5 million recorded a balance of RMB20.5 billion, accounting for 30.88% of the total small and micro enterprise loans; and the number of customers reached 17,609, accounting for 83.34% of the total number of small and micro enterprise customers of the Bank.

As regards to the risk management, the asset quality was further improved. The balance of non-performing loans for small and micro enterprises of the Bank amounted to RMB1.16 billion with a non-performing loan ratio of 1.75%, which was lower than the average non-performing loan ratio in the city. The outstanding guarantee balance of private guarantee companies amounted to RMB1.91 billion, representing a decrease of RMB1.24 billion as compared with the end of the previous year. There were 421 businesses under guarantee, representing a decrease of 244 businesses as compared with the end of the previous year. The risk on private guaranteed loans was further controlled.

As regards to the business innovation, the Bank solved the financing problem encountered by small and micro enterprises through driven development. Firstly, the Bank accelerated the upgrading of “Hao Qi Dai (好企貸)” business and achieved the “Immediate Approval (秒批)” and “Immediate Grant (秒放)” functions, serving Sichuan and Guiyang regions. Secondly, by focusing on the “Sannong (三農)” economy, the Bank provided financial services to benefit the general public and emphasized on supporting the financing of new-type agriculture business entities. The Bank formulated quantitative criteria for entry, streamlined the pre-loan, on-loan and post-loan processes, and implemented a model of marketing, approval and post-loan management by batches.

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

1. Promoting the professionalization construction on the small and micro business by adhering to the development direction

Firstly, leveraging the transformation and reform on “professionalism, comprehensive management and Internet banking”, the Bank rationalized the management on litigation, writing off, settlement management within the line. The Bank equipped the small and micro enterprise banking departments at the head office, branches and sub-branches with adequate staff. The Bank also promoted a series of tasks including the construction of career path to inject impetus for the development of small and micro business of the Bank. Secondly, the Bank expanded the professionalism construction of small and micro business to its branches to enhance the line and systematic management of the small and micro business of the Bank, achieving the management objective of setting up small and micro enterprise banking departments at all units. Thirdly, the Bank completed the construction of an online lending platform with “standardized process and flexible parameter configuration” and launched such platform with the new credit system at the same time, reflecting the preliminary formation of the digital credit factory. The whole process operation mechanism for online lending business was established and enhanced.

2. Intensifying support for the medium- and long-term loans to small and micro enterprises

The Bank expedited the marketing of the two small and micro products, namely “Nian Shen Dai (年審貸)” and “Cheng Zhang Dai (成長貸)”. In particular, “Nian Shen Dai (年審貸)” has a term of three years. The enterprises do not need to make repayment if they pass the annual review at each year. The term of “Cheng Zhang Dai (成長貸)” is flexibly determined according to the term of use of funds of the small and micro enterprises themselves with a maximum of 10 years. These two products effectively solved the problem of incapable to make repayment faced by small and micro customers due to temporary funding shortages.

3. Supporting financing for small and micro technology enterprises through innovation-driven development

The Bank implemented the Implementation Plan of Bank of Chongqing on Innovation-Driven Development Strategy to Support the Development of Small and Micro Technology Innovation Enterprises to provide protection in terms of policy and system for the development technology finance in eight aspects including specialized organizations, products and models, list management, incentives and appraisals. The Bank set up 6 specialized technology organizations and specified the direction of exploration and development objectives of each of the organization and provided relevant resources support. The Bank was selected as the pilot bank of credit loans of intellectual property value by the Municipal Science & Technology Commission to carry out the pilot program of credit loans of intellectual property value in some pilot regions in Chongqing.

4. Participating in poverty alleviation by conducting small loan business on poverty alleviation

According to its planning on targeted poverty alleviation, the Bank established the poverty alleviation model of “four precisions and four protections” and completed the distribution of poverty alleviation loans in Pengshui County, progressing smoothly in the distribution of poverty alleviation loans in 14 poverty-stricken counties in the city. The Bank made plans on the small loan bulk business for poverty alleviation in regions and counties including Pengshui, Kaixian, Wushan and Shizhu, to put the government and regulatory requirements into practice and conduct small loan business for poverty alleviation.

5. Optimizing the internal system measures and process to improve the efficiency of small and micro business

In 2017, according to the Implementation Plan of Improving the Efficiency of Providing Credit Service by Small and Micro Enterprises by Shortening Time to Obtain Loans to a Reasonable Extent promulgated by the CBRC, the Bank rationalized the internal system process and improved the efficiency of small and micro business in three aspects. Firstly, the Bank continued to grant differentiated authorities to its operating institutions according to the results of internal control evaluation. Secondly, the Bank put further efforts into the development of the bulk business model. With the conception of retail finance, the Bank introduced a bulk development financial model for small and micro enterprises. Focusing on clusters of small and micro customers of “circle, park, chain, special, meeting and belt”, the Bank set up quantitative criteria for entry based on the early stage market research and completed pre-loan and on-loan inspection work with “one form” to simplify the process of loan application and reduce operating expenses. Thirdly, the Bank integrated the micro loan teams of the small loan centers in different regions and counties into the local sub-branches to accelerate the transfer of IPC credit technology to the basic level and improve the integrated financial service capability of the local sub-branches to the micro and small enterprises.

6. Improving the risk management of the small and micro business of the Bank through various measures

Firstly, the Bank further improved the management system of the small and micro business. In 2017, the Small and Micro Credit Management Measures specified the number of banks that the loan applicants of the Bank can apply for loans. The Bank also added approval requirements on the mortgage priority and regulated the operation requirements of guarantee approval in the Small and Micro Credit Guarantee Implementation Rules. The Bank formulated the Small and Micro Line Internal Joint Loan Management Measures of Bank of Chongqing (2017 Version) to strengthen the cross-region marketing management of the small and micro business. Secondly, by placing an emphasis on key risks, the Bank strengthened its management and control on the business of guarantee companies and continued to reduce outstanding guarantee balance of private guarantee companies while intensifying the management of state-owned guarantee companies in districts and counties to practically minimize the systematic risk of state-owned guarantee companies.

7. Highlighting the role of resource allocation while guiding the operating institutions to carry out small and micro business

In terms of performance appraisal, the Bank set up two indicators, namely the increment of small and micro loans and the increment of loan customers, to require its operating institutions to develop small and micro credit business. In terms of occupancy of economic capital, the small and micro business was calculated as 75% of the general business. For the loans with an individual lending amount of below RMB5 million, the occupancy of economic capital was calculated at 30% to 50%. In terms of special incentives, the Bank provided special incentives for structure adjustment indicator, loan customer indicator and bulk business project so as to put more precise small and micro finance, inclusive finance and livelihood financial policy into practice and further expand the coverage of providing financial services to small and micro enterprises. In terms of staff and team management, the Bank established an entry path for small and micro dedicated customer managers and actively explored the career path of small and micro customer managers. It also conducted hierarchical management on and provided training for the small and micro customer management. It organized trainings for 600 people throughout the year, covering marketing, products, process, post-loan, collection and writing off.

Management Discussions and Analysis

6.4.3 Retail Banking Business

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

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2017	December 31, 2016	Change (%)
Net interest expense from external customers	(163,526)	(558,257)	(70.7)
Inter-segment net interest income	1,443,877	1,321,079	9.3
Net interest income	1,280,351	762,822	67.8
Net fee and commission income	185,592	217,398	(14.6)
Other operating income	25,936	2,567	910.4
Impairment losses on assets	(128,925)	(45,510)	183.3
Operating expenses	(845,734)	(707,983)	19.5
– Depreciation and amortization	(67,725)	(47,659)	42.1
– Others	(778,009)	(660,324)	17.8
Profit before income tax	517,220	229,294	125.6
Capital expenditure	60,056	24,837	141.8
Segment assets	67,074,827	41,093,619	63.2
Segment liabilities	(68,614,025)	(59,698,940)	14.9

(I) Personal Deposits

Benefiting from the continued and rapid economic growth in Chongqing and full utilization of its regional brand advantages, the Bank adhered to integrating its brand value in services with key account sales under the guidance of “finance beneficial for general public”, constantly promoted the upgrading of our special time deposit products “Xing Fu Cun (幸福存)” and “Meng Xiang Cun (梦想存)”, a special service function named “Love from Bank of Chongqing (爱随意送)” under the “Xing Fu Cun (幸福存)” products was newly launched, and at the same time, the Bank enriched the sales channels of the “Xing Fu Cun (幸福存)” products by conducting sales through mobile banking and direct banking channels. The balance of personal deposits continued to increase steadily by RMB9.03 billion or 15.4% as compared with the end of the previous year to RMB67.72 billion, and the local market share of which has been gradually increased.

(II) Personal Loans

Our personal consumption loans grew rapidly. The balance of our personal consumption loans increased by RMB21.77 billion or 85.4% to RMB47.26 billion as compared with the end of the previous year. The percentage of personal loans continued to increase with further optimized loan structure. Striving to promote the integration of the traditional personal loan business with the Internet intelligence, the Bank introduced the online loans for the existing customers and O2O loans for specified customers so as to further optimize personal consumption loan products and services under the principle of compliance in business operations by enhancing customer experience, improve the comprehensive efficiency of personal consumption loans and facilitate the sustainable and healthy development of personal consumption loan business.

(III) Bank Cards

Bank card issuance and transaction volume of our bank card business recorded continuous growths. As at December 31, 2017, we had issued a total of 3,314,890 debit cards and the transaction volume amounted to RMB12.25 billion. The Bank has been committed to the expansion of functions such as consumption and settlement, improvement of the channels and enhancement of security. We began to issue IC cards with more security throughout the Bank, and we have conducted the activity for free replacing magnetic cards with financial IC cards.

6.4.4 Treasury Operations

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

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2017	December 31, 2016	Change (%)
Net interest income from external customers	4,054,072	4,917,209	(17.6)
Inter-segment net interest expense	(2,986,283)	(3,079,543)	(3.0)
Net interest income	1,067,789	1,837,666	(41.9)
Net fee and commission income	1,173,681	1,554,292	(24.5)
Net trading losses	(29,801)	(61,570)	(51.6)
Net gains on investment securities	140,480	348	40,267.8
Share of profits of an associate	178,378	3,910	4,462.1
Other operating income	22,542	21,193	6.4
Impairment losses on assets	(631,693)	(523,795)	20.6
Operating expense	(210,656)	(349,150)	(39.7)
– Depreciation and amortization	(16,869)	(23,505)	(28.2)
– Others	(193,787)	(325,645)	(40.5)
Profit before income tax	1,710,720	2,482,894	(31.1)
Capital expenditure	179,090	109,932	62.9
Segment assets	200,019,858	181,891,889	10.0
Segment liabilities	(144,514,878)	(114,578,169)	26.1

In 2017, addressing the increasingly stringent regulatory environment and complex economic situation, the Bank continued to strengthen risk management of its treasury operations under the principle of compliance in business operations. While ensuring adequate liquidity, the Bank steadily pushed forward its treasury operations and recorded a profit before income tax of RMB1.71 billion for the year, and decreased by RMB0.77 billion or 31.1% as compared to the previous year.

Management Discussions and Analysis

(I) Breakdown of Securities Investment by Holding Purpose

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Held-to-maturity	21,012,375	13.22	19,794,542	16.53
Loans and receivables	100,607,725	63.30	75,750,755	63.26
Held for trading	702,084	0.44	881,977	0.74
Available-for-sale	36,612,193	23.04	23,308,779	19.47
Total	158,934,377	100.00	119,736,053	100.00

As at December 31, 2017, the Bank's held-to-maturity bonds increased by RMB1.22 billion from the end of the previous year, with the proportion decreasing by 3.31 percentage points; loans and receivables increased by RMB24.86 billion from the end of the previous year, with the proportion increasing by 0.04 percentage point; held-for-trading bonds decreased by RMB0.18 billion from the end of the previous year, with the proportion decreasing by 0.30 percentage point; and available-for-sale bonds increased by RMB13.30 billion from the end of the previous year, with the proportion increasing by 3.57 percentage points.

(II) Breakdown of Securities Investment by Credit Rating

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
AAA	1,262,903	0.80	1,005,210	0.84
AA- to AA+	11,559,527	7.27	7,286,986	6.09
A-1	–	–	149,906	0.13
Unrated	146,112,065	91.93	111,293,951	92.95
Total	158,934,495	100.00	119,736,053	100.00

The Bank increased the holdings of monetary funds and bonds with controllable risks and high yield in 2017. As at December 31, 2017, the Bank's unrated securities investment increased by RMB34.82 billion from the end of the previous year, with the proportion decreasing by 1.02 percentage points. The unrated securities investment mainly comprised loans and receivables and government bonds.

(III) Breakdown of Securities Investment by Remaining Maturity

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2017		As at December 31, 2016	
	Amount	Percentage (%)	Amount	Percentage (%)
Up to 3 months	28,515,015	17.94	26,000,508	21.71
3 to 12 months	36,985,886	23.27	25,177,274	21.03
1 to 5 years	58,010,823	36.50	52,439,645	43.80
Over 5 years	35,422,653	22.29	16,118,626	13.46
Total	158,934,377	100.00	119,736,053	100.00

As at December 31, 2017, the Bank's securities investment with remaining maturity within 12 months increased by RMB14.32 billion from the end of the previous year, with the proportion decreasing by 1.53 percentage points.

(IV) Holdings of Financial Bonds

Financial bonds are marketable securities issued by policy banks and other financial institutions with a debt service term as agreed upon. As at December 31, 2017, the balance of our financial bonds was RMB7.0 billion in nominal value, mainly comprising financial bonds issued by policy banks. Set out below are the top 10 financial bonds in terms of nominal value held by the Bank as at the dates indicated.

Name of bond	Par Value in RMB	Annual Interest rate (%)	Maturity date
2015 Policy Bank Financial Bond	1,100,000	2.98%	November 4, 2018
2016 Policy Bank Financial Bond	1,000,000	3.18%	April 5, 2026
2016 Policy Bank Financial Bond	600,000	3.58%	April 22, 2026
2012 Policy Bank Financial Bond	500,000	4.21%	June 29, 2019
2015 Policy Bank Financial Bond	500,000	3.54%	June 18, 2018
2016 Policy Bank Financial Bond	500,000	3.18%	September 5, 2026
2012 Policy Bank Financial Bond	500,000	3.87%	June 28, 2019
2013 Policy Bank Financial Bond	460,000	5.04%	October 24, 2023
2006 Policy Bank Financial Bond	380,000	3.79%	June 28, 2021
2008 Policy Bank Financial Bond	230,000	3.68%	October 23, 2018

Management Discussions and Analysis

6.4.5 Distribution Channels

(I) Physical Outlets

As at December 31, 2017, the Bank operated its business and marketed its retail banking products and services through 141 sub-units, including the business department of its Head Office, its small enterprise loan center, four primary branches, and 73 offsite self-service banking centers, and through its extensive distribution channels, such as telephone banking, mobile banking, online banking and direct banking, which cover all 38 districts and counties of Chongqing as well as three provinces in western China namely Sichuan Province, Shaanxi Province and Guizhou Province.

(II) Self-Service Banking Centers

The offsite self-service banking centers and self-service terminals of the Bank provide safe and convenient services to the customers of the Bank, and also enhance the input-output ratio of the Bank. As at December 31, 2017, the Bank had 73 offsite self-service banking centers, 132 onsite self-service banking centers and 611 self-service terminals, including 230 ATMs and 381 self-service deposit and withdrawal machines that offer withdrawal, account inquiry, bill payment, deposit, passcode changing and/or fund transfer services. In 2017, the Bank processed approximately 6.64 million self-service banking transactions, with a total transaction volume of RMB14.21 billion.

(III) Electronic Banking

Mobile Banking and Online Banking

Personal Customers

As at December 31, 2017, the Bank had 1.10 million personal mobile banking and online banking customers in aggregate, including 0.56 million online banking customers and 0.54 million mobile banking customers, representing an increase of 360,000 customers or 49.0% as compared with the end of the previous year. In 2017, the total number of transactions amounted to 4.19 million, including 0.77 million transactions through online banking and 3.43 million through mobiles phone. The total transaction volume amounted to RMB222.05 billion, including RMB107.34 billion through online banking and RMB114.71 billion through mobile banking.

Corporate Entities

As at December 31, 2017, the Bank had 17,681 corporate online banking customers, representing an increase of 3,559 customers or 25.2% as compared with the end of the previous year. The total number of transactions amounted to 1.41 million, and the total transaction volume amounted to RMB341.83 billion.

Third Party Payment

As at December 31, 2017, 9 merchants in aggregate accessed to third party payment. The total number of transactions amounted to 19.09 million, and the total transaction volume amounted to RMB8.16 billion.

Qian Cheng You Yu (錢承有餘)

In an effort to proactively arrange in the development of Internet finance, the Bank launched “Qian Cheng You Yu (錢承有餘)” in February 2017 and gathered a certain scale of online groups in a short time, which realized cross-regional business expansion. Aiming at building a comprehensive service platform integrating investment, financing and life for customers, “Qian Cheng You Yu (錢承有餘)” realized highly frequent iteration of once a month in terms of products, functions and services. Firstly, the Bank enriched its product portfolio and combined proprietary products with products sold on a commission basis by successfully launched products sold on a commission basis including Fu Ying (富盈) series and intra-bank proprietary deposit products including “Xing Fu You Yu (幸福有餘)”. Secondly, the Bank continued to optimize functional services, diversified payment scenarios and achieved 24-hours online verification as well as authentication of inter-bank card binding and withholding of funds. In addition, featured merchants were introduced to enrich online life services. As at December 31, 2017, the number of registered users of “Qian Cheng You Yu (錢承有餘)” reached 312,700 and the total transaction volume thereof exceeded RMB547 million.

Online Lending Business

As at December 31, 2017, a total of 3,621 loans were granted under “Hao Qi Dai (好企貸)”, representing an increase of 2,849 loans. The accumulated amount of loans granted reached RMB1.68 billion, representing an increase of RMB1.38 billion. There were 2,738 managed accounts with a balance of RMB1.33 billion.

(IV) Information Technology

In 2017, the Group promoted the information technology construction in an orderly manner and reached the annual objective successfully, laying a good foundation for the operation of the Bank.

We continued to strengthen internal control on information technology to enhance risk prevention and control capability based on information technology. Firstly, we continued our works on establishment of IT internal control system, and completed the modification of 10 IT internal control systems in 2017. Secondly, we proactively conducted classified information technology security protection. During the year, we classified the security level of 11 new information systems, filed five information systems with security level of Class II or above, and completed the onsite assessments and correction of eight information systems with security level of Class III. Thirdly, we staged IT risk screening campaign to identify and eliminate risks in such areas as the server room facilities, network, servers and storage devices in both our head office and branch outlets. Fourthly, we established the ATM terminal security management system to serve as an anti-virus software, achieve management and control on applications, network access and removable storage devices and provide digital signature and other functions. Fifthly, we established the APT advanced continuous threat detection system to detect unknown threat files and malicious files.

We strengthened our efforts into the establishment and improvement of production environment and actively carried out the construction of key projects. Firstly, we progressed smoothly in the construction of the disaster backup system in the “Two Sites and Three Centers” and completed the overall planning on “Intra-city Dual-active Data Centers and Remote Disaster Backup”. Based on such planning, we carried out the design and construction of the data centers in Shuitu and Wanzhou. In particular, the remote disaster backup center in Guiyang had been relocated to Wanzhou. Secondly, we completed the construction of the digital system for server room management, realizing a unified control and management for all facilities and equipment in the data centers. Thirdly, we carried out 16 important information system responsive drills as planned to verify our emergency capacity.

Management Discussions and Analysis

We accelerated the innovation and integration of technology and business, facilitated the application of new technologies and promoted the upgrading and updating of information system. Firstly, we fully promoted the upgrading of our key business systems and innovation of their functions and completed the new credit risk management, new international settlement system, foreign exchange funds and derivatives trading system, open wealth management sales, asset management system and other projects. We also completed the full marketing of the first stage of process bank (phase I) and the pilot program of the second stage as well as the Xing Fu Dai (幸福貸), You You Dai (優優貸), joint deposits and other new businesses, new products and optimization of business functions. We put full efforts into the construction of the new mobile banking system and initiated new projects including Yin Bao Tong (銀保通), account management, internal control and management of operations and capital management system. Secondly, we gave full support to the information intelligence and Internet financial innovation. We completed the construction of the online lending system and launched online small and micro credit business including Hao Qi Dai (好企貸), Hao Fang Dai (好房貸), Guiyang Hao Qi Dai (貴陽好企貸) and Sichuan Hao Qi Dai (四川好企貸) one by one. We also completed the construction of “Qian Cheng You Yu (錢承有餘)” direct banking version 2.0 and successfully launched the “Xing Fu You Yu (幸福有餘)” product. We met the demand for about a dozen of innovative functions in mobile banking version 3.0 (phase II) and completed the research and development as well as launch of a series of innovative products such as Kuai I Dai (快I貸), Kuai E Dai (快E貸), Jie E Dai (捷E貸) and Xin E Dai (薪E貸). We completed the pilot launch of the Yi Gui Tong intelligent self-service system and achieved the innovation in the technology of withdrawal with face recognition. We completed the Xiao I Robot intelligent customer service system and integrated the system into our WeChat banking. We also initiated a new project of online business system for personal consumption loans. Thirdly, we carried out innovation in delicacy management and initiated big data platform construction project and IFRS No.9 consulting project.

6.4.6 Particulars of Principal Associates

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

On June 15, 2015, the Group invested RMB54.00 million in Mashang Consumer Finance Co., Ltd. On August 14, 2016, the Group increased the investment to RMB205.27 million, accounting for 15.79% of equity interest of RMB1.30 billion registered capital. On July 13, 2017, the Group increased the investment to RMB338 million, accounting for 15.31% of equity interest of RMB2.21 billion registered capital.

Pursuant to the resolution of board meeting of Three Gorges Bank on April 21, 2017, the Bank appointed a director to board of Three Gorges Bank on the same day. Therefore, the Group could exercise significant influence on Three Gorges Bank and Three Gorges Bank became an associated company of the Group. The registered capital of invested company is RMB4,846.94 million and 4.97% of equity interest is held by the Group. The investment cost of the Group amounted to RMB379.02 million.

Set out below are the profits of the associates attributable to the Bank as at December 31, 2017 and December 31, 2016:

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2017	December 31, 2016
Balance at the beginning of the year	238,394	29,214
Addition of investment in associates	696,374	205,270
Share of profit after tax of the associates	178,378	3,910
Balance at the end of the year	1,113,146	238,394

6.5 Employees and Human Resources Management

6.5.1 Details of the employees

(I) Composition of employees

As at December 31, 2017, there were 4,066 employees on-duty, of which 780 or 19.18% were management personnel while 146 or 3.59% were marketing personnel, both worked at the Head Office, and 2,237 or 55.02% worked at branch outlets in Chongqing while 903 or 22.21% worked at branches in other cities.

(II) Range of their ages

The average age of the employees of the Bank was 34 years old. 262 or 6.44% of them were under the age of 25 while 1,229 or 30.23% aged between 26 to 30 years old. 1,204 or 29.61% of them aged between 31 to 35 years old while 420 or 10.33% of them aged between 36 to 40 years old. 505 or 12.42% of them aged between 41 to 45 years old while 329 or 8.09% of them aged between 46 to 50 years old and 117 or 2.88% of them aged above 50 years old.

(III) Educational background

468 or 11.51% of the employees of the Bank possessed a post-graduate qualification or above, and 4 of which held Doctoral degrees. 2,912 or 71.62% of them held Bachelor degrees while 686 or 16.87% of them received junior college degrees or below.

(IV) Composition of gender

The Bank had 1,761 male employees and 2,305 female employees, with the proportion of 43.31% and 56.69% respectively.

6.5.2 Overall management of human resources

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

Management Discussions and Analysis

6.5.3 Remuneration policy of the employees

Adhering to the principle of “determining salary by positions, performance-oriented, scientific incentive and appropriate flexibility” and with reference to the rules and development trend of the market salary management of commercial banks, the Bank set up a unified remuneration management structure and system throughout the Bank by formulating the Administrative Measures on Remuneration of Bank of Chongqing and the Administrative Measures on Remuneration of the Responsible Persons of Operating Institutions for comprehensive regulation on the remuneration management of the Bank. According to the Supervisory Guidelines on Sound Compensation in Commercial Banks issued by the CBRC, the Bank formulated the Administrative Measures on Payment Deferral of Bank of Chongqing to defer the payment of remuneration to the employees serving positions with significant influence on risks, fully leveraging the role of remuneration as an orientation in the risk management and control of the Bank, adhering to the coordination of the deferral payment of remuneration and risk release, facilitating the stable operation and sustainable development of the Bank.

The Bank implemented a unified management system with hierarchical implementation for staff remuneration. The management was responsible for the staff remuneration management. The human resources department, asset and liability management department, finance department, internal audit department and other departments of the head office are responsible for the implementation of the remuneration assessment policies and the supervision of the execution of the remuneration assessment policies.

6.5.4 Training and development of the employees

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

6.6 Risk Management

6.6.1 Credit risk

Credit risk refers to the risk of losses resulting from the defaults, rating downgrade, or 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.

6.6.2 Operational risk

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

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

6.6.3 Market risk

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

Management Discussions and Analysis

6.6.3.1 Interest rate risk of trading accounts

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

In 2017, the Group paid close attention to movements in financial markets and continued to improve the market risk management and the risk exposure limit system. The Value at Risk (VaR) method was put in place to identify, monitor and control market risks.

6.6.3.2 Exchange rate risk

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

6.6.4 Liquidity risk management

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

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

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

Management Discussions and Analysis

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

In addition, the Group continuously carried out liquidity risk stress tests (at least once a quarter) so that it can discover the weak links in liquidity risk management in advance through such stress tests and adopt relevant measures to constantly improve its liquidity risk control capability. The results of the quarterly stress tests in 2017 indicated that the liquidity risks remained within an acceptable range even under stressful conditions. Meanwhile, the Group established contingency plan for liquidity risk, standardized the contingency measures in emergency circumstances so as to improve the efficiency of reaction in emergency circumstances.

As at the end of 2017, all of the major indicators of the Group's liquidity position met the regulatory requirements.

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

Undiscounted contractual cash flows categorized by contractual maturities

(All amounts expressed in thousands of RMB unless otherwise stated)	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	In perpetuity	Overdue	Total
December 31, 2017									
Net liquidity gap	(77,373,892)	25,004,418	(21,781,720)	(42,354,149)	55,370,773	48,354,213	32,595,206	8,150,227	27,965,076
December 31, 2016									
Net liquidity gap	(75,590,726)	(2,909,552)	8,910,031	(19,017,862)	33,218,992	38,708,420	32,504,012	4,885,362	20,708,677

In 2017, the Group's cumulative gap for all maturities was RMB27,965.08 million, an increase of RMB7,256.40 million over the previous year-end. Although there was a shortfall in on-demand repayment of RMB77,373.89 million, the Group's deposit base is extensive and solid. Current deposit settlement rates were higher and funding sources were stable, so the impact of the shortfall on the Group's real liquidity was not significant.

Management Discussions and Analysis

Liquidity coverage ratio

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

The latest Administrative Measures for Liquidity Risk Management of Commercial Banks of the CBRC requires that commercial banks' liquidity coverage ratios must reach 90% and 100% by the end of 2017 and 2018 respectively. The Group measures its liquidity coverage ratio according to the latest Administrative Measures for Liquidity Risk Management of Commercial Banks issued by the CBRC which came into effect as of October 1, 2015. As at December 31, 2017, the Group's liquidity coverage ratio was 194.31%, representing an increase of 98.78 percentage points as compared to the end of the previous year, which was in compliance with the regulatory requirements of the CBRC.

6.6.5 Market risk management

6.6.5.1 Analysis of interest rate risk

Interest rate risk refers to the risk of losses suffering by the commercial banks arising from the uncertain fluctuation of market interest rate, namely, the possibility of losses suffered by commercial 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.

Management Discussions and Analysis

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
December 31, 2017							
Assets							
Cash and balances with central bank	43,157,747	-	-	-	-	569,685	43,727,432
Due from other banks and financial institutions	25,429,214	4,056,175	7,514,702	-	-	-	37,000,091
Financial assets at fair value through profit or loss	18,126	-	1,379	492,934	189,763	-	702,202
Loans and advances to customers	52,690,767	12,274,666	64,298,713	41,060,547	1,837,397	-	172,162,090
Investment securities							
- Loans and receivables	10,027,273	9,767,628	23,519,085	36,685,129	20,242,759	365,851	100,607,725
- Available-for-sale	6,218,750	4,928,849	6,889,131	14,251,804	4,314,467	503,798	37,106,799
- Held-to-maturity	-	30,000	2,548,911	11,065,634	7,367,830	-	21,012,375
Other financial assets	-	-	-	-	-	4,743,013	4,743,013
Total assets	137,541,877	31,057,318	104,771,921	103,556,048	33,952,216	6,182,347	417,061,727
Liabilities							
Due to other banks and financial institutions	(16,264,661)	(4,431,933)	(34,505,296)	(569,362)	-	-	(55,771,252)
Customer deposits	(91,012,041)	(14,603,994)	(46,327,235)	(84,206,121)	(2,555,287)	-	(238,704,678)
Debt securities issued	(7,062,534)	(27,947,297)	(46,223,656)	-	(7,493,843)	-	(88,727,330)
Other financial liabilities	-	-	-	-	-	(5,893,391)	(5,893,391)
Total liabilities	(114,339,236)	(46,983,224)	(127,056,187)	(84,775,483)	(10,049,130)	(5,893,391)	(389,096,651)
Total interest rate sensitivity gap	23,202,641	(15,925,906)	(22,284,266)	18,780,565	23,903,086	288,956	27,965,076

Management Discussions and Analysis

(All amounts expressed in thousands of RMB unless otherwise stated)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
December 31, 2016							
Assets							
Cash and balances with central bank	42,175,420	-	-	-	-	638,068	42,813,488
Due from other banks and financial institutions	25,339,217	15,282,140	14,431,665	653,330	-	-	55,706,352
Financial assets at fair value through profit or loss	5,003	30,090	-	649,637	197,247	-	881,977
Loans and advances to customers	58,066,663	13,669,250	40,142,175	33,132,633	1,778,325	-	146,789,046
Investment securities							
- Loans and receivables	5,606,339	14,857,784	20,214,483	30,310,437	4,761,712	-	75,750,755
- Available-for-sale	3,816,583	1,264,724	4,532,791	12,126,913	1,567,782	576,664	23,885,457
- Held-to-maturity	-	419,985	430,000	9,352,658	9,591,899	-	19,794,542
Other financial assets	-	-	-	-	-	3,408,140	3,408,140
Total assets	135,009,225	45,523,973	79,751,114	86,225,608	17,896,965	4,622,872	369,029,757
Liabilities							
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)
Total liabilities	(134,421,821)	(30,427,349)	(102,883,437)	(74,393,356)	(2,416,867)	(3,778,250)	(348,321,080)
Total interest rate sensitivity gap	587,404	15,096,624	(23,132,323)	11,832,252	15,480,098	844,622	20,708,677

As at December 31, 2017, the Group's accumulated gap for all maturities amounted to RMB27,965.08 million, representing an increase of RMB7,256.40 million as compared to the end of the previous year.

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

6.6.5.2 Interest rate sensitivity analysis

(All amounts expressed in thousands of RMB unless otherwise stated)	Change of net interest income	
	December 31, 2017	December 31, 2016
+ 100 basis points parallel move in all yield curves	6,077	44,645
- 100 basis points parallel move in all yield curves	(6,077)	(44,645)

(All amounts expressed in thousands of RMB unless otherwise stated)	Change of other comprehensive income	
	December 31, 2017	December 31, 2016
+ 100 basis points parallel move in all yield curves	(583,862)	(570,673)
- 100 basis points parallel move in all yield curves	646,770	602,614

6.6.5.3 Exchange rate sensitivity analysis

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

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

6.7 Capital Management

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

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

Management Discussions and Analysis

6.7.1 Capital adequacy ratio

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

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

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

As at the end of the Reporting Period, the Group's capital adequacy ratio was 13.60%, representing an increase of 1.81 percentage points as compared to the end of the previous year. Tier I Capital adequacy ratio was 10.24%, representing an increase of 0.42 percentage point as compared to the end of the previous year. Core Tier I Capital adequacy ratio was 8.62%, representing a decrease of 1.20 percentage points as compared to the end of the previous year. The change in capital adequacy ratio during the Reporting Period was mainly due to: (1) the replenishment of Tier II Capital and the increase in capital adequacy ratio as a result of the successful issuance of RMB6,000 million Tier II Capital debt by the Bank in March 2017; (2) the replenishment of Tier I Capital and the increase in Tier I Capital adequacy ratio as a result of the successful issuance of USD750 million offshore preference shares by the Bank in December 2017; and (3) a decline in capital adequacy ratio to certain extent as a result of sound development of various operations and growth of total on- and off-balance sheet risk-weighted risk assets.

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

6.7.2 Leverage ratio

As at the end of the Reporting Period, the Group's leverage ratio was 6.89%, meet and exceed the minimum regulatory requirement imposed by the CBRC.

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

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

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

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

Significant Events

Related Party Transactions

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

Material Litigation and Arbitration

The Group has 16 outstanding legal claims of RMB281.36 million in total as at 31 December 2017 (31 December 2016: 9 outstanding legal claims for loan of RMB15.62 million in total) arising from the ordinary course of business of the Group. After consulting legal professionals, the management believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

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

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

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

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

Material Contracts and their Performance

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

Major Asset Purchases, Sales and Mergers

In December 29, 2016, CBRC approved the Bank to establish the Chongqing Xinyu Financial Leasing Co., Ltd. (the "Financial Leasing Company"). On March 22, 2017, the Chongqing Bureau of CBRC approved the commencement of operation of the Financial Leasing Company. The registered capital of the Financial Leasing Company is RMB3 billion, and the Bank holds 51% of its equity. The Financing Leasing Company is a subsidiary of the Bank, and its results have been

incorporated into the financial report of the Bank. For details relating to the establishment of the Financial Leasing Company, please refer to the announcements of the Bank dated January 3, 2017 and March 23, 2017.

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

Issuance of Offshore Preference Shares

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

Publication of Annual Report

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

Change in Share Capital and Shareholders

Changes in the Ordinary Shares

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

	As at December 31, 2016		Changes during the Reporting Period			As at December 31, 2017	
	Number	Percentage	Issue of new shares	Others	Sub-total	Number	Percentage
1. Shareholding of Domestic Shares							
legal persons	1,491,146,246	47.68%	-	(361,214)	(361,214)	1,490,785,032	47.67%
Of which: Shareholding of state owned legal persons ⁽¹⁾	1,031,861,471	33.00%	-	2,292,066	2,292,066	1,034,153,537	33.07%
Shareholding of private legal persons	459,284,775	14.68%	-	(2,653,280)	(2,653,280)	456,631,495	14.60%
2. Shareholding of Domestic Shares natural persons	56,887,747	1.82%	-	361,214	361,214	57,248,961	1.83%
Of which: Shareholding of employee natural persons	34,873,052	1.12%	-	361,214	361,214	35,234,266	1.13%
Shareholding of natural persons other than employees	22,014,695	0.70%	-	-	-	22,014,695	0.70%
3. H Shares	1,579,020,812	50.50%	-	-	-	1,579,020,812	50.50%
Total	3,127,054,805	100.00%	-	-	-	3,127,054,805	100.00%

Note: (1) Domestic Shares of the Bank owned by 76 state-owned legal person shareholders, including Chongqing Yufu Assets Management Group Co., Ltd., Chongqing Land Group and Chongqing Water Conservancy Investment Group Co., Ltd.

Change in Share Capital and Shareholders

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

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

Interests and Short Positions of Substantial Shareholders and Other Persons

As at December 31, 2017, the interests of substantial shareholders (as defined under the SFO), other than Directors and Supervisors of the Bank, in H Shares and the underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO and to the best knowledge of the Bank were as follows:

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

Change in Share Capital and Shareholders

Name of shareholder	Capacity	Number of H Shares held	Percentage of the total number of H Shares of the Bank (%)	Percentage of the total number of H Shares of the Bank (%)
Christine Yen WONG ⁽¹⁾	Interest of spouse	458,574,853 (long position)	29.04	14.66
SAIC Motor HK Investment Limited ⁽²⁾	Beneficial owner	240,463,650 (long position)	15.23	7.69
SAIC Motor Corporation Limited ⁽²⁾	Interest of a controlled corporation	240,463,650 (long position)	15.23	7.69
Lifan International (Holdings) Limited (力帆國際(控股)有限公司) ⁽³⁾	Beneficial owner	172,634,000 (long position)	10.93	5.52
Chongqing Lifan Industry (Group) Import and Export Co., Ltd. (重慶力帆實業(集團)進出口有限公司) ⁽³⁾	Interest of a controlled corporation	172,634,000 (long position)	10.93	5.52
Lifan Industry (Group) Co., Ltd. ⁽³⁾	Interest of a controlled corporation	172,634,000 (long position)	10.93	5.52
Chongqing Lifan Holdings Co., Ltd. ⁽³⁾	Interest of a controlled corporation	172,634,000 (long position)	10.93	5.52
Chongqing Huiyang Holdings Co., Ltd. ⁽³⁾	Interest of a controlled corporation	172,634,000 (long position)	10.93	5.52
YIN Mingshan ⁽³⁾	Interest of a controlled corporation	172,634,000 (long position)	10.93	5.52
CHEN Qiaofeng ⁽³⁾	Interest of spouse	172,634,000 (long position)	10.93	5.52
Funde Sino Life Insurance Co., Ltd. ⁽⁴⁾	Beneficial owner	150,000,000 (long position)	9.50	4.80
	Interest of a controlled corporation	67,570,150 (long position)	4.28	2.16
Chongqing Beiheng Investment & Development Limited	Beneficial owner	84,823,500 (long position)	5.37	2.71
Fund Resources Investment Holding Group Company Limited ⁽⁴⁾	Beneficial owner	67,570,150 (long position)	4.28	2.16

Change in Share Capital and Shareholders

Notes:

- (1) *Dah Sing Bank, Limited held 458,574,853 H Shares of the Bank. Dah Sing Bank, Limited is wholly owned by Dah Sing Banking Group Limited, which is in turn owned as to approximately 74.47% by Dah Sing Financial Holdings Limited. Mr. David Shou-Yeh WONG is the beneficial owner of approximately 40.97% of the issued share capital of Dah Sing Financial Holdings Limited and Ms. Christine Yen WONG is the spouse of Mr. David Shou-Yeh WONG. For the purpose of the SFO, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Mr. David Shou-Yeh WONG and Ms. Christine Yen WONG are deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited.*
- (2) *SAIC Motor HK Investment Limited held 240,463,650 H Shares of the Bank. SAIC Motor HK Investment Limited is wholly owned by SAIC Motor Corporation Limited. For the purpose of the SFO, SAIC Motor Corporation Limited is deemed to be interested in the Shares of the Bank held by SAIC Motor HK Investment Limited.*
- (3) *As confirmed by Chongqing Lifan Industrial (Group) Import and Export Co., Ltd., Lifan Industry (Group) Co., Ltd., Chongqing Lifan Holdings Co., Ltd., Chongqing Huiyang Holdings Co., Ltd., Mr. YIN Mingshan and Ms. CHEN Qiaofeng, as at December 31, 2017, Lifan International (Holdings) Limited held 172,634,000 H Shares of the Bank. Lifan International (Holdings) Limited is wholly owned by Chongqing Lifan Industry (Group) Import and Export Co., Ltd. which is wholly owned by Lifan Industry (Group) Co., Ltd. Lifan Industry (Group) Co., Ltd. is owned as to 49.40% by Chongqing Lifan Holdings Co., Ltd., which is in turn owned as to 72% by Chongqing Huiyang Holdings Co., Ltd. Mr. YIN Mingshan is the beneficial owner of approximately 51% of the interests of Chongqing Huiyang Holdings Co., Ltd. and Ms. CHEN Qiaofeng is the spouse of Mr. YIN Mingshan. For the purpose of the SFO, Chongqing Lifan Industrial (Group) Import and Export Co., Ltd., Lifan Industry (Group) Co., Ltd., Chongqing Lifan Holdings Co., Ltd., Chongqing Huiyang Holdings Co., Ltd., Mr. YIN Mingshan and Ms. CHEN Qiaofeng are deemed to be interested in the Shares of the Bank held by Lifan International (Holdings) Limited.*
- (4) *Funde Sino Life Insurance Co., Ltd. held 150,000,000 H Shares of the Bank and Fund Resources Investment Holding Group Company Limited held 67,570,150 H Shares of the Bank. Fund Resources Investment Holding Group Company Limited is wholly owned by Funde Sino Life Insurance Co., Ltd. For the purpose of the SFO, Funde Sino Life Insurance Co., Ltd. is deemed to be interested in the Shares of the Bank held by Fund Resources Investment Holding Group Company Limited.*
- (5) *HSBC International Trustee Limited, the trustee of a discretionary trust established for the benefit of the family members of Mr. David Shou-Yeh Wong (the grantor), held 37.66% interests in Dah Sing Financial Holdings Limited indirectly. For the purpose of the SFO, HSBC International Trustee Limited is deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited (see note (1) above).*

Holders of Ordinary Shares Holding over 5% of the Total Share Capital

At the end of the Reporting Period, Chongqing Yufu Assets Management Group Co., Ltd., Dah Sing Bank, Limited, Lifan Industry (Group) Co., Ltd., SAIC Motor Corporation Limited, Funde Sino Life Insurance Co., Ltd. and Chongqing Road & Bridge Co., Ltd. Held 461,260,187 Shares, 458,574,853 Shares, 302,198,932 Shares, 240,463,650 Shares, 217,570,150 Shares and 171,339,698 Shares of the Bank respectively, representing 14.75%, 14.66%, 9.66%, 7.69%, 6.96% and 5.48% of the Bank's total share capital respectively, and are substantial shareholders (as defined under the SFO) of the Bank. Except for the aforesaid shareholders, there were no other legal person shareholders holding 5% or more of total share capital of the Bank, nor were there any other employees or natural persons (other than employees) holding 5% or more of Shares of the Bank.

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

Change in Share Capital and Shareholders

Preference Shares

Issuance and Listing of Preference Shares in the Last Three Years

With the approval by the Chongqing Bureau of CBRC (Yu Yin Jian Fu [2017] No.78) and the approval by CSRC (Zheng Jian Xu Ke [2017] No. 2242), the Bank issued non-cumulative perpetual offshore preference shares on December 20, 2017 (see below table for details). The Offshore Preference Shares issued were listed on the Stock Exchange on December 21, 2017.

The Offshore Preference Shares will have a par value of RMB100 each and will be issued as fully paid-up capital in U.S. dollars so that the total issuance price of the Offshore Preference Shares will be U.S.\$20 each. The Offshore Preference Shares will be issued in registered form and issued and transferable only in minimum amounts of U.S.\$200,000 (or 10,000 Offshore Preference Shares) and integral multiples of U.S.\$1,000 (or 50 Offshore Preference Shares) in excess thereof. The preference shares shall have no less than 6 qualified places and are offered to professional investors and not retail investors.

According to the Renminbi central parity rate as published by the China Foreign Exchange Trade System on December 20, 2017, the total proceeds from the issuance of the Offshore Preference Shares was approximately RMB4.95 billion. After deduction of the expense relating to the issuance, subject to applicable laws and regulations and the approvals by the relevant regulatory authorities such as the CBRC and the CSRC, the proceeds from the issuance of the Offshore Preference Shares will be used to replenish the Company's additional tier I capital.

Type of Offshore Preference Shares	Stock code	Dividend rate	Total amount of issuance	Proceeds per share	Number of shares issued
U.S. dollar preference shares	4616	5.4%	U.S.\$750,000,000	U.S.\$20	37,500,000 shares

For information on the issuance of the Offshore Preference Shares of the Bank, please see the announcement published on the website of the Stock Exchange and the website of the Company.

Number of Holders and Shareholding of the Preference Shares

As at the end of the reporting period, the total number of preference shareholders (or proxies) of the Bank was 25. As at the end of the month prior to the publication of this report (March 31, 2018), the total number of preference shareholders of the Bank (or proxies) was 25.

Dividend Distribution of the Preference Shares

As at the end of the Reporting Period, the Offshore Preference Shares issued by the Bank had not reached the dividend payment date and there was no distribution of dividend for the Offshore Preference Shares issued by the Bank.

Directors, Supervisors and Senior Management

Directors, Supervisors and Senior Management

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

Name	Position	Gender	Age
LIN Jun	Chairman and Executive Director	Female	54
RAN Hailing	Executive Director and President	Male	54
LIU Jianhua	Executive Director and Vice President	Male	52
WONG Wah Sing	Executive Director, Joint Company Secretary and Acting Secretary to the Board	Male	57
WONG Hon Hing	Non-executive Director and Vice Chairman	Male	65
DENG Yong	Non-executive Director	Male	58
LV Wei	Non-executive Director	Female	46
YANG Jun	Non-executive Director	Male	57
LI He	Independent Non-executive Director	Male	64
TO Koon Man Henry	Independent Non-executive Director	Male	65
KONG Xiangbin	Independent Non-executive Director	Male	48
WANG Pengguo	Independent Non-executive Director	Male	46
JIN Jingyu	Independent Non-executive Director	Male	52
YANG Xiaotao	Employee Supervisor, Chairperson of the Board of Supervisor	Male	54
HUANG Changsheng	Employee Supervisor	Male	54
ZHOU Xiaohong	Employee Supervisor	Male	51
CHEN Yan	Shareholder Supervisor	Male	54
WU Bing	Shareholder Supervisor	Male	54
CHEN Zhong	External Supervisor	Male	61
CHEN Zhengsheng	External Supervisor	Male	67
YIN Xianglong	External Supervisor	Male	55
SUI Jun	Vice President	Male	50
YANG Shiyin	Vice President	Female	52
ZHOU Guohua	Vice President	Male	52
PENG Yanxi	Vice President	Female	41
HUANG Ning	Vice President	Male	43

Changes in Directors, Supervisors and Senior Management

1. On February 3, 2017, Mr. CHEN Zhengsheng resigned from the position as an external supervisor of the Bank due to work re-designation. The resignation of Mr. CHEN Zhengsheng will not come into effect until a new supervisor is elected at the Bank's general meeting to fill the vacancy.
2. 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.
3. On May 26, 2017, the Board of Supervisors approved Mr. LIN Min's resignation as employee supervisor of the Bank due to work re-designation.
4. On June 9, 2017, the CBRC Chongqing Bureau approved the qualification of Mr. SUI Jun for serving as the vice president of the Bank. The term of office of Mr. SUI Jun has become effective from the date of approval.
5. On June 28, 2017, the Board approved Mr. GAN Weimin's resignation as executive director, chairman of the Board, chairman of the Strategic Committee of the Board, chairman of the Information Technology Guidance Committee of the Board, member of Risk Management Committee of the Board and authorized representative (as defined under Rule 3.05 of the Listing Rules) due to career move. Mr. GAN Weimin's resignation became effective on the same day.
6. On August 18, 2017, the Bank's first extraordinary general meeting of shareholders in 2017 reviewed and approved the appointment of Ms. LIN Jun as an executive director of the Bank, and the Board of Directors proposed and approved the election of Ms. LIN Jun as Chairman of the Board on the same day. The qualifications of Ms. LIN Jun as a director of the Bank were approved by CBRC Chongqing Bureau on March 9, 2018 and became effective on the same day.
7. On February 28, 2018, the Bank received a resolution from the board of supervisors of the Bank on the proposed appointment of Mr. PENG Daihui as external supervisor. The appointment of Mr. PENG Daihui will take effect upon the approval of the Shareholders.

Directors, Supervisors and Senior Management

Biographies of Directors, Supervisors and Senior Management

1. Biographies of Directors

Executive Directors

Ms. LIN Jun (林軍), aged 54, has been the chairman and an executive director since March 9, 2018. Ms. LIN is also the chairman of the Strategic Committee of the Bank.

Ms. LIN served successively as a credit officer of Shipingqiao sub-branch of the People's Bank of China in Jiulongpo district, office secretary, officer, deputy chief, deputy secretary and deputy director of Chongqing branch of Industrial and Commercial Bank of China Limited, office deputy director, deputy chief of the second banking department, deputy director (in charge of work) and director of non-banking department and director of cooperative department of Chongqing business management department of the People's Bank of China, director of cooperative financial institution regulation department of the Chongqing Bureau of the China Banking Regulatory Commission, deputy director of financial office of Chongqing municipal government, deputy director (leading roles of departments or equivalents) deputy party secretary of Chongqing State-owned Assets Supervision and Administration Commission.

Ms. LIN obtained an Executive Master of Business Administration degree from Chongqing University in December 2011. Ms. LIN is a senior economist.

Mr. RAN Hailing (冉海陵), aged 54, has been an executive Director since February 18, 2011 and president of the Bank since April 9, 2013. Mr. RAN is also the chairman of the Information Technology Guidance Committee, and a member of the Strategic Committee and the Risk Management Committee of the Bank.

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

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

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

Directors, Supervisors and Senior Management

Mr. LIU Jianhua (劉建華), aged 52, has been the vice president and a member of the party committee of the Bank since October 2014 and an executive Director since August 1, 2016. Mr. LIU was appointed as the chief anti-money laundering officer on May 31, 2016, and he is also a member of the Consumer Protection Committee, the Information Technology Guidance Committee and the Risk Management Committee of the Bank.

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

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

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

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

Mr. WONG Wah Sing (黃華盛), aged 57, has been an executive Director and the chief risk officer since September 13, 2016. Mr. WONG is also a member of the Information Technology Guidance Committee, Risk Management Committee and Consumer Protection Committee of the Bank.

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

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

Directors, Supervisors and Senior Management

Non-executive Directors

Mr. WONG Hon Hing (黃漢興), aged 65, nominated by Dah Sing Bank, one of our substantial Shareholders, has been a non-executive Director and vice chairman of the Bank since July 25, 2007. Mr. WONG is also the chairman of the Consumer Protection Committee and a member of the Strategic Committee of the Bank.

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

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

Mr. WONG obtained a higher diploma in business studies from the Hong Kong Polytechnic College (now known as Hong Kong Polytechnic University) in October 1977. Mr. WONG is an associate of The Institute of Bankers (U.K.) and a founding member of The Hong Kong Institute of Bankers and The International Retail Banking Council of the U.K. He has over 40 years of banking experience.

Mr. DENG Yong (鄧勇), aged 58, nominated by Yufu, one of our substantial Shareholders, has been a non-executive Director of the Bank since February 1, 2013. Mr. DENG is also a member of the Audit Committee of the Bank.

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

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

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

Directors, Supervisors and Senior Management

Ms. LV Wei (呂維), aged 46, nominated by Chongqing Road & Bridge, has been a non-executive Director of the Bank since June 3, 2009. Ms. LV is also a member of the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Consumer Protection Committee of the Bank.

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

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

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

Mr. YANG Jun (楊駿), aged 57, nominated by Lifan Industrial (Group) Co., Ltd., one of our substantial Shareholders, has been a non-executive Director of the Bank since April 28, 2014. Mr. YANG is also a member of the Remuneration and Appraisal Committee, Nomination Committee and Strategic Committee of the Bank.

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

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

Directors, Supervisors and Senior Management

Independent Non-executive Directors

Mr. LI He (李和), aged 64, was appointed as an independent non-executive Director of the Bank on September 4, 2013. Mr. LI is also the chairman of the Risk Management Committee and a member of the Connected Transactions Control Committee, Audit Committee and Strategic Committee of the Bank.

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

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

Mr. TO Koon Man Henry (杜冠文), aged 65, was appointed as an independent non-executive Director of the Bank on September 4, 2013. Mr. TO is also a member of the Audit Committee, Connected Transactions Control Committee and Risk Management Committee of the Bank.

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

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

Mr. KONG Xiangbin (孔祥彬), aged 48, has been an independent non-executive Director of the Bank since April 28, 2014. Mr. KONG is also the chairman of the Connected Transactions Control Committee and a member of the Remuneration and Appraisal Committee, Nomination Committee, Information Technology Guidance Committee and Consumer Protection Committee of the Bank.

Directors, Supervisors and Senior Management

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

Mr. KONG obtained a bachelor of laws degree from the Southwest University of Political Science and Law (西南政法大學) in July 1992. He was accredited as the "Top 100 Excellent Lawyers of Honest Practice in Chongqing" (重慶市誠信執業百優律師) by the Judiciary of Chongqing and Chongqing Law Society in January 2003. He was awarded the "Chongqing Youth May Fourth Medal of the 12th Session" (第十二屆重慶青年五四獎章) by the Chongqing Committee of the Chinese Communist Party and the Chongqing People's Government in May 2008, and was accredited as the "Top 10 Best Lawyers in Chongqing of the 4th Session" (重慶市第四屆十佳律師) by the Judiciary of Chongqing and Chongqing Law Society in July 2011.

Mr. WANG Pengguo (王彭果), aged 46, has been an independent non-executive Director of the Bank since April 28, 2014. Mr. WANG is also the chairman of the Audit Committee and a member of the Remuneration and Appraisal Committee, Nomination Committee and Connected Transactions Control Committee of the Bank.

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

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

Directors, Supervisors and Senior Management

1996 to July 1999, as well as the financial director and deputy head of the finance department of Chongqing Machine Tools Industry Company (重慶機床工具工業公司) from December 1992 to November 1996.

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

Dr. JIN Jingyu (靳景玉), aged 52, has been an independent non-executive Director of the Bank since April 28, 2014. Dr. JIN is also the chairman of the Remuneration and Appraisal Committee and Nomination Committee and a member of the Information Technology Guidance Committee and Connected Transactions Control Committee of the Bank. Dr. JIN is the chairman of the Academic Council, a professor in finance and tutor of doctorate and master degree postgraduate students of the School of Finance of Chongqing Technology and Business University (重慶工商大學).

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

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

Directors, Supervisors and Senior Management

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

2. Biographies of Supervisors *Employee Supervisors*

Mr. YANG Xiaotao (楊小濤), aged 54, has been appointed as an employee Supervisor since March 2015 and is currently the chairperson of the board of Supervisors of the Bank. Mr. YANG Xiaotao joined the Bank in March 2015. He is currently a party committee member of the Bank. Mr. YANG Xiaotao worked at Wulong sub-branch of Agricultural Bank of China since November 1979 and held a number of positions including officer and director at Huolu Office and Xiangkou Office, chief of industrial and commercial credit section, vice president, president and party committee secretary of the sub-branch. He served as vice president, party committee member and union chairman at Chongqing Fuling Branch of Agricultural Bank of China from August 1998 to July 2003. He was in charge of the overall operations of Chongqing Changshou District Rural Credit Cooperative from July 2003 to April 2004, and served as chairman and party committee

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

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

Mr. HUANG Changsheng (黃常勝), aged 54, was appointed as an employee Supervisor in April 2013.

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

Directors, Supervisors and Senior Management

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

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

Mr. ZHOU Xiaohong (周曉紅), aged 51, has been appointed as an employee Supervisor since March 2015. Mr. ZHOU joined the Bank in April 1995. He is currently the general manager and party committee secretary of the management department of Yuzhong District of the Bank. Mr. ZHOU previously served as administrator of credit department of the Bank, the assistant to president, deputy president (in charge) and president of Jianxindong Road sub-branch of the Bank and president of Jianxinbei Road sub-branch of the Bank.

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

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

Shareholder Supervisors

Mr. CHEN Yan (陳焰), aged 54, was appointed as a shareholder Supervisor of the Bank in March 2014.

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

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

Directors, Supervisors and Senior Management

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

Mr. WU Bing (吳冰), aged 54, was appointed as a shareholder Supervisor of the Bank in August 2015.

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

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

External Supervisors

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

Mr. CHEN has been the chairman of New China Fund Management Co., Ltd since June 2008. Prior to that, Mr. CHEN served as deputy director and director of the research division of China Enterprise Management Association, vice president of China Commerce Association, deputy secretary general of Chongqing Municipal People's Government, and standing deputy president of China Commerce Association. He also served as general manager of China Enterprise News and secretary general of China Enterprise Management Foundation from December 1995 to July 2001.

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

Mr. CHEN Zhengsheng (陳正生), aged 67, was appointed as an external Supervisor of the Bank in May 2013.

Mr. CHEN has over 39 years of experience in the banking industry. Mr. CHEN held a number of positions in the Chongqing Branch of Industrial and Commercial Bank of China between May 1984 and April 2011, including director of Jiefangbei Local Branch, deputy director of the office of Central City District (currently Yuzhong District), director of fund planning office, and vice president and counsel of Chongqing Branch. He was deputy head of the credit group and deputy director of

Directors, Supervisors and Senior Management

the former Chongqing Qixinggang Local Branch of the People's Bank of China between April 1972 and May 1984. Mr. CHEN retired in April 2011. Mr. CHEN has been an independent non-executive director of Chongqing Rural Commercial Bank Co., Ltd. (listed on the Stock Exchange, stock code: 3618) from December 2011 to December 2014, an independent director of Chongqing Yukaifa Company Limited (重慶渝開發股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 000514) from August 2012 to December 2015, and an independent director of Loncin Motor Company Limited (隆鑫通用動力股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 603766) from November 2012 to August 2015.

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

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

Mr. YIN has been the deputy head of Kanghua Certified Public Accountants (康華會計師事務所) since November 2010. Mr. YIN served as deputy head of the Chongqing branch of RSM China Certified Public Accountants (中瑞岳華會計師事務所) from January 2010 to October 2010. Prior to this, Mr. YIN served as head of Fengdu branch and head of compliance, chief quality supervisor, deputy chief accountant at the head office of

Chongqing Jinhui Certified Public Accountants (重慶金匯會計師事務所) from January 2001 to December 2009; chief accountant at Chongqing Fengrui Certified Public Accountants (重慶豐瑞會計師事務所) from November 1998 to December 2000, head of Fengdu branch of Fuling Certified Public Accountants (涪陵會計師事務所) from December 1990 to October 1998. Mr. YIN worked at Fengdu County Finance Bureau from August 1986 to November 1990, from August 1983 to August 1984 and from December 1978 to August 1981, respectively. Mr. YIN did not hold any directorship in any other listed companies in the last three years.

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

3. Biographies of Senior Management

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

Mr. SUI Jun (隋軍), aged 50, was appointed as the vice president of the Bank since April 2017. Mr. SUI currently is responsible for corporate credit management, information technology and other business management and development.

Directors, Supervisors and Senior Management

Prior to joining the Bank, Mr. SUI was the president and secretary to the Party committee of Chongqing Automotive Finance Co., Ltd. from September 2013 to April 2016. Mr. SUI held several positions at Chongqing Rural Commercial Bank Co., Ltd. from August 2008 to September 2013, including the president of Jiangjin sub-branch, general manager of the sales department, vice president, a member of the Party committee and executive Director. Mr. SUI was the director-general and secretary of the Party committee of Jiangjin Rural Credit Cooperatives Union of Chongqing from April 2004 to August 2008. Mr. Sui held several positions at China Construction Bank Nancong branch from September 1994 to July 2004 including, general and deputy general manager of the sales department. Mr. SUI did not hold any directorship in any other listed companies in the last three years.

Mr. Sui attended the Southwestern University of Finance and Economics and obtained a bachelor's degree in Agricultural Finance and Economics in July 1990, and an Executive Master of Business Administration (EMBA) degree from Chongqing University in June 2010. He is currently a senior economist.

Ms. YANG Shiyin (楊世銀), aged 52, was appointed as vice president and party committee member of the Bank in August 2014. Ms. YANG joined the Bank in September 2001. She had served as manager of Yangjiaping Sub-branch and manager of Jiefangbei Sub-branch of the Bank. She served as the chief executive officer of the corporate business of the Bank from January 2011 to August 2014, responsible for the corporate, trade finance, real estate finance and other businesses. During

such period, Ms. YANG worked on secondment as deputy director in the Market and Investment Bureau of China Development Bank from March 2011 to December 2011. Ms. YANG is currently responsible for the financial management and credit review management.

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

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

Mr. ZHOU Guohua (周國華), aged 52, was appointed as vice president of the Bank in October 2014, and Mr. Zhou is a party committee member of the Bank. Mr. ZHOU joined the Bank in September 2003. He had served as chief and assistant to the director of the office of the board of Supervisors, deputy manager of Yubei Sub-branch (in charge), and manager of Chongqing Hi-tech Industrial Development Zone Branch, chief and manager of Great Hall Sub-branch and chief operations officer of the Bank. He is currently responsible for the management and development of the corporate, trade finance, real estate finance, and information technology businesses of the Bank.

Directors, Supervisors and Senior Management

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

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

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

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

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

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

Mr. HUANG Ning (黄宁), aged 43, has been vice president of the Bank since March 11, 2016. Mr. HUANG is currently responsible for the management of the personal business, the credit card business, and the institution development.

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

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

Directors, Supervisors and Senior Management

Emolument of Directors, Supervisors and Senior Management of the Bank

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

The Board authorized the Remuneration and Appraisal Committee of the Board to formulate the remuneration criteria for the shareholders' directors and independent directors of the Bank and to arrange detailed implementation. The remuneration of shareholders' directors and independent directors of the Bank is determined according to the resolutions passed by the Remuneration and Appraisal Committee of the Board, the Board and the general meeting.

The remuneration policy of non-employee Supervisors is subject to the consideration and approval at the general meeting. The remuneration of the non-employee Supervisors was determined pursuant to the Resolution on the Remuneration Criteria of the Fourth Session of Non-Executive Directors and Non-Employee Supervisors as considered and approved at the "2010 Annual General Meeting" convened on April 29, 2011 and the Resolution on the Payment of Variable Remuneration of the External Directors and Shareholders' Supervisors of the Bank as considered and approved at the "2015 Annual General Meeting" convened on June 17, 2016.

The Board authorized the Remuneration and Appraisal Committee of the Board to formulate the appraisal standards for the Directors and senior management of the Bank and to arrange detailed implementation. The remuneration of the senior management of the Bank was determined pursuant to the Assessment Measures on the Performance of Duties of the Senior Management of the Board of Bank of Chongqing Co., Ltd., the Administrative Measures on Remuneration for Leading Team of Bank of Chongqing (Interim Measures) and other systems.

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

Band (RMB)	Number of Senior Management	
	2017	2016
0-500,000	8	6
500,001-1,000,000	–	1
Total	8	7

Corporate Governance Report

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

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

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

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

General Meeting Information of General Meetings

During the year of 2017, the Bank held one general meeting, one domestic Shareholders' class meeting, one H Shareholders' class meeting and one extraordinary general meeting, details of which are set out below:

On May 26, 2017, the Bank held the "2016 Annual General Meeting", the first meetings of domestic shareholders and H shareholders of the Bank. At the "2016 Annual General Meeting", 11 ordinary resolutions and four special resolutions were considered and approved on the matters mainly including the report of the Board of Directors for 2016, the 2016 annual report, the 2017 financial budget proposal, status report on the use of previously raised funds of Bank of Chongqing, the report of the board of Supervisors for 2016, the amendments to Administrative Measures for Connected Transactions, the amendments to Administrative Measures on Outward Equity Investments of Bank of Chongqing, the amendments to Administrative Measures on Remuneration for Leading Team of Bank of Chongqing (for trial implementation), the final financial accounts of the Bank for 2016, the profit distribution plan of the Bank for 2016, the re-appointment of PricewaterhouseCoopers as external auditors of the Bank for 2017 and the Plan for Non-public Issuance of Offshore Preference Shares by the Bank of Chongqing. The first class meeting was divided into H Shareholders' class meeting and domestic Shareholders' class meeting, which considered and approved two special resolution on the matters concerning the Plan for Non-public Issuance of Offshore Preference Shares by the Bank of Chongqing and the extension of the validity of the resolution in relation to the Company's application for initial public offering and listing of Renminbi Ordinary Shares (A Shares) on Shanghai Stock Exchange and the validity for authorizing such matters.

The "2017 First Extraordinary General Meeting" of the Bank was held on August 18, 2017, 2 ordinary resolutions were considered and approved on the two ordinary resolutions including the appointment of Ms. LIN Jun as an executive director of the Bank and the relocation of the corporate body and business department of the Head Office.

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

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

During the Reporting Period, the Board of the Bank strictly implemented the resolutions passed at general meetings and the matters entrusted by general meetings, and earnestly implemented the proposals considered and approved at the general meeting regarding the 2016 profit distribution plan, the 2016 financial budget, the re-appointment of external auditors for the year of 2017, the issue of preference shares and the amendments to the Articles of Association.

Composition of the Board

As at the publication date of this report, the Board of the Bank comprised a total of 13 Directors, including 4 executive Directors, namely, Ms. LIN Jun (Chairman), Mr. RAN Hailing (President), Mr. LIU Jianhua and Mr. WONG Wah Sing; four non-executive Directors, namely, Mr. WONG Hon Hing (Vice Chairman), Mr. DENG Yong, Ms. LV Wei and Mr. YANG Jun; and five independent non-executive Directors, namely, Mr. LI He, Mr. TO Koon Man Henry, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu.

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

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

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

Changes in Directors

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

Operation of the Board

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

Corporate Governance Report

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

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

Duties and Powers of the Board

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

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

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

Unless otherwise required by the laws, regulations, regulatory authorities and the Articles of Association, the resolutions of the above matters of the Board shall be approved by more than half of all Directors, but for the cases of paragraphs (V), (VI), (VII), (XI) and (XVI) above, the resolutions shall be approved by more than two-thirds of all Directors.

Appointment of Directors

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

Board Meetings

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

During the Reporting Period, the Board convened 11 meetings in total (including 5 written resolutions and 6 on-site meetings), at which 105 proposals were considered and approved on the matters mainly including amendments to relevant corporate governance documents, financial reports, profit distribution and nomination of Director candidates. Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held in 2017 (Directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present) are set out below:

Corporate Governance Report

Members of the Board	Attendance in person/by proxy/required (number of times)									
	The Board	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee	Strategic Committee	Risk Management Committee	Connected Transactions Control Committee	Information Technology Guidance Committee	Consumer Protection Committee	General Meeting
Executive Directors										
GAN Weimin (resigned in June 2017)	5/0/5				6/0/6	4/0/4		1/0/1		1/0/1
RAN Hailing	11/0/11				13/0/13	7/0/7		2/0/2		2/0/2
LIU Jianhua	11/0/11					3/0/3		1/0/1	2/0/2	2/0/2
WONG Wah Sing	11/0/11					1/0/1		0/0/0	1/0/1	2/0/2
Non-executive Directors										
WONG Hon Hing	11/0/11				13/0/13				2/0/2	2/0/2
DENG Yong	9/2/11	11/0/11								2/0/2
LV Wei	10/1/11	11/0/11	3/0/3	1/0/1					2/0/2	2/0/2
YANG Jun	10/1/11		3/0/3	1/0/1	13/0/13					2/0/2
Independent non-executive Directors										
LI He	11/0/11	11/0/11			13/0/13	7/0/7	5/0/5			2/0/2
TO Koon Man Henry	11/0/11	11/0/11				7/0/7	5/0/5			2/0/2
KONG Xiangbin	11/0/11		3/0/3	1/0/1			5/0/5	2/0/2	2/0/2	2/0/2
WANG Pengguo	11/0/11	11/0/11	3/0/3	1/0/1			5/0/5			2/0/2
JIN Jingyu	11/0/11		3/0/3	1/0/1			5/0/5	2/0/2		2/0/2

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

Independent Non-executive Directors

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

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

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

Director has received the annual confirmation of Financial Statements

The Directors have acknowledged their responsibility for preparing the financial statements of the Bank for the year ended December 31, 2017.

The Directors are responsible for overseeing the preparation of financial statements for each accounting period to make sure that such financial statements give a true and fair view of the financial conditions, operating results and cash flows of the Bank. In preparing the financial statements for the year ended December 31, 2017, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.

Continuous Professional Development Program for Directors

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

Training for the Directors shall be carried out on an ongoing basis. The Bank encourages all Directors to participate in continuous professional development, to develop and update their knowledge and skills. During the Reporting Period, all 12 Directors of the Bank (including executive Directors, Mr. RAN Hailing, Mr. LIU Jianhua and Mr. WONG Wah Sing; non-executive Directors Mr. WONG Hon Hing, Mr. DENG Yong, Ms. LV Wei and Mr. YANG Jun; and independent non-executive Directors Mr. LI He, Mr. TO Koon Man Henry, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu) participated in three trainings organized by the Bank. The Bank provided the Directors with updates on the Listing Rules and other applicable regulatory requirements from time to time, to ensure that the Directors will make their contribution to the Board with informed and relevant information, abide by the Code and enhance their awareness of sound corporate governance practices.

Corporate Governance Report

For the year ended December 31, 2017, the trainings attended by the Directors covered the following topics:

Date	Topic	Name of Organizer	Training Hours
July 31, 2017	Training on the analysis of large-sum and suspicious transactions in financial institutions	Bank of Chongqing	Three Hours
August 18, 2017	Special training on connected transactions	PwC	Four Hours
November 10, 2017	Discussion on retail Business research survey	Bank of Chongqing	Three Hours

Corporate Governance Functions of the Board

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

1. formulated and reviewed the Bank's corporate governance policies and practices, and made recommendations;
2. reviewed and monitored the training and continuous professional development of Directors and senior management members;

3. reviewed and monitored the Bank's policies and practices in respect of compliance with laws, regulations and regulatory requirements;;
4. formulated, reviewed and monitored the codes of conduct for Directors and employees; and
5. reviewed compliance with the Code and the disclosures in the Corporate Governance Report of the Bank.

Special Committees under the Board

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

(1) Audit Committee

As at December 31, 2017, the Bank's Audit Committee consisted of 5 Directors, including Mr. WANG Pengguo (independent non-executive Director) as chairman, and Mr. DENG Yong (non-executive Director), Ms. LV Wei (no executive Director), Mr. LI He (independent non-executive Director) and Mr. TO Koon Man Henry (independent non-executive Director) as members. The establishment of the Audit Committee is in compliance with Rules 3.10(2) and 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

The primary duties of the Audit Committee include:

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

With regard to the aforesaid duties, the Audit Committee must liaise with the Board and senior

Corporate Governance Report

management, and must meet, at least twice a year, with the auditors. The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting functions, compliance officer or auditors;

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

During the Reporting Period, the Audit Committee held a total of 11 meetings, at which 25 matters were considered including the 2016 financial statements

and notes. Meanwhile, the Audit Committee held 1 meeting with the auditors in accordance with the newly amended code provisions of the Code.

(II) Remuneration and Appraisal Committee

As at December 31, 2017, the Bank's Remuneration and Appraisal Committee consisted of five Directors, including Dr. JIN Jingyu (independent non-executive Director) as chairman, Ms. LV Wei (non-executive Director), Mr. YANG Jun (non-executive Director), Mr. KONG Xiangbin (independent non-executive Director) and Mr. WANG Pengguo (independent non-executive Director) as members, with a majority of the members being independent non-executive Directors.

The primary duties of the Remuneration and Appraisal Committee include:

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

Corporate Governance Report

During the Reporting Period, the Remuneration and Appraisal Committee held 1 meeting in total, at which 2 proposals were considered on the matters including adjustments to the remuneration for leading team of the Bank.

(III) Nomination Committee

As at December 31, 2017, the Bank's Nomination Committee consisted of five Directors, including Dr. JIN Jingyu (independent non-executive Director) as chairman, Ms. LV Wei (non-executive Director), Mr. YANG Jun (non-executive Director), Mr. KONG Xiangbin (independent non-executive Director) and Mr. WANG Pengguo (independent non-executive Director) as members, with a majority of the members being independent non-executive Directors.

The primary duties of the Nomination Committee include:

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

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

During the Reporting Period, the Nomination Committee held 3 meetings in total, at which 6 proposals were considered on the matters including Resignation of Mr. GAN Weimin from the positions as executive Director, Chairman and authorized representative of the Bank and adjustments to the relevant committee members of the fifth term of Board of Directors of the Bank.

The diversity policy of the Board is summarized as follows:

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

As at the date hereof, the Board comprises 13 Directors, including 2 female and 2 persons who are ordinarily residents in Hong Kong. The Board is diverse in terms of gender, nationality, professional background and skills of its members.

(IV) Strategic Committee

As at December 31, 2017, the Bank's Strategic Committee consisted of 5 Directors, including Mr. RAN Hailing (President and executive Director) as chairman, Mr. WONG Wah Sing (executive Director), Mr. WONG Hon Hing (non-executive Director), Mr. YANG Jun (non-executive Director) and Mr. LI He (independent non-executive Director) as members.

Ms. LIN Jun has been the chairman of the Bank's Strategic Committee since March 16, 2018. As at the date of this annual report, the Bank's Strategic Committee consisted of 5 Directors, including Ms. LIN Jun (Chairman and executive Director) as chairman, Mr. RAN Hailing (President and executive Director), Mr. WONG Hon Hing (non-executive Director), Mr. YANG Jun (non-executive Director) and Mr. LI He (independent non-executive Director) as members.

The primary duties of the Strategic Committee include:

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

Corporate Governance Report

6. to study the major matters which have influence on the development of the Bank and make recommendations; and
7. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's Shares are listed and as delegated by the Board.

During the Reporting Period, the Strategic Committee held 13 meetings in total to report and considers 47 matters including the regulation and establishment of Discipline Inspection Department of the Bank of Chongqing.

(V) Risk Management Committee

As at December 31, 2017, the Bank's Risk Management Committee consisted of 5 Directors, including Mr. LI He (independent non-executive Director) as chairman, and Mr. RAN Hailing (executive Director and President), Mr. LIU Jianhua (executive Director), Mr. WONG Wah Sing (executive Director) and Mr. TO Koon Man Henry (independent non-executive Director) as members.

The primary duties of the Risk Management Committee include:

1. business strategies and plans:
 - (1) to consider the Bank's risk strategy, preferences, and tolerance, and make recommendations and suggestions to the Board;
 - (2) to consider or make recommendations on the risk management function division of the Board and senior management, and report to the Board for approval;
 - (3) to consider the Bank's risk limit management framework and the limit, and report to the Board for approval;
2. operation and implementation:
 - (1) to consider the power of the president delegated by the Board and risk-taking activities that go beyond the scope of authority of the management, and report to the Board for approval;
 - (2) to receive the report of the Bank's management on the implementation of risk policy regularly on a quarterly basis, put forward suggestions and measures for improvement and report the result to the Board;
 - (3) to monitor all kinds of risks the Bank faces, consider and approve risk monitoring report, compliance risk report, asset and liability management analysis report, and report to the Board;
- (4) to consider the Bank's overall policy of risk management, and report to the Board for approval;
- (5) to consider the Bank's overall policy of compliance management, and report to the Board for approval;
- (6) to consider the Bank's overall policy of security work and anti-money laundering work, and report to the Board for approval;
- (7) to consider and approve the risk organization structure and its function;
- (8) to consider and approve the Bank's risk management standard, important risk measurement methods and tools; and
- (9) to consider and approve the risk class policy, including credit risk, operational risk and market risk;

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

During the Reporting Period, the Risk Management Committee held 7 meetings in total to report and considers 32 matters including the 2016 risk monitoring report, the risk management strategies for 2017 of the Bank.

(VI) Connected Transactions Control Committee

As at December 31, 2017, the Bank's Connected Transactions Control Committee consisted of five Directors, including Mr. KONG Xiangbin (independent non-executive Director) as chairman, and Mr. LI He (independent non-executive Director), Mr. TO Koon Man Henry (independent non-executive Director), Mr. WANG Pengguo (independent non-executive Director), and Dr. JIN Jingyu (independent non-executive Director) as members, with all members being independent non-executive Directors.

The primary duties of the Connected Transactions Control Committee include:

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

Corporate Governance Report

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

During the Reporting Period, the Connected Transactions Control Committee held 5 meetings in total, at which 12 proposals involving connected transactions were considered on the matters including changes in the list of connected persons.

(VII) Information Technology Guidance Committee

As at December 31, 2017, the Bank's Information Technology Guidance Committee consisted of 5 Directors, including Mr. RAN Hailing (executive Director and President) as chairman, Mr. LIU Jianhua (executive Director), Mr. WONG Wah Sing (executive Director), Mr. KONG Xiangbin (independent non-executive Director) and Dr. JIN Jingyu (independent non-executive Director) as members.

The primary duties of the Information Technology Guidance Committee include:

1. to examine and approve the Bank's information technology strategies, organization structure of information technology governance and major information technology projects which go beyond the authority of the senior management and budgets, to ensure their consistency with the overall business strategy and major policies;

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

During the Reporting Period, the Information Technology Guidance Committee held 2 meetings in total, at which 4 matters were considered including the 2016 information technology risk monitoring report.

(VIII) Consumer Protection Committee

As at December 31, 2017, the Bank's Consumer Protection Committee consisted of five Directors, including Mr. WONG Hon Hing (non-executive Director) as chairman, Mr. LIU Jianhua (executive Director), Mr. WONG Wah Sing (executive Director), Ms. LV Wei (non-executive Director) and Mr. KONG Xiangbin (independent non-executive Director) as members.

The primary duties of the Consumer Protection Committee include:

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

During the Reporting Period, the Consumer Protection Committee held 2 meetings in total, at which 10 matters were considered including the 2016 Consumer Protection Work Report of Bank of Chongqing.

Board of Supervisors

Composition of the board of Supervisors

As at the end of the Reporting Period, the board of Supervisors comprised 8 Supervisors, among which 2 were shareholder Supervisors, namely, Mr. CHEN Yan and Mr. WU Bing; 3 external Supervisors, namely, Mr. CHEN Zhong, Mr. CHEN Zhengsheng and Mr. YIN Xianglong; and 3 employee Supervisors, namely, Mr. YANG Xiaotao, Mr. HUANG Changsheng and Mr. ZHOU Xiaohong.

Corporate Governance Report

Chairperson of the board of Supervisors

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

Changes in Supervisors

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

Meetings of the board of Supervisors

In 2017, the board of Supervisors held a total of 6 meetings, at which 26 proposals were considered and audited on matters including main tasks of the board of Supervisors, annual report, financial budget and final account, dividend distribution plan, review report, research report, audit report, appraisal report on performance of Supervisors.

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

Members of the board of Supervisors	Attendance in person/by proxy/required (number of times)
YANG Xiaotao	6/0/6
HUANG Changsheng	6/0/6
ZHOU Xiaohong	6/0/6
CHEN Yan	6/0/6
WU Bing	6/0/6
CHEN Zhong	5/1/6
CHEN Zhengsheng	5/1/6
YIN Xianglong	5/1/6

Special Committee under the board of Supervisors

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

Supervision and Nomination Committee

As at December 31, 2017, the Bank's Supervision and Nomination Committee consisted of 4 Supervisors, including Mr. CHEN Zhengsheng (external Supervisor) as chairman, Mr. HUANG Changsheng (employee Supervisor), Mr. YIN Xianglong (external Supervisor) and Mr. ZHOU Xiaohong (employee Supervisor) as members.

The primary duties of the Supervision and Nomination Committee include:

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

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

Reporting Period, the Supervision and Nomination Committee did not have any meetings.

Senior Management

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

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

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

Corporate Governance Report

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

Delegation of Power by the Board

The Board and the management led by the President exercise their respective powers in accordance with their responsibilities as set out in the Articles of Association. Apart from implementing resolutions of

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

Chairman and President

The roles and functions of the Chairman and the President of the Bank are carried out by different persons to comply with the suggestions of the Listing Rules and the recommended best practices as specified therein.

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

Securities Transactions by Directors and Supervisors

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

External Auditors and Auditors’ Remuneration

The audit opinion of the external auditors engaged by the Bank and their responsibilities are set out in the Independent Auditor’s Report on pages 122 to 128.

The Bank has engaged PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP respectively as the international and domestic auditors of the Bank for 2017. The fees as agreed to be paid by the Bank to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP for the audit of the financial statements for the year ended December 31, 2017 were RMB3.878 million.

Internal Control

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

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

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

During the year ended December 31, 2017, the Board conducted an annual review of the effectiveness of the Bank’s internal control system. The review covered all significant controls of the Bank, including financial, operational and compliance controls and risk management functions. The Board also believes that the resources, qualifications and experience of staff of the Bank’s accounting and financial reporting function as well as their training programs and financial budgets are adequate and appropriate. There was no significant area of concern during the year.

Corporate Governance Report

Company Secretary

Mr. ZHOU Wenfeng resigned as a joint company secretary of the Bank due to work re-allocation and Mr. WONG Wah Sing was appointed as a joint company secretary of the Bank with effect from March 21, 2017. Ms. HO Wing Tsz Wendy, a director of corporate services of Tricor Services Limited, an external service provider, has been engaged as a joint company secretary of the Bank, and Mr. WONG Wah Sing, joint company secretary, is the chief contact person for the external company secretary. Each of them has complied with the requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the financial year ended December 31, 2017.

Information Disclosure

Effective Communication with Shareholders

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

Shareholders' Rights

Procedures for Request of Shareholders for Convening an Extraordinary General Meeting

The Bank effectively protects Shareholders' rights in strict compliance with regulatory requirements and its corporate governance system. An extraordinary general meeting shall be convened by the Board within two months upon request in writing by Shareholders holding 10% or more of the Bank's outstanding shares with voting rights to convene an extraordinary general meeting. In addition, upon request in writing to the Board by Shareholders individually or collectively holding 10% or more of the Bank's Shares to convene an extraordinary general meeting or a class meeting, the Board shall furnish a written reply stating its agreement or disagreement to convene an extraordinary general meeting or a class meeting within 10 days upon receipt of such request. In the event that the Board does not agree to convene such extraordinary general meeting or fails to furnish any reply within 30 days upon receipt

of such request, the Shareholders making such request may convene a general meeting on their own within four months upon receipt of such request by the Board. The procedure for convening such meeting shall be consistent with that for convening general meetings by the Board to the greatest extent possible (Shareholders may refer to the Articles of Association published on the websites of the Stock Exchange and the Bank for details).

Proposals at General Meetings

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

Shareholders may refer to the "Methods and Procedures for Nominating Candidates for Directors" as set out in Article 85 of the Articles of Association published on the website of the Bank for details of the procedures for nominating Directors.

Investor Relations

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

Office of the Board of Directors of Bank of Chongqing Co., Ltd.

No. 6 Yongpingmen Street, Chengxi Avenue, Jiangbei District, Chongqing, the PRC

Tel: +86 (23) 6379 2129

Fax: +86 (23) 6379 2238

E-mail: ir@cqcbank.com

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

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

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

Shareholders' Enquiries

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183
Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990

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

Office of the Board of Directors of Bank of Chongqing
Co., Ltd.
No. 6 Yongpingmen Street, Chengxi Avenue, Jiangbei
District, Chongqing, the PRC
Tel: +86 (23) 6379 2129
Fax: +86 (23) 6379 2238

Additional Information

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

Report of the Board of Directors

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

Principal Activities

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

Business Review

Overview

In 2017, the world economy performed well, and global trade and cross-border capital flows recovered significantly. Supported by the improvement of the trading environment and the investment environment, the economic recovery has maintained and continued to improve. During the Reporting Year, China's economy remained generally stable and contributed about one-third of the global economy, playing an important role in stabilizing world economic growth. The PRC government has continued to deepen its economic restructuring. The "One Belt, One Road" strategy and various reform measures have been pushed forward and implemented, which created new economic growth drivers.

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

Faced with complicated economic environment, the Bank always stayed true to its mission, advanced despite difficulties, and carried out the strategic decisions of the Board and complied with relevant regulatory requirements strictly. Leveraging the "professionalism, comprehensive management and information technology" strategy, the Bank proactively speeded up its transformation and served the real economy, achieving remarkable operating results.

As of the end of 2017, the Group's audited total assets amounted to RMB422,763.03 million, representing an increase of 13.3% as compared with the end of last year; the balance of deposits amounted to RMB238,704.68 million, representing an increase of 4.0% as compared with the end of last year; the net loans amounted to RMB172,162.09 million, representing an increase of 17.3% as compared with the end of last year; the net profit for 2017 amounted to RMB3,764 million, representing an increase of 7.5% as compared with last year. Total assets, deposits and loans have achieved double-digit growth, while risk management indicators including non-performing loan ratio and capital adequacy ratio have fully satisfied the applicable regulatory requirements, indicating successful accomplishment of the tasks and targets set by the Board. With respect to large and middle enterprise banking business, the Bank conducted corporate credit business in a prudent, steady and appropriate manner in line with the economic conditions and industry trend of the region where our customers operate with combination of national macro control policies by proactively grasp the opportunities, the balance of our corporate loans (excluding discounted bills) amounted to RMB109,780.13 million, representing a growth of 4.2% as compared to the end of previous year. As for small and micro enterprise banking business, as at December 31, 2017, the balance of our small and micro enterprise loans amounted to RMB66,392 million, representing an increase of 12.5% as compared with the end of the previous year, with steady growth for several consecutive years; "three minimums" regulatory goals have been satisfied by our small and micro enterprise banking business which has been frequently recognized by relevant regulatory authorities. With respect to retail business, deposits placed with personal savings amounted to RMB67,721 million, representing a year-on-year increase of 15.4%. Our loan balance amounted to RMB62,624.41 million, representing an increase of 53.4% as compared with the end of the previous year. Personal consumption loans achieved rapid development in 2017, with the loan balance exceeding RMB30 billion, representing an increase of 319.3% as compared with the end of last year.

During the year, the Bank further advanced consolidated risk management and made substantial progress in unified credit awarding and credit limit management. The Bank centralizes control over non-performing assets, streamlined the mass statement consolidation process, explored new paths for risk mitigation and dedicated itself to containing the drop in asset quality while keeping indicators such as the non-performing loan ratio (consolidation management) and the proportion of loans under special mention category within the limits set by the Board. The business and management expense of the Bank decreased by 5.49% over previous year by its efficient cost-saving measures. The cost income ratio decreased by 1.72% from 23.72% to 22.00%.

The Bank conducted multi-tiered and comprehensive explorations for new paths of development, and enhanced the obtaining and application of financial licenses. Since its business commenced at the beginning of last year, Xinyu Financial Leasing leased assets amounting to approximately RMB10 billion, a remarkable first step. It acquired the certification for conducting underlying derivative transaction business,

becoming the first city commercial bank in the western region of the PRC to possess such certificate, which in turn, enhanced its capacity in the management and control of interest rate and exchange rate risks. Meeting with success in the first private assets securitization project of Bank Credit Asset Registration and Transfer Center Co., Ltd, the Bank optimized its consolidated inventory asset structure in terms of revenue and time limits. The Bank finalized its first large-amount deposit investment, and successfully implemented the debt financing scheme of CBEX, note asset management business and the credit asset turnover project of Bank Credit Asset Registration and Transfer Center Co., Ltd. The Bank innovated the lines of products and service model and effectively expanded its base customers as its brand influence steadily grew. The Bank launched the business of domestic guarantee and foreign debt with dual currencies, as well as You You Dai (優優貸), order debt financial products, knowledge value loan on credit service and the pledge version of Hao Qi Dai (好企貸). With innovative deposit products such as Xing Fu Cun (幸福存) as well as Jie e Dai (捷e貸) and Xin e Dai (薪e貸), the Bank launched its first proprietary online products. The Bank further optimized the cooperative loan business and successively launched Kuai I Dai (快I貸), Big Data Finance (大數金融) and Fen Qi Le (分期樂), which gained positive market reception.

Report of the Board of Directors

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

Major Risks and Uncertainties

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

Employment Relations and Retirement Benefit

The Bank placed utmost emphasis on the enterprise cultural construction, employee management and training, and is committed to building harmonious and stable employment relations. The Bank treasures employees as one of the most important and valuable assets and has been always cherishing the employees’ contribution and support. The Bank has made great efforts to provide comfortable and harmonious working environment, sound welfare and compensation system and reasonable career plan. By means of appropriate trainings and opportunity offering, the Bank has helped a lot of employees in their career development and promotion in the Bank.

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

Relations with Customers and Major Customers

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

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

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

Environmental Protection Policy and Implementation

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

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

Compliance with Laws and Regulations

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

Subsequent Major Events with Significant Influence on the Bank

The Bank conducted a comprehensive review on the financial performance of 2017 pursuant to the national laws and regulatory requirements and prepared annual report for the year of 2017. No major event having significant influence on the Bank has occurred after completion of annual financial review.

Profits and Dividends

The Bank's revenue for the year ended December 31, 2017 and the Bank's financial position as at the same date are set out in the financial statements of this annual report.

Pursuant to the resolutions of the 2016 annual general meeting of the Bank held on May 26, 2017, the Bank distributed to all Shareholders of the Bank a final dividend of RMB0.291 (tax inclusive) per Share for the year ended December 31, 2016 ("**2016 Final Dividend**"), amounting to a total dividend of RMB909,972,948.26 (tax inclusive) based on the annual profit and number of issued shares for the year ended December 31, 2016. 2016 Final Dividend was distributed to holders of H Shares and Domestic Shares on July 21, 2017.

The Board of the Bank has proposed a final dividend of RMB0.118 per Share (tax inclusive) for the year ended December 31, 2017 ("**2017 Final Dividend**"), amounting to an aggregate amount of RMB368,992,466.99 (tax inclusive) to all Shareholders of the Bank. The dividend distribution proposal will be submitted to the 2017 annual general meeting for approval. If the proposal

Report of the Board of Directors

is approved at the 2017 annual general meeting, the dividend will be distributed to holders of Domestic Shares and holders of H Shares whose names appear on the register of members of the Bank on June 30, 2018. The proposed dividend will be denominated in RMB. Dividends to holders of Domestic Shares shall be paid in RMB, and dividends to holders of H Shares shall be paid in Hong Kong dollars. The exchange rate of RMB to HK\$ to be adopted shall be the average middle rates of the five working days preceding the date of declaration of such dividends by the Bank at the 2017 annual general meeting (being May 25, 2018, including the day) as announced by the PBOC. The register of members of the Bank will be closed from Monday, June 25, 2018 to Saturday, June 30, 2018 (both days inclusive), during which no transfer of Domestic Share or H Share will be registered. In order to be entitled to the final dividend payment, holders of H Shares 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 22, 2018.

The Board of the Bank proposed to distribute the 2017 final dividends on Friday, July 20, 2018. If there are any changes to the expected dividend payment date, an announcement will be published in relation to such change.

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

(All amounts expressed in millions of

RMB except percentages, unless otherwise stated)

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

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

Annual General Meeting of 2017 and Closure of Register of Members

The Bank's 2017 annual general meeting will be held on Friday, May 25, 2018. In order to determine the holders of H Shares who are eligible to attend and vote at the 2017 annual general meeting, the register of members of the Bank will be closed from Tuesday, April 24, 2018 to Friday, May 25, 2018 (both days inclusive), during which no transfer of shares will be registered. Holders of H Shares who wish to attend and vote at the 2017 annual general meeting must lodge all transfer documents accompanied by the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, April 23, 2018.

Change in the Reserves

Details of the changes in the reserves of the Bank for the year ended December 31, 2017 are set out in the “Consolidated Statements of Changes in Equity” of this annual report.

Summary of Financial Information

The summary of the operating results and assets and liabilities of the Bank for the five years ended December 31, 2017 is set out in the “Financial Highlights” of this annual report.

Donations

The charitable and other donations made by the Bank for the year ended December 31, 2017 amounted to approximately RMB13.66 million.

Property and Equipment

Details of the changes in property and equipment of the Bank for the year ended December 31, 2017 are set out in the note “Property, Plant and Equipment” to the “Financial Statements” of this annual report.

Substantial Shareholders

Details of the Bank’s substantial shareholders as at December 31, 2017 are set out in “Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons” and the relevant parts of the notes to the “Financial Statements” of this annual report.

Purchase, Sale and Redemption of Listed Securities of the Bank

During the year ended December 31, 2017, the Bank had not purchased, sold or redeemed any listed securities of the Bank.

Pre-emptive Rights

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

Share Capital

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

Equity-linked Agreement

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

Directors, Supervisors and Senior Management

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

Confirmation of Independence by the Independent Non-executive Directors

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

Report of the Board of Directors

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

at December 31, 2017, the interests of the Directors, the Supervisors and the chief executives of the Bank and their associates in the shares, underlying shares and

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

Domestic Shares

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

Save as disclosed above, none of the Directors, the Supervisors, or the chief executives of the Bank or their associates held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at December 31, 2017.

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

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

Arrangements to Purchase Shares or Debentures

At no time during the year ended December 31, 2017 was the Bank, its holding company or any of its fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Directors' and Supervisors' Interests in Contracts and Service Contracts

Saved for the continuing connected transactions which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as at December 31, 2017 and at any time during the year, none of the Directors or Supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Bank's business to which the Bank is a party. None of the Directors and Supervisors has entered into a service contract with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

Permitted Indemnity Provision

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

Management Contract

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

Directors and Supervisors' Interests in Competing Business

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

Corporate Governance

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

Connected Transactions

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

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the IASB. Certain related party transactions set out in Note 42 to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none constitutes a discloseable connected transaction as required under the Listing Rules.

Remuneration Policies for Directors, Supervisors and Senior Management

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

The remuneration system for the Directors, Supervisors and senior management of the Bank adheres to the principle of balancing incentives and restraints, focusing on both short-term and long-term incentives and integrating governmental control with market regulation. The structure of the remuneration system consists of basic salary, annual performance bonus, term incentives. The Bank makes contribution to various statutory pension plans organized by governments at all levels in the PRC for its Directors, Supervisors and senior management. In February 2016, the Bank has completed the scheme for subscription of the Bank's H Shares by the mid-level management and employees of the Bank with their deferred remuneration and prepaid risk bonus. Details are set out in the Voluntary Announcement in Relation to the Completion of Employees Share Subscription Scheme dated February 25, 2016.

Report of the Board of Directors

Public Float

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

Tax Relief (H Shareholders)

Non-resident enterprise shareholders

According to the Enterprise Income Tax Law of the PRC and the related provisions of implementation, both effective on January 1, 2008, the Bank shall withhold the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose name appear on the register of H shareholders on June 30, 2018.

Non-resident individual shareholders

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

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

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

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

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

Auditor

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were appointed as the domestic and international auditors for 2017, respectively.

PricewaterhouseCoopers has audited the Bank's financial report for 2017 prepared according to the international financial reporting standards and issued an auditor report with no qualified opinions.

Report of the Board of Supervisors

In 2017, pursuant to the Company Law, Guidelines on the Corporate Governance of Commercial Banks (商業銀行公司治理指引), Work Guidelines for the Board of Supervisors of Commercial Banks (商業銀行監事會工作指引) and the Articles of the Bank and staying focused on reform tasks and objectives for the whole Bank, the board of Supervisors carefully performed its supervision duties, and deeply and pragmatically carried out various supervision activities, and played an important role in improving the corporate governance, promoting structure adjustment, facilitating business transformation, enhancing risk management and control as well as maintaining the sustainable and sound development of the Bank in line with the Bank's focus and theme of development.

I. Report on Major Tasks

During the Reporting Period, 6 meetings were held by the board of Supervisors, at which an aggregate of 26 proposals, briefings and reports were received and considered, including, among others, key points of work of the board of Supervisors, Annual Report, Financial Budget and Final Account, Profit Distribution Plan, Plans on Inspection, Assessment Report on Performance of Supervisors. During the year, Supervisors were presented at meetings of the Board and the various committees under it for 47 times; and attended the shareholders' meetings twice to supervise the compliance of the resolutions and meeting procedures with laws and regulations.

For supervision on, among others, internal control, risk management, financial activity and duty performance, the board of Supervisors primarily carried out the following tasks:

- (I) Performed sound inspections on crucial projects. During the Reporting Period, the board of Supervisors conducted an aggregate of 3 inspections on comprehensive projects, including the centralized supervision and inspection of the Bank for 2016, special inspection on the credit facility granted for the bulk small and micro enterprise banking business, and special inspection on control and management of contributed enterprises. Through inspections, the board of Supervisors identified problems and made recommendations in 12 aspects, and made 5 proposals to the Board of Directors, senior management, Chairman, President and chief financial officer as to the performance of their duties. The problems identified by the board of Supervisors included, among others, system loopholes, ineffectiveness of internal control, risk control deficiency in business programs, insufficient inspection on business programs and loans of branching organizations, and insufficient external investment management.
- (II) Continued to advance the point of inspection to the interim of projects. During the Reporting Period, the board of Supervisors continued to promote current and interim supervision, alerting the Board of Directors any problems identified during supervision in a timely matter for rectification deployment. The board of Supervisors issued Reminder Letter from the Board of Supervisors on 3 separate occasions in respect of identified problems in credit rating, related party transactions and human resources management, urged for the rectification of such problems and effectively helped the Bank further standardize and improve relevant management mechanics, filling up loopholes in time and lowering risks. The board of Supervisors conducted tracking and supervision on the implementation of 4 major matters, namely related party transaction management, external investment, credit rating and major asset assignments, completed with preceding, concurrent and aftermath tracking. Furthermore, the board of Supervisors regularly collected and analyzed information from 14 departments and 22 segments of the head office, continually monitored the Bank's main business indicators, execution of internal risk control and problem rectification and remained aware of the latest development.

Report of the Board of Supervisors

- (III) The board of Supervisors also constantly followed execution of rectifications and improve the effectiveness of supervision. During the Reporting Period, the board of Supervisors conducted follow-up in respect of the rectification of problems revealed in 7 supervision matters including the special inspection on principal business compliance for 2016, centralized supervision and inspection in 2016, special inspection on bulk small and micro enterprise banking business for 2017 as well as the routine supervision. The board of Supervisors also visited the offices of the Board of Directors, the human resources department, the banking department of small and micro enterprises, and the personal banking department, etc. to understand the Bank's improvement in related operations and management. The rectification measures and implementation status were verified one by one before the corresponding rectification evaluation report and the improvement progress report were issued. Through revealing the matters and supervising the rectifications, the board of Supervisors effectively promoted the Bank's internal control and improve the system, and helped to enhance management efficiency and quality.
- (IV) The board of Supervisors continued to carry out performance supervision. During the Reporting Period, the board of Supervisors performed a general evaluation on the Board of Directors, senior management and their members on their performance through the routine supervision and centralized supervision and inspection in 2016, and individually evaluated the chairman, the president, and the person in charge of finance.

In 2017, the board of Supervisors continued self-improvement to acquire better capability for performance. In view of the weaknesses in supervision over salary management, related party transactions, and the performance of the board of Directors and senior management, the Board of Directors proposed "Circular on Further Strengthening Supervision over the Bank's Salary Management, Related Party Transactions and other Aspects" to clarify and strengthen the supervision measures, four trainings were successively provided for Supervisors in relation to training on the chairman of the board of Supervisors of state-owned key enterprises in Chongqing, Financial and Economic Forum, special trainings on related party transactions and 3 in 1 trainings on operational risk, internal control risk, and compliance risk. Through attending the 13th Joint Conference of Chairman of Supervisors of Urban Commercial Banks in Beijing, Tianjin, Shanghai and Chongqing, officers were sent to learn from and conduct research on Chengdu Bank, Zhengzhou Bank and Huishang Bank, as such, the Bank was granted a chance to increase communication with other commercial banks, and to learn advanced working experience from them by sharing rules of procedures of the board of supervisors. In addition, the board of Supervisors successively implemented research to branching organizations, to understand their operation conditions and major difficulties encountered. The board of Supervisors improved its work through constant learning and research to enhance its efficiency of supervision.

II. Independent Opinions on Relevant Matters

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

During the Reporting Period, the Board of Directors earnestly, diligently and proactively implemented national and local financial policies and resolutions of Shareholders' meetings in accordance with the provisions of the Articles of Association and Due Diligence Guidelines for Board of Directors in Joint-stock Commercial Banks, while consciously accepting supervision from the board of Supervisors. They also had an accurate grasp of the macro trends in the nation and the reform and development direction of the Bank, making material decisions and adjustments in a timely manner. They placed emphasis on corporate governance, risk prevention and control, capital management and internal control management. In accordance with regulatory requirements, the Bank regularly listened to risk monitoring reports, asset and liability management analysis reports, anti-money laundering work reports, case prevention reports, etc. to keep abreast of the situation and make scientific decisions, which effectively promoted the construction of a risk management system of Chongqing Bank, and put into effect the capital management, and anti-money laundering work, making fruitful achievements in promotion of supply-side structural reform, facilitation of strategic transformation, laying a solid foundation for deepening of reform and the fast and stable development of the Bank. The decisions of the Board of Directors were made with sound reason, and complied with the procedures set out in the Articles of Association.

During the Reporting Period, the senior management fully implemented the general working arrangement by the Board of Directors with strict adherence to various regulatory requirements, earnestly implementing the advice from the board of Supervisors. Adhering to the guidelines of reform and innovation, the Bank constantly innovates products and service models and steadily promotes business development, to achieve continuous optimization of business structure. Internal management is constantly optimized to promote comprehensive risk management. As such liquidity risk management has achieved remarkable results. The capital management system is established and optimized to conduct internal capital adequacy assessment for further strengthening of capital management. The Bank continued to strengthen basic management and deepened its implementation of new regulations on anti-money laundering supervision. Anti-money laundering work of the Bank received regulatory recognition. The Bank took quality civilized service to a new level, and achieved breakthroughs in the creation of 100 best stores and starred branches. Meanwhile, the Bank put great efforts to reduce costs and increase efficiency, which effectively enhanced the quality and efficiency of Chongqing Bank's development.

2. Operations in Compliance with Laws and Regulations

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

Report of the Board of Supervisors

3. Financial Report

The 2017 financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

4. Acquisition and Disposal of Assets

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

5. Related Party Transactions

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

6. Internal Control

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

7. Social Responsibility

During the Reporting Period, the Bank earnestly undertook social responsibilities. The board of Supervisors had no objection to the 2017 Social Responsibility Report of the Bank.

Internal Control

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

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

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

Pursuant to the Basic Rules on Enterprise Internal Control, the Board has assessed the internal control system, covering all the major controls including financial control, operation control, compliance control and risk management function. After assessment, the Board considers that during the period from January 1, 2017 to December 31, 2017, it was not aware of any material defect in the Bank's design or implementation of its internal control.

Independent Auditor's Report

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

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

Opinion

What we have audited

The financial statements of Bank of Chongqing Co., Ltd. (the "Bank") and its subsidiary (the "Group") set out on pages 129 to 238, which comprise:

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

Our opinion

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

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Impairment allowance for loans and advances to customers and investment securities classified as loans and receivables
- Consolidation assessment of structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment allowance for loans and advances to customers and investment securities classified as loans and receivables</p> <p>Refer to Note 4(a), 19(b), 20 to the consolidated financial statements.</p> <p>As at 31 December 2017, the gross amount of loans and advances to customers and investment securities classified as loans and receivables amounted to RMB177,207 million and RMB101,825 million respectively, totally accounted for 66.00% of the total assets.</p> <p>As at 31 December 2017, the impairment allowance for loans and advances to customers and investment securities classified as loans and receivables amounted to RMB5,045 million and RMB1,217 million respectively.</p> <p>Impairment allowance for loans and advances to customers and investment securities classified as loans and receivables represents best estimates made by management for the losses.</p> <p>For a financial asset that was impaired, the Group assessed the asset individually for impairment. However, if the asset was insignificant, the Group assessed the impairment collectively by grouping</p>	<p>We understood, evaluated and validated the design and operation of the controls over impairment assessment and calculation. These controls include over timely identification of individually impaired assets, determination of key model, inputs, and parameters for impairment allowance.</p> <p>In addition, we performed the following substantive procedures:</p> <p>Individual assessment:</p> <p>We examined, using sampling method, loans and advances and investment securities classified as loans and receivables which had not been identified by management as impaired loans and formed our judgements as to whether it was appropriate.</p> <p>Where an impairment was made on an individual basis, we assessed by using sampling method to ascertain whether a loss event had occurred. Where an impairment had been identified, we assessed the forecasts, calculation and assumptions of future discounted cash flows prepared by management.</p>

Independent Auditor's Report

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

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment allowance for loans and advances to customers and investment securities classified as loans and receivables (Continued)

IAS 8 disclosure of estimated impact upon initial application of IFRS 9

Refer to Note 2.1(b) to the consolidated financial statements.

IAS 8 "Accounting policies, changes in accounting estimates and errors" requires the disclosure on transitional impact from adoption of IFRS 9 "Financial instruments" (IFRS 9). IFRS 9 is a new and complex accounting standard which becomes effective on 1 January 2018. It requires the Group to measure its impairment of loans and advances to customers measured at amortised cost, debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and certain financial guarantee contracts based on expected credit losses ("ECL"). Significant management judgements and vast amount of input data from different systems that have not been used previously for the preparation of the accounting records were involved in developing the new impairment models to measure the ECL. Management estimated the pretax transitional impact as an overall reduction of approximately 6% of net assets of the Group as at 1 January 2018.

Our audit procedures in relation to the IFRS 9 related disclosure in the current year financial statements included in the following:

- We independently assessed the accounting policies provided by management to ensure compliance with the IFRS 9 requirements;
- We assessed the modelling assumptions and methodology by our modelling specialists for portfolios generating material ECL;
- We reviewed the trend analysis performed by management over the ECL outcomes; and
- We inspected the approval of the change of the accounting policies, modelling methodologies and the results of the estimation from appropriate authorization with the Group.

Based on the procedures we performed, we considered the transitional impact estimated by management was acceptable.

Independent Auditor's Report

Key Audit Matter

How our audit addressed the Key Audit Matter

Consolidation assessment of structured entities

Refer to Note 4(c), 20, 36 to the consolidated financial statements.

The Group managed and invested in a number of structured entities (primarily wealth management products, trust and asset management plans). As at 31 December 2017, the balance of unconsolidated non-principal guaranteed wealth management products managed by the Group was RMB53,579 million and the net book value of unconsolidated structured entities invested by the Group was RMB95,601 million.

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

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

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

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

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yao Wenping.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017 (All amounts expressed in thousands of RMB unless otherwise stated)

	Note	For the year ended 31 December	
		2017	2016
Interest income		18,920,176	16,226,274
Interest expense		(10,805,081)	(8,548,876)
Net interest income	5	8,115,095	7,677,398
Fee and commission income		1,940,881	2,021,337
Fee and commission expense		(260,825)	(95,320)
Net fee and commission income	6	1,680,056	1,926,017
Net trading losses	7	(21,220)	(50,666)
Net gains on investment securities	20	140,480	348
Other operating income	8	100,395	49,937
Operating income		10,014,806	9,603,034
Operating expenses	9	(2,298,865)	(2,537,298)
Impairment losses	11	(2,999,164)	(2,411,134)
Operating profit		4,716,777	4,654,602
Share of profit of associates	22	178,378	3,910
Profit before income tax		4,895,155	4,658,512
Income tax	13	(1,130,958)	(1,156,345)
Net profit		3,764,197	3,502,167
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Revaluation reserve for AFS recognised in other comprehensive income		(782,112)	(209,957)
Less: Related income tax impact		195,528	52,489
Subtotal		(586,584)	(157,468)
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of retirement benefits/(losses)		1,404	(320)
Less: Related income tax impact		(351)	80
Subtotal		1,053	(240)
Total other comprehensive income, net of tax	40	(585,531)	(157,708)
Total comprehensive income for the year		3,178,666	3,344,459

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017 (All amounts expressed in thousands of RMB unless otherwise stated)

	Note	For the year ended 31 December	
		2017	2016
Net profit attributable to:			
Shareholders of the Bank		3,725,881	3,502,167
Non-controlling interests		38,316	–
		3,764,197	3,502,167
Total comprehensive income attributable to:			
Shareholders of the Bank		3,140,350	3,344,459
Non-controlling interests		38,316	–
		3,178,666	3,344,459
Earnings per share attributable to the shareholders of the Bank (expressed in RMB per share)			
– basic and diluted	14	1.19	1.12

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

Consolidated Statement of Financial Position

For the year ended 31 December 2017 (All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December	
		2017	2016
ASSETS			
Cash and balances with central bank	15	43,727,432	42,813,488
Due from other banks and financial institutions	16	37,000,091	55,706,352
Financial assets at fair value through profit or loss	17	702,202	881,977
Loans and advances to customers	19	172,162,090	146,789,046
Investment securities	20		
– Loans and receivables		100,607,725	75,750,755
– Available-for-sale (“AFS”)		37,106,799	23,885,457
– Held-to-maturity (“HTM”)		21,012,375	19,794,542
Investment in associates	22	1,113,146	238,394
Property, plant and equipment	23	2,866,257	2,691,236
Deferred income tax assets	27	1,380,953	1,005,271
Other assets	24	5,083,955	3,547,216
Total assets		422,763,025	373,103,734
LIABILITIES			
Due to other banks and financial institutions	25	55,771,252	60,350,785
Customer deposits	26	238,704,678	229,593,793
Current tax liabilities		358,515	295,059
Debt securities issued	29	88,727,330	54,598,252
Other liabilities	30	6,741,338	4,453,933
Total liabilities		390,303,113	349,291,822
EQUITY			
Share capital	31	3,127,055	3,127,055
Preference shares	32	4,909,307	–
Capital surplus	33	4,680,638	4,680,638
Other reserves	34	6,637,648	6,145,647
Retained earnings		11,596,948	9,858,572
Equity attributable to shareholders of the Bank		30,951,596	23,811,912
Non-controlling interests		1,508,316	–
Total equity		32,459,912	23,811,912
Total liabilities and equity		422,763,025	373,103,734

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

Approved and authorised for issue by the following on behalf of the Board of Directors on 16 March 2018.

LIN JUN
CHAIRMAN

RAN HAILING
PRESIDENT

YANG SHIYIN
VICE PRESIDENT

LI CONG
HEAD OF FINANCE
DEPARTMENT

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017 (All amounts expressed in thousands of RMB unless otherwise stated)

	Equity attributable to shareholders of the Bank									Total
	Share capital (Note 31)	Preference shares (Note 32)	Capital surplus (Note 33)	Surplus reserve (Note 34)	General reserve (Note 34)	Revaluation reserve for available-for-sale securities (Note 34)	Remeasurement of retirement benefits (Note 34)	Retained earnings	Non-controlling interests	
Balance at 1 January 2016	3,127,055	-	4,680,638	1,522,214	3,426,582	390,730	(2,227)	8,148,003	-	21,292,995
Net profit for the year	-	-	-	-	-	-	-	3,502,167	-	3,502,167
Other comprehensive income	-	-	-	-	-	(157,468)	(240)	-	-	(157,708)
Total comprehensive income	-	-	-	-	-	(157,468)	(240)	3,502,167	-	3,344,459
Dividends (Note 35)	-	-	-	-	-	-	-	(825,542)	-	(825,542)
Transfer to other reserves	-	-	-	350,217	615,839	-	-	(966,056)	-	-
Balance at 31 December 2016	3,127,055	-	4,680,638	1,872,431	4,042,421	233,262	(2,467)	9,858,572	-	23,811,912
Balance at 1 January 2017	3,127,055	-	4,680,638	1,872,431	4,042,421	233,262	(2,467)	9,858,572	-	23,811,912
Net profit for the year	-	-	-	-	-	-	-	3,725,881	38,316	3,764,197
Other comprehensive income	-	-	-	-	-	(586,584)	1,053	-	-	(585,531)
Total comprehensive income	-	-	-	-	-	(586,584)	1,053	3,725,881	38,316	3,178,666
Issuance of preference shares (Note 32)	-	4,909,307	-	-	-	-	-	-	-	4,909,307
Contribution of non-controlling shareholders	-	-	-	-	-	-	-	-	1,470,000	1,470,000
Dividends (Note 35)	-	-	-	-	-	-	-	(909,973)	-	(909,973)
Transfer to other reserves	-	-	-	372,588	704,944	-	-	(1,077,532)	-	-
Balance at 31 December 2017	3,127,055	4,909,307	4,680,638	2,245,019	4,747,365	(353,322)	(1,414)	11,596,948	1,508,316	32,459,912

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017 (All amounts expressed in thousands of RMB unless otherwise stated)

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017 (All amounts expressed in thousands of RMB unless otherwise stated)

	For the year ended 31 December	
	2017	2016
Cash flows from investing activities:		
Dividends received	22,542	21,193
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	53,018	26,989
Purchase of property, plant and equipment, intangible assets and other long-term assets	(378,525)	(225,497)
Proceeds from sale and redemption of investments	331,273,393	303,297,509
Purchase of investment securities	(364,687,137)	(310,322,729)
Net cash outflows from investing activities	(33,716,709)	(7,202,535)
Cash flows from financing activities:		
Capital contribution by non-controlling interests of a subsidiary	1,470,000	–
Proceeds from issuance of other equity instruments	4,909,307	–
Proceeds from issuance of debt securities and inter-bank certificates of deposit	152,353,023	66,874,788
Cash paid to redeem debt securities and inter-bank certificates of deposit issued	(121,080,000)	(31,850,000)
Interest paid in relation to debt securities issued	(263,800)	(197,800)
Dividends paid to shareholders	(915,048)	(822,567)
Net cash inflows from financing activities	36,473,482	34,004,421
Impact from exchange rate changes on cash and cash equivalents	(185,939)	84,634
Net (decrease)/increase in cash and cash equivalents	(4,363,352)	6,670,060
Cash and cash equivalents at the beginning of the year	24,788,329	18,118,269
Cash and cash equivalents at the end of the year (Note 41)	20,424,977	24,788,329

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

Notes to the Consolidated Financial Statements

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

1 GENERAL INFORMATION

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

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

As at 31 December 2017, the Bank operated its business through 141 sub-branches including a business department, a small enterprise credit center, and 4 primary branches covering all 38 districts and counties of Chongqing as well as three provinces in Western China, namely Sichuan Province, Shaanxi Province and Guizhou Province.

The principal activities of the Bank and its subsidiary (together, the “Group”) include deposit taking, loan lending, settlement services, financial leasing and other services as approved by the respective regulators.

These consolidated financial statements were approved by the Bank’s Board of Directors on 16 March 2018.

2 PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of presentation

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

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

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

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

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

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

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

Amendments to IAS 7

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

Amendments to IAS 12

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

Amendments to IFRS 12

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

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

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

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

Amendments to IFRS 2

On 20 June 2016, the IASB issued an amendment to IFRS 2, “Share-based Payment”, addressing three classification and measurement issues. The amendment addresses the accounting for cash-settled share-based payments and equity-settled awards that include a “net settlement” feature in respect of withholding taxes.

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

Amendments to IAS 40

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

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

Amendments to IAS 28

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

IFRS 9

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

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

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

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

IFRS 15

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The adoption of this new standard will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

International Financial Reporting Interpretations Committee (“IFRIC”) 22

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

IFRS 16

IFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard replaces IAS 17 ‘Leases’, and related interpretations.

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

The standard will affect primarily the accounting for group's operating leases when group as a lessee. As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB157,007 thousand (Note 37). The Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

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

IFRIC 23

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

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

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

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

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

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

Total comprehensive income of the subsidiary is attributed to the shareholders of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

2.3 Associates

Associates are all entities over which the Group has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Derivative financial instruments

Derivative financial instruments include, but are not limited to, interest rate derivative and foreign exchange derivative. Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments are recognized in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate. All derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives embedded in non-derivative host contracts are treated as a separate derivative when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in profit or loss.

2.5 Financial assets

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

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

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

b) *Loans and receivables*

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

c) *Held-to-maturity financial assets*

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

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

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

d) Available-for-sale financial assets

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

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.6 Impairment of financial assets

For financial assets other than financial assets at fair value through profit or loss, the Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group; and national or local economic conditions that correlate with defaults on the assets in the Group;
- Any significant change with an adverse effect that has taken place in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of investments in equity instruments may not be recovered;
- A significant or prolonged decline in the fair value of equity instrument investments; and
- Other objective evidence indicating impairment of the financial asset.

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

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.6 Impairment of financial assets (Continued)

a) *Assets carried at amortised cost*

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group) to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a financial asset is uncollectible, it is written off against the related provision. Such financial asset is written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss in the impairment charge for credit losses.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.6 Impairment of financial assets (Continued)

b) Assets classified as available-for-sale

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. When estimating whether or not available-for-sale equity investment is impaired, the Group considers if the fair value of the investment is seriously and non-temporarily declined. On the reporting date, the Group estimates every available-for-sale investments in equity instruments individually. If the fair value of the equity investment instruments is lower than the initial investment cost by over 50% (inclusive) or less than the initial investment cost for over one year (inclusive), it indicates the impairment of investments; if the fair value of the equity investment instruments is lower than the initial investment cost by over 20% (inclusive) but less than 50%, the Group will consider other factors such as price volatility in determining whether or not the equity instrument investment is impaired.

When available-for-sale financial assets are impaired, the accumulated losses caused by the decline of the fair value will be recognised and transferred out as impairment losses other than shareholders' equity. For those incurred impairment loss of available-for-sale investment as debt instruments when after the period there is a rise of the fair value which objectively related to the original impairment loss, the impairment losses recognised previously shall be reversed and included in the current profit or loss. For those incurred impairment loss of available-for-sale investment as equity instruments, the fair value rise recognised shall be recorded directly in shareholder's equity.

2.7 Financial liabilities

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are classified at inception and recognised initially at fair value.

All financial liabilities are recognised in the consolidated statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Any gains or losses realized or unrealised are recognised in profit or loss. A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any gains or losses from changes in fair value are recognised in profit or loss.

The Group did not hold financial liabilities at fair value through profit or loss as at 31 December 2017 and 31 December 2016.

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.7 Financial liabilities (Continued)

(b) Other financial liabilities

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost, with gain or losses arising from derecognition or amortisation recognised in profit or loss.

Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

2.8 Offset financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.9 Interest income and expense

Interest income and expense are recognised in profit or loss for interest-bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised at the written down value using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.10 Fee and commission income

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

2.11 Dividend income

Dividends are recognised when the right to receive payment is established.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Sale/purchase and repurchase/resale agreements

Assets sold subject to a linked repurchase agreements ('Repos') with banks and other financial institutions are retained in the consolidated financial statements as financial assets held for trading or investment securities, as the Group still retains substantially all risk and rewards of the ownership of the underlying assets. The related liability is recorded as due to other banks and financial institutions.

Resale agreements ('Reverse repos') refers to the agreement under which the Group purchases an asset with an obligation to resell it to the same counterparty at a pre-determined price on a specified date. Reverse repos are recorded as 'Due from other banks and financial institutions' while assets bought are not recognised.

Interest earned from resale agreement and interest paid under repurchase agreement are recorded as interest income or interest expense respectively using effective interest method.

2.13 Property, plant and equipment

The Group's property, plant and equipment mainly comprise buildings, motor vehicles, electronic equipment, office equipment and construction in progress.

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

Property, plant and equipment are reviewed for impairment at each reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and present value of expected future cash flows.

Gains or losses on disposals are determined by the difference between proceeds and carrying amount, after deduction of relevant sales taxes and expenses. These are included in the income statement.

Buildings comprise primarily head and branch network premises and office premises. The estimated useful lives, estimated residual value rate and depreciation rate of buildings, motor vehicles, electronic equipment and office equipment are as follows:

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.13 Property, plant and equipment (Continued)

Type of assets	Estimated useful lives	Estimated residual value rate	Depreciation rate
Buildings	30 years	3.0%	3.23%
Motor vehicles	5 years	3.0%	19.4%
Electronic equipment	5 years	3.0%	19.4%
Office equipment	5 years	3.0%	19.4%

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property, plant and equipment when such assets are ready for their intended use and the depreciation charge commences from then.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.14 Foreclosed assets

When the Group's obligor use foreclosed asset to compensate the principal and interest of loan, foreclosed asset was initially recognised and measured at fair value, then it was subsequently measured at the lower of carrying amount and recoverable amount. At each reporting date, the Group will assess if a foreclosed asset has been impaired individually. If recoverable amount of foreclosed asset is lower than carrying amount, the difference should be charged into consolidated statement of comprehensive income.

2.15 Land use rights

Land use rights are recognised initially at 'cost', being the consideration paid for the rights to use and occupy the land. Land use rights are amortised using the straight-line method over their authorised useful lives.

Land use rights are not separately presented from building, when they are acquired together with the building at inception and the costs attributable to the land use rights cannot be reasonably measured and separated from that of the building.

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.16 Intangible assets

An intangible asset is measured initially at cost, including direct expenses incurred in connection with the acquisition. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of each reporting period, and makes adjustments when necessary.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.17 Investment property

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing, and buildings that are being constructed or developed for the purpose of leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

Investment properties are initially measured at cost, including costs that are directly attributable to the properties, at the time of acquisition. The Group adopts the cost model for subsequent measurement of investment properties. The type of assets, estimated useful lives, estimated net residual value, depreciation rate (amortisation rate) and estimated residual value rate of investment properties are as follows:

Type of assets	Estimated useful lives (years)	Estimated residual value rate	Depreciation rate
Buildings	30 years	3.0%	3.23%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer.

Investment properties are reviewed for impairment at each reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.18 Leases

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

(a) The Group as lessor

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

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

(b) The Group as lessee

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

2.19 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months’ maturity from the date of acquisition including: cash, excess reserve with central bank and amounts due from banks and other financial institutions.

2.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation can not be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably measured, it will then be recognised as a provision.

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligations a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the risks specific to the obligation, the uncertainties and the time value of money.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the risks specific to the obligation, the uncertainties and the time value of money.

2.22 Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. Tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. As at the consolidated financial statements date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the related deferred income tax asset is realised or the deferred income tax liability is settled pursuant to tax laws.

The temporary differences primarily arise from impairment allowance for loans and advances, impairment allowance for loans and receivables, and unrealized gain/loss of available-for-sale assets.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised. Deferred income tax liabilities are the amounts of income tax payable in respect of taxable temporary differences, which are measured at the amount expected to be paid to the tax authorities in the future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Share capital

Share capital of equity comprises ordinary shares issued.

Notes to the Consolidated Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.24 Employee benefits

Salaries and bonuses, housing benefits and costs for social security benefits are accrued in the financial period in which the services are rendered by employees of the Group. The Group also participates in various defined contribution retirement plans principally organised by municipal and provincial governments.

In addition, the Group pays supplementary retirement benefits to employees, who retired before 30 June 2011. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on equivalent government bonds at the reporting date, the maturity dates of which approximate to the terms of the Group's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are charged or credited to the other comprehensive income statement as they occur. Current service cost and net interest on the net defined benefit liability (asset) is recognised in profit and loss.

Employees who retire after 1 January 2010 can also voluntarily participate in a defined contribution plan established by the Group ('the Annuity Plan') according to state corporate annuity plan besides the pension plan of the social security. The Group contributes to the Annuity Plan based on certain percentages of the employees' gross salaries in the previous year. The Group's contributions to annuity plans are charged to profit or loss in the financial period to which they relate.

2.25 Foreign currency translation

a) *Functional and recording currency*

The Group's recording currency is Renminbi ('RMB'), the legal currency of the PRC. Items included in the consolidated financial statements of each of the Group are measured using the currency that best reflects the economic environment of the underlying events and circumstances relevant to that entity ('the functional currency'). The consolidated financial statements are presented in RMB which is the functional and recording currency of the Group.

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated statement of comprehensive income. Foreign currency gains or losses in monetary assets classified as available for sale are recognised in profit or loss.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in consolidated statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.26 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group as the guarantor (the 'issuer') to make specified payments to reimburse the beneficiary of the guarantee (the 'holder') for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in 'other liabilities'. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the consolidated statement of financial position if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

2.27 Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from the consolidated financial statements where the Group acts in a fiduciary capacity such as nominee, trustee, custodian or agent.

The Group grants entrusted loans on behalf of third-party lenders. The Group grants loans to borrowers, as agent, at the direction of the third-party lenders, who fund these loans. The Group has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans including their purposes, amounts, interest rates, and repayment schedule. The Group charges a commission related to its activities in connection with the entrusted loans which are recognised ratably over the period the service is provided. The risk of loss is born by the third-party lenders, thus the principal amounts of the entrusted loans are recorded on the off-balance sheet.

2.28 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the senior management team represented by the President as its chief operating decision maker.

An operating segment is a component of the Group with all of the following conditions are satisfied: (1) that component can earn revenues and incur expenses from ordinary activities; (2) the component's operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (3) discrete consolidated financial statements for the component is available to the Group. If two or more operating segments have similar economic characteristics, and certain conditions are satisfied, they may be aggregated into a single operating segment.

Intra-segment revenue and costs are eliminated. Income and expenses directly associated with each segment are included in determining segment performance.

The classification of reporting segments are based on the operating segments, and the assets and expenses shared by all the segments are allocated according to their scales.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT

Overview

The Group's business activities expose to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing risks is core to the financial business, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, and products and the emerged best practice.

The Board of Directors is the highest authority for the Group's overall risk management. It examines and approves strategy and measures of risk management and monitors risk management and internal control system. It accesses overall risk based on monitoring information and the risk report of senior management. The risk management committee of the Bank is in charge of the Group's overall risk management structure, policies and tools, and monitors the risk management, including the preparation and implementation of risk management policies and procedures, and written policies covering specific areas, such as credit risk, interest rate risk, liquidity risk and foreign exchange risk. The assets and liabilities management department of the Bank is primarily in charge of managing the Group's liquidity risk and the banking book's interest rate risk.

The Group is subject to a number of financial risks, primarily including credit risk, market risk (including foreign exchange risk, interest risk and other price risk), and liquidity risk.

3.1 Credit risk

The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable to or unwilling to meet its obligations under a contract. Changes in the economy or those in credit quality of a particular industry segment or concentration in the Group's portfolio could result in losses that are different from those provided for at the reporting date. Credit risk increases when the counterparties are in the similar geographical or industry segments. Credit exposures arise principally from loans and advances, debt securities and due from banks and other financial institutions. There are also credit risk exposures in off-balance sheet financial arrangements such as loan commitments, guarantees, acceptances and letters of credit.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.1 Credit risk measurement

(a) Credit business

The Group measures and manages the quality of its credit assets in accordance with the CBRC's *Guidelines of Risk Classification of Loans and Guidelines of Risk Classification of Micro Enterprises loans (Trial Implementation)*. The classification of loans is based on the borrowers' repayment ability, payment history, willing of repayment, guarantee of loans, legal responsibility and loan administration. The *Guidelines of Risk Classification of Loans* require financial institutions to classify their credit assets into five categories, namely pass, special mention, substandard, doubtful and loss, of which the last three categories are non-performing loans. The Group monitors the overdue status of its loans to retail customers in managing credit risk.

The core definitions of credit asset classifications in the *Guidelines of Risk Classification of Loans* are as follows:

Pass: The borrower can fulfil the contracts, and there is insufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.

Special mention: The borrower has the ability to make current payments, but there may be some potential issues that could have adverse impact on the future payments.

Substandard: The borrower's repayment ability has been impaired and their normal income cannot repay the loan principal and interest in full. Even with execution of guarantee, there may be certain level of loss.

Doubtful: The borrower cannot repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss.

Loss: After taking consideration of all possible recovery actions or all necessary legal proceedings, the future outcome of recovery is likely to be little or no recovery.

Risk management department coordinates the classification of loans. The classification of loans is performed monthly and adjusted timely. Risk management department summarises the reclassification information justified by corporate credit management department, small and micro enterprise banking department and personal banking department monthly and reports to risk management and internal control committee for approval. The classification of loans is monitored through credit management system.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.1 Credit risk measurement (Continued)

(b) Treasury business

The Group manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the external credit rating of banks and financial institutions. The financial market department in head office monitors and reviews the credit risk of loans to banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties. For debt securities and other treasury business, the Group manages the credit risk exposures by setting limits to the external credit ratings of its investments.

3.1.2 Risk limit control and mitigation policies

(a) Credit business

The Group takes the same credit risk management control procedure for on and off-balance sheet risk exposures. The risk control procedure of the Group's credit risk includes the following: credit policy stipulating, pre-credit investigation, credit rating for corporate and retail customers, collateral assessment, examination and approval of credit loans, draw-down, post-loan management, management on non-performing loans, due-diligence on non-performing loans.

The Group has established a mechanism of risk warning for credit business, mainly including single customer credit authorisation risk and systematic risk. Unified credit authorisation management is implemented for key customers. Once the maximum exposure of a single customer is determined, the customer's exposure limit should not exceed its credit limit in the Group at any time before it achieved new credit limit.

The Group takes action to strengthen controls over credit risk in relation to group customers and related party customers. The Group places limits in relation to key group customers to control credit risk. The committee of related party transactions is set up under the Board to manage controls over related party transaction.

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is taking collateral, which is a common practice.

Except for few customers with excellent quality, the Group requires the borrowers to provide collateral for loans. The type of collateral mainly includes mortgage, pledge and guarantee. The Group employs property appraisal companies with certificates to evaluate the collateral. The detailed collateral type and amount are determined by credit risk of counterparty or customers. Please refer to note 3.1.3 for specific guidelines on collateral and guarantee.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.2 Risk limit control and mitigation policies (Continued)

(b) Treasury business

Financial inter-bank division centralises control over treasury business with hierarchical authorisation from department heads to the President for different business types such as sale, distribution, trade and repurchase of debt securities.

The Group invests in debt securities with hierarchical authorisation under the guidelines of asset and liability management committee. The Group sets stop-loss point accordingly for different maturity period and evaluates risk and loss of trading debt securities. The Group places limits for interbank borrowing and lending. The Group manages the credit risk exposures of interbank borrowing and lending strictly within the limit of regulation and credit authorisation.

For debt securities and other bills, the Group manages the credit risk exposures by setting limits to the external credit ratings of its investments, par value of single debt security purchase, buy and sell price. RMB debt securities investments require a rating of A+ or above for long-term securities investments for state owned debtors and a rating of A+ or above for long-term securities investments for non-state-owned debtors, and A+ or above for short-term securities investment for all debtors.

Among foreign currency debt securities investment, government bonds mainly are sovereign bonds issued by Chinese government, USA government and European country government (Germany, Britain and France). A credit rating of BBB or above (by Standard & Poor's, Moody's or equivalent agencies) at the time of purchase is required for foreign currency debt securities investments.

The debt security traders regularly review and monitor the changes of market interest and report the market value of debt securities to Interbank Risk Management Department and Asset and Liability Management Department. If there is any violation of interest rate in the market or any significant credit risk encountered to debtors, the business department responsible for security investment will ask for holding extraordinary asset and liability management meeting to conclude an emergency plan. The debt trader will react according to the plan.

The Group invests in trust schemes and directional asset management plans which are mainly guaranteed by third party banks or guarantee companies, or secured by collateral. The Group sets credit risk limit to the counter party banks and third party companies to mitigate the risk associated therewith.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.3 Collateral and guarantee

The Group has a range of policies and practices intended to mitigate credit risk. The most useful practice is to accept collaterals. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral for loans and advances to customers are:

- Residential properties;
- Business assets such as premises, inventory and accounts receivable;
- Financial instruments such as stocks.

The value of collaterals at the time of loan origination is determined by risk assessment department and the amount of the loans granted is subject to loan-to-value ratio limits based on collateral types. The principal types of collateral for corporate loans and loans are as follows:

Collateral	Maximum loan-to-value ratio
Bank note and bank acceptance	90%
Warehouse receipt and accounts receivable	70%
Construction in progress	50%
Publicly traded stocks	60%
Property	70%
Land use rights	70%
Transportations	40%

Mortgage loans to retail customers are generally collateralised by residential properties. Other loans are collateralised dependent on the nature of the loan.

For loans guaranteed by a third-party guarantor, the Group will assess the guarantor's credit rating, financial condition, credit history and ability to meet obligations.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Details of collateral accepted and which the Group is obligated to return are disclosed in Note 38.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.4 Impairment and provisioning policies

Impairment allowances recognised for financial reporting purposes are the losses that have been incurred at the reporting date based on objective evidence of impairment (see Note 2.6).

The internal rating system assists the management to determine whether objective evidence of impairment exists based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collaterals; and
- Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such debt securities.

The Group's policy requires the review of individual financial assets that have objective evidence of impairment at least monthly or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis, and are applied to all individually impaired financial assets. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipt for that individual account.

Collectively assessed impairment allowances are provided for: losses that have been incurred but have not yet been identified, by using the available historical experience, judgment and statistical techniques.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at 31 December	
	2017	2016
Assets		
Balances with central bank	43,157,747	42,175,420
Due from other banks and financial institutions	37,000,091	55,706,352
Held for trading – debt securities	702,084	881,977
Derivative financial instruments	118	–
Loans and advances to customers		
– Loans to corporate entities	110,859,177	106,935,282
– Loans to individuals	61,302,913	39,853,764
Investment securities – loans and receivables	100,607,725	75,750,755
Investment securities – AFS	36,612,193	23,308,779
Investment securities – HTM	21,012,375	19,794,542
Other financial assets	4,743,013	3,408,140
	415,997,436	367,815,011
Off-balance sheet exposures		
Financial guarantees, acceptances and letters of credit	24,346,513	28,155,561
Unused credit card limits	2,868,179	2,566,179
Financial lease commitments	180,000	–
Irrevocable credit commitments	110,014	88,195
	27,504,706	30,809,935

The above table represents a case scenario of higher credit risk exposure to the Group as at 31 December 2017 and 2016, without taking account of any related collateral or other credit enhancements. For on-balance sheet assets, the exposures above are based on net carrying amounts as reported in the consolidated statement of financial position.

As shown above, as at 31 December 2017, the total on-balance sheet exposure mainly derived from loans and advances to customers and investment securities – loans and receivables, which accounted for 65.57% (31 December 2016: 60.50%) in total.

The management is confident in its ability to continue to control and maintain minimal exposure to credit risk of the Group from its loans and advances based on the following as at 31 December 2017:

- 94.74% of its loans and advances portfolio was categorised as Pass of the five-category system (31 December 2016: 94.58%);
- 46.04% of the individual loan portfolio was backed by collateral (31 December 2016: 73.64%);
- 95.32% of the loans and advances portfolio was considered to be neither past due nor impaired (31 December 2016: 96.26%);
- Impaired loans and advances assessed on an individual basis amounted to RMB2,400,460 thousand (31 December 2016: RMB1,442,499 thousand), which accounted for 1.35% of total loans and advances (31 December 2016: 0.96%).

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 Loans and advances

Loans and advances are summarised as follows:

	As at 31 December			
	2017		2016	
	Loans and advances to customers	Discounted bills and trade finance	Loans and advances to customers	Discounted bills and trade finance
Neither past due nor impaired	163,109,460	5,795,499	139,774,288	5,598,856
Past due but not impaired	5,901,485	–	4,204,998	–
Individually impaired	2,400,460	–	1,442,499	–
Gross	171,411,405	5,795,499	145,421,785	5,598,856
Less: Collective impairment allowances	(3,852,558)	(64,910)	(3,438,343)	(62,707)
Individual impairment allowances	(1,127,346)	–	(730,545)	–
Total allowance	(4,979,904)	(64,910)	(4,168,888)	(62,707)
Net amount	166,431,501	5,730,589	141,252,897	5,536,149

(a) Gross loans and advances neither past due nor impaired

The Group monitors the credit risk of corporate loans and advances neither past due nor impaired by applying its customer grading system.

	Five-category classification		
	Pass	Special mention	Total
As at 31 December 2017			
Corporate entities			
– Commercial loans	90,257,353	3,205,948	93,463,301
– Discounted bills	4,802,366	–	4,802,366
– Trade finance	993,133	–	993,133
– Financial lease	9,013,977	–	9,013,977
Subtotal	105,066,829	3,205,948	108,272,777
Individual	60,272,500	359,682	60,632,182
Total	165,339,329	3,565,630	168,904,959

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 Loans and advances (Continued)

(a) Gross loans and advances neither past due nor impaired (Continued)

As at 31 December 2016	Five-category classification		
	Pass	Special mention	Total
Corporate entities			
– Commercial loans	97,034,563	2,858,474	99,893,037
– Discounted bills	4,839,011	–	4,839,011
– Trade finance	759,845	–	759,845
Subtotal	102,633,419	2,858,474	105,491,893
Individuals	39,476,271	404,980	39,881,251
Total	142,109,690	3,263,454	145,373,144

(b) Loans and advances past due but not impaired

Gross amount of loans and advances by types of customers that were past due but not impaired are as follows:

	As at 31 December 2017				
	Past due up to 30 days	Past due 30 – 60 days	Past due 60 – 90 days	Past due over 90 days	Total
Corporate entities	2,564,299	337,130	273,003	1,445,621	4,620,053
Individuals	663,128	224,998	175,507	217,799	1,281,432
Total	3,227,427	562,128	448,510	1,663,420	5,901,485

	As at 31 December 2016				
	Past due up to 30 days	Past due 30 – 60 days	Past due 60 – 90 days	Past due over 90 days	Total
Corporate entities	2,130,849	427,338	350,826	739,698	3,648,711
Individuals	279,291	48,666	39,069	189,261	556,287
Total	2,410,140	476,004	389,895	928,959	4,204,998

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 Loans and advances (Continued)

(c) Loans and advances that impaired individually

As at 31 December 2017, individually impaired loans and advances to customers before taking into consideration the collateral held amounted to RMB2,400,460 thousand (31 December 2016: RMB1,442,499 thousand).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

	As at 31 December	
	2017	2016
Corporate entities	1,689,669	1,048,222
Individuals	710,791	394,277
Individually impaired loans and advances to customers	2,400,460	1,442,499
Fair value of collaterals for individually impaired collateralised loans and advances to customers		
Corporate entities	1,143,412	507,181
Individuals	490,302	256,676
Individually impaired loans and advances to customers	1,633,714	763,857

Note: The aggregate fair value of the collaterals listed above does not exceed the credit risk exposure of each corresponding loan and advance.

The fair value of collaterals is estimated based on the latest available external valuations, the realisation experience of the current collaterals and the market conditions.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 Loans and advances (Continued)

(d) Restructured loans and advances

Restructuring activities include approved debtor repayment plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue to be made. These policies are under regular review. Restructuring is most commonly applied to term loans, in particular mid-term and long-term loans. The balance of restructured loans and advances as at 31 December 2017 was RMB3,105,944 thousand (31 December 2016: RMB2,539,180 thousand).

(e) Concentration risk analysis for loans and advances to customers (gross) by geographic sectors:

	As at 31 December 2017			As at 31 December 2016		
	Gross amount	%	Non-performing loan ratio	Gross amount	%	Non-performing loan ratio
Chongqing City	137,070,759	77.36	0.98%	113,101,048	74.89	0.74%
Sichuan Province	14,483,714	8.17	4.06%	15,193,886	10.06	2.46%
Guizhou Province	14,698,036	8.29	2.51%	13,932,889	9.23	1.47%
Shaanxi Province	10,954,395	6.18	0.86%	8,792,818	5.82	0.30%
Total	177,206,904	100.00	1.35%	151,020,641	100.00	0.96%

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 Loans and advances (Continued)

(f) Industry analysis

Concentration risks analysis for loans and advances to customers (gross) by economic sectors:

	As at 31 December 2017		As at 31 December 2016	
	Amount	%	Amount	%
Corporate loans				
Water conservation, environment and public facilities administration	21,426,164	18.70	14,326,733	13.00
Manufacturing	15,544,339	13.57	18,591,598	16.87
Wholesale and retail	14,587,355	12.73	15,955,891	14.48
Real estate	13,997,831	12.22	17,168,657	15.58
Leasing and commercial services	13,373,813	11.67	13,353,418	12.12
Construction	10,961,064	9.57	9,067,295	8.23
Electricity, gas and water production and supply	3,319,765	2.90	2,136,919	1.94
Household services and other services	2,832,632	2.47	1,933,136	1.75
Mining	2,710,914	2.37	3,117,867	2.83
Agriculture, forestry, animal husbandry and fishery	2,101,230	1.83	1,613,366	1.46
Transportation, storage and postal service	2,075,708	1.81	2,035,713	1.85
Public administration, social security and social organizations	1,867,000	1.63	2,365,000	2.15
Health and social welfare	1,406,978	1.23	826,063	0.75
Scientific research and technology services	1,044,204	0.91	393,669	0.36
Accommodation and catering	954,832	0.83	572,051	0.52
Education	768,353	0.67	783,484	0.71
Information transmission, software and information technology services	460,005	0.40	609,579	0.55
Culture, sports and entertainment	257,500	0.22	261,315	0.24
Financing	90,446	0.08	238,061	0.22
Discounted bills	4,802,366	4.19	4,839,011	4.39
Total corporate loans	114,582,499	100.00	110,188,826	100.00
Individual loans				
Individual consumption loans	30,024,576	47.94	7,161,329	17.54
Mortgage loans	17,235,358	27.52	18,331,192	44.89
Individual business loans	11,170,569	17.84	11,943,743	29.25
Credit card advances	4,193,902	6.70	3,395,551	8.32
Total individual loans	62,624,405	100.00	40,831,815	100.00
Gross amount of loans and advances	177,206,904		151,020,641	

The economic sector risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 Loans and advances (Continued)

(g) Type of collateral analysis

Analysis for loans and advances to customers (gross) by type of collateral:

	As at 31 December	
	2017	2016
Collateralised loans	69,308,295	78,018,314
Pledged loans	15,063,354	16,179,930
Guaranteed loans	75,927,183	48,515,413
Unsecured loans	16,908,072	8,306,984
Total	177,206,904	151,020,641

3.1.7 Investment securities

As at 31 December 2017 and 2016, RMB bonds are rated by China Cheng Xin International Credit Rating Co. Ltd., Dagong Global Credit Rating Co.,Ltd, China Lianhe Credit Rating Co.,Ltd, Shanghai Far East Credit Rating Co.,Ltd, Shanghai Brilliance Credit Rating & Investors Service Co.,Ltd, Pengyuan Credit Rating Co.,Ltd and Golden Credit Rating International Co.,Ltd. Foreign currency bonds are mainly rated by S&P.

The rate of the group's securities investments made by the independent credit agencies are as follows:

As at 31 December 2017	Investment securities-loans and receivables	Investment securities-AFS	Investment securities-HTM	Held for trading-debt securities	Total
RMB securities					
AAA	–	1,084,533	150,000	28,370	1,262,903
AA – to AA+	–	10,947,817	230,000	381,710	11,559,527
A-1	–	–	–	–	–
Unrated ^(a)	100,607,725	24,579,843	20,632,375	292,122	146,112,065
Total	100,607,725	36,612,193	21,012,375	702,202	158,934,495

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.7 Investment securities (Continued)

As at 31 December 2016	Investment securities- loans and receivables	Investment securities- AFS	Investment securities- HTM	Held for trading- debt securities	Total
RMB securities					
AAA	–	741,581	220,000	43,629	1,005,210
AA – to AA+	–	6,527,496	230,000	529,490	7,286,986
A-1	–	149,906	–	–	149,906
Unrated ^(a)	75,750,755	15,889,796	19,344,542	308,858	111,293,951
Total	75,750,755	23,308,779	19,794,542	881,977	119,736,053

(a) These mainly represent investment and trading securities issued by PRC Ministry of Finance, central bank, policy banks and other oversea financial institutions who are creditworthy issuers in the market, but are not rated by independent rating agencies. Loans and receivables mainly include principal-guaranteed wealth management products with fixed income, and the beneficiary rights of trust schemes and directional asset management plans, whose principal and income are guaranteed or collateralised. As at 31 December 2017, the Group has no overdue debt securities held and individually impaired debt securities. The impairment provision for loans and receivables was RMB1,217,482 thousand (31 December 2016: RMB799,831 thousand).

Loans and receivables are summarised as follows:

	As at 31 December	
	2017	2016
Neither past due nor impaired	99,221,797	74,772,644
Past due but not impaired	–	164,255
Individually impaired	2,603,410	1,613,687
Gross	101,825,207	76,550,586
Less: Impairment allowances	(1,217,482)	(799,831)
Net amount	100,607,725	75,750,755

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.8 Foreclosed assets

	As at 31 December	
	2017	2016
Business properties	10,611	24,202
Residential properties	340	610
Other	5,109	–
Total	16,060	24,812

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Group does not generally occupy foreclosed properties for its business use. Foreclosed assets are classified in the consolidated statement of financial position as other assets at the reporting date.

3.1.9 Concentration risk analysis for financial assets with credit risk exposure

By geographical area

	As at 31 December 2017			
	Mainland China	Hong Kong	Others	Total
Financial assets				
Balances with central bank	43,157,747	–	–	43,157,747
Due from other banks and financial institutions	31,660,413	4,891,815	447,863	37,000,091
Held for trading – debt securities	702,084	–	–	702,084
Derivative financial instruments	118	–	–	118
Loans and advances to customers	172,162,090	–	–	172,162,090
Investment securities – loans and receivables	100,607,725	–	–	100,607,725
Investment securities – AFS	36,612,193	–	–	36,612,193
Investment securities – HTM	21,012,375	–	–	21,012,375
Other financial assets	4,743,013	–	–	–
	410,657,758	4,891,815	447,863	415,997,436
Off-balance sheet exposures				
Financial guarantees, acceptances and letters of credit	24,346,513	–	–	24,346,513
Unused credit card limits	2,868,179	–	–	2,868,179
Financial lease commitments	180,000	–	–	180,000
Irrevocable credit commitments	110,014	–	–	110,014
	27,504,706	–	–	27,504,706

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

*3.1.9 Concentration risk analysis for financial assets with credit risk exposure (Continued)
By geographical area (Continued)*

	As at 31 December 2016			Total
	Mainland China	Hong Kong	Others	
Financial assets				
Balances with central bank	42,175,420	–	–	42,175,420
Due from other banks and financial institutions	54,711,332	16,310	978,710	55,706,352
Held for trading – debt securities	881,977	–	–	881,977
Loans and advances to customers	146,789,046	–	–	146,789,046
Investment securities – loans and receivables	75,750,755	–	–	75,750,755
Investment securities – AFS	23,308,779	–	–	23,308,779
Investment securities – HTM	19,794,542	–	–	19,794,542
Other financial assets	3,408,140	–	–	3,408,140
	366,819,991	16,310	978,710	367,815,011
Off-balance sheet exposures				
Financial guarantees, acceptances and letters of credit	28,155,561	–	–	28,155,561
Unused credit card limits	2,566,179	–	–	2,566,179
Irrevocable credit commitments	88,195	–	–	88,195
	30,809,935	–	–	30,809,935

The counterparties are mainly located in Mainland China.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk

3.2.1 Overview

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates and prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

In accordance with the requirements of the CBRC, the Group categorises its business into either the trading book or the banking book. The trading book consists of positions in financial instruments held either with trading intent or in order to economically hedge other elements of the trading book or the banking book. The banking book consists of the financial instruments purchased with excess funds and other financial instruments that are not captured in trading book.

The market risks arising from trading and non-trading activities are monitored by two teams separately. Regular reports are submitted to the Board of Directors and head of each business unit.

3.2.2 Sensitivity tests

Interest rate sensitivity test

The result of the interest rate sensitivity tests set out in the table below is based on the following assumptions. The projections assume that yield curves move parallel to the change of interest rate; the assets and liabilities portfolio has a static structure of interest rate; all positions are held and renewed after maturity. But the Group has not considered the following: changes after the reporting date; the impact of interest rate fluctuations on the customers' behaviours; the complicated relationship between complex structured products and interest rate fluctuations; the impact of interest rate fluctuations on market prices; the impact of interest rate fluctuations on off-balance sheet products; and impact of risk management.

On the basis of the above gap analysis on the interest rate, the Group implemented sensitivity test to analyse the sensitivity of bank's net interest income against change in interest rate. The table below illustrates the analysis of potential impact on the Group's net interest income as at 31 December 2017 and 2016 on the assumption of a 100 basis point parallel move of the yield curves on each reporting date.

	Changes of net interest income	
	As at 31 December	
	2017	2016
+ 100 basis point parallel move in all yield curves	6,077	44,645
- 100 basis point parallel move in all yield curves	(6,077)	(44,645)

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.2 Sensitivity tests (Continued)

The table below illustrates the potential impact of a 100 basis point move on the other comprehensive income of the Group.

	Changes of other comprehensive income	
	As at 31 December	
	2017	2016
+ 100 basis point parallel move in all yield curves	(583,862)	(570,673)
– 100 basis point parallel move in all yield curves	646,770	602,614

Foreign exchange sensitivity test

The Group performs exchange rate sensitivity analysis on net profit before tax for the Group by measuring the impact of a change in exchange rate on foreign exchange sensitivity gap. On the assumptions below: the sensitivities of foreign currencies are exchange gains or losses of RMB against foreign currencies fluctuation by 1% absolute value in closing price at reporting dates. The foreign currency exchange rates against RMB move by the same amount and same trends. The portfolio of assets and liabilities has a static structure of foreign exchange risk and all positions are held and renewed after maturity. The Group has not considered the following: business changes after the reporting date, the impact of exchange rate fluctuations on the customers' behaviours; the complicated relationship between complex structured products and exchange rate fluctuations; the impact of exchange rate fluctuations on market prices, the impact of exchange rate fluctuations on off-balance sheet products; and the impacted of risk management.

The table below illustrates the potential impact of 1% change of RMB against foreign currencies on the Group's net profit before tax :

	Changes of expected net profit/(loss) before tax	
	As at 31 December	
	2017	2016
+ 1% upward change of foreign exchange rate	2,282	1,444
– 1% downward change of foreign exchange rate	(2,282)	(1,444)

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the market value of a financial instrument will fluctuate due to changes in market interest rates.

The interest rate risk of the Group mainly comes from the impact of interest rate change on net interest income, which was caused by the mismatch between the interest-rate-sensitive assets and liabilities' maturity date or the re-pricing date.

The Group's Assets and Liabilities Management Committee is responsible for establishing, periodically examining and monitoring the exercising of the policies, procedures and detailed operating rules regarding interest rate risk. Financial market department is responsible for the front office treasury transactions; the accounting department is responsible for the settlement at the back office. The assets and liabilities management department is responsible for the analysis of RMB interest rate risk, submission of interest rate analysis report to the Assets and Liabilities Management Committee, and timely reporting and dealing with extraordinary situations of interest rate risks identified.

Financial market department follows the Group's interest rate management policies and conducts the front office treasury transactions under the Group's approved interest rate limit. The Group records the assets in trading book and non-trading book. The freely tradable financial instruments held for trading purpose or avoiding the risks of other items in trading book were recorded under the trading book; others were recorded under the non-trading book. Financial market department manages and conducts treasury transactions within the interest rate limit approved by the senior management, and monitors the market risk of the trading book and its risk limit compliance.

The Group uses the RMB interest rate risk management system to monitor and manage the overall interest rate risk of the assets and liabilities under the non-trading book. At the current stage, the Group manages the interest rate risk mainly through raising suggestion about the re-pricing date of assets and liabilities, setting market risk limit and other methods. The Group analyses the interest rate gap and assesses the difference between the interest-bearing assets and liabilities which would mature or re-price within certain time period, to provide instruction for the adjustment of interest-bearing assets and liabilities' re-pricing date. Meanwhile, the Group controls and manages interest risk by establishing the instruction and authorisation limit of investment portfolio. The Group's treasury management conducts real-time market value assessment to monitor the investment risk more accurately. In addition, the Group manages the interest rate risk of branches by the head office using the internal funds transfer-pricing system.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.3 Interest rate risk (Continued)

The tables below summarise the Group's exposures to interest rate risks and present the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
As at 31 December 2017							
Assets							
Cash and balances							
with central bank	43,157,747	-	-	-	-	569,685	43,727,432
Due from other banks and financial institutions	25,429,214	4,056,175	7,514,702	-	-	-	37,000,091
Financial assets at fair value through profit or loss	18,126	-	1,379	492,934	189,763	-	702,202
Loans and advances to customers	52,690,767	12,274,666	64,298,713	41,060,547	1,837,397	-	172,162,090
Investment securities							
– Loans and receivables	10,027,273	9,767,628	23,519,085	36,685,129	20,242,759	365,851	100,607,725
– AFS	6,218,750	4,928,849	6,889,131	14,251,804	4,314,467	503,798	37,106,799
– HTM	-	30,000	2,548,911	11,065,634	7,367,830	-	21,012,375
Other financial assets	-	-	-	-	-	4,743,013	4,743,013
Total financial assets	137,541,877	31,057,318	104,771,921	103,556,048	33,952,216	6,182,347	417,061,727
Liabilities							
Due to other banks and financial institutions	(16,264,661)	(4,431,933)	(34,505,296)	(569,362)	-	-	(55,771,252)
Customer deposits	(91,012,041)	(14,603,994)	(46,327,235)	(84,206,121)	(2,555,287)	-	(238,704,678)
Debt securities issued	(7,062,534)	(27,947,297)	(46,223,656)	-	(7,493,843)	-	(88,727,330)
Other financial liabilities	-	-	-	-	-	(5,893,391)	(5,893,391)
Total financial liabilities	(114,339,236)	(46,983,224)	(127,056,187)	(84,775,483)	(10,049,130)	(5,893,391)	(389,096,651)
Total interest sensitivity gap	23,202,641	(15,925,906)	(22,284,266)	18,780,565	23,903,086	288,956	27,965,076

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.3 Interest rate risk (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
As at 31 December 2016							
Assets							
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
– AFS	3,816,583	1,264,724	4,532,791	12,126,913	1,567,782	576,664	23,885,457
– HTM	–	419,985	430,000	9,352,658	9,591,899	–	19,794,542
Other financial assets	–	–	–	–	–	3,408,140	3,408,140
Total financial assets	135,009,225	45,523,973	79,751,114	86,225,608	17,896,965	4,622,872	369,029,757
Liabilities							
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)
Total financial liabilities	(134,421,821)	(30,427,349)	(102,883,437)	(74,393,356)	(2,416,867)	(3,778,250)	(348,321,080)
Total interest							
sensitivity gap	587,404	15,096,624	(23,132,323)	11,832,252	15,480,098	844,622	20,708,677

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.4 Foreign exchange risk

The trade finance department is responsible for the Group's daily foreign exchange risk management. Pursuant to related regulations, the Group at the current stage cannot conduct speculative proprietary foreign exchange trading. Therefore, currently the Group's foreign exchange risk is mainly the foreign currency exposure risk from foreign currency settlement and trading on behalf of customers. As no derivative business has been implemented and it lacks effective hedging instruments for the above risk exposure, the Group mitigates and controls foreign exchange rate risk by setting foreign currency exposure limits and stop-loss limits.

The following tables show the Group's financial assets and liabilities at carrying amounts in RMB, categorised by the original currency.

	RMB	US Dollar	HK Dollar	Others	Total
As at 31 December 2017					
Assets					
Cash and balances with central bank	43,348,824	378,277	153	178	43,727,432
Due from other banks and financial institutions	23,852,434	13,063,905	12,951	70,801	37,000,091
Financial assets at fair value through profit or loss	702,202	–	–	–	702,202
Loans and advances to customers	171,383,979	778,111	–	–	172,162,090
Investment securities					
– Loans and receivables	100,607,725	–	–	–	100,607,725
– AFS	37,009,402	97,397	–	–	37,106,799
– HTM	21,012,375	–	–	–	21,012,375
Other financial assets	4,656,046	86,967	–	–	4,743,013
Total financial assets	402,572,987	14,404,657	13,104	70,979	417,061,727
Liabilities					
Due to other banks and financial institutions	(55,701,835)	(55)	–	(69,362)	(55,771,252)
Customer deposits	(229,501,318)	(9,202,522)	(103)	(735)	(238,704,678)
Debt securities issued	(88,727,330)	–	–	–	(88,727,330)
Other financial liabilities	(5,814,903)	(78,452)	(25)	(11)	(5,893,391)
Total financial liabilities	(379,745,386)	(9,281,029)	(128)	(70,108)	(389,096,651)
Net position	22,827,601	5,123,628	12,976	871	27,965,076
Financial guarantees and credit related commitments	24,614,607	2,255,701	–	634,398	27,504,706

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.4 Foreign exchange risk (Continued)

	RMB	US Dollar	HK Dollar	Others	Total
As at 31 December 2016					
Assets					
Cash and balances with central bank	42,486,189	326,053	1,076	170	42,813,488
Due from other banks and financial institutions	52,081,048	3,067,188	4,355	553,761	55,706,352
Financial assets at fair value through profit or loss	881,977	–	–	–	881,977
Loans and advances to customers	143,436,944	3,320,906	–	31,196	146,789,046
Investment securities					
– Loans and receivables	75,750,755	–	–	–	75,750,755
– AFS	23,885,457	–	–	–	23,885,457
– HTM	19,794,542	–	–	–	19,794,542
Other financial assets	3,351,293	56,725	–	122	3,408,140
Total financial assets	361,668,205	6,770,872	5,431	585,249	369,029,757
Liabilities					
Due to other banks and financial institutions	(60,183,584)	(59,374)	–	(107,827)	(60,350,785)
Customer deposits	(222,797,308)	(6,315,972)	(4,560)	(475,953)	(229,593,793)
Debt securities issued	(54,598,252)	–	–	–	(54,598,252)
Other financial liabilities	(3,524,759)	(251,150)	(871)	(1,470)	(3,778,250)
Total financial liabilities	(341,103,903)	(6,626,496)	(5,431)	(585,250)	(348,321,080)
Net position	20,564,302	144,376	–	(1)	20,708,677
Financial guarantees and credit related commitments	29,279,254	1,022,429	–	508,252	30,809,935

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk

3.3.1 Overview

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The Group's objective in liquidity management is to ensure the availability of adequate funding to meet its needs for deposit withdrawals and repayment of other liabilities as they fall due and to ensure that it is able to meet its obligations to fund loan originations and commitments while taking advantage of new investment opportunities.

The Group has to respond to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan draw downs, guarantees and cash deposit held as collateral. The Board of Directors set the minimum proportion of funds to be made available to meet such calls and the minimum level of interbank and other borrowing facilities that should be in place to cover different levels of unexpected withdrawals. As at 31 December 2017, 14.5% (31 December 2016: 14.5%) of the Group's total RMB-denominated and 5% (31 December 2016: 5%) of the total foreign-currency-denominated customer deposits must be deposited with the PBOC.

3.3.2 Liquidity risk management process

The Board of Directors or the subordinate special committee approves the policies, strategies, procedures, limits and contingency plans relate to the overall management of liquidity risk according to risk preference. The assets and liabilities management committee is established under the top management, which is responsible for formulating and assessing the policies, strategies, programs, limits and the emergence plans related to the holistic management of the liquid risk management, and implementing the daily operations in liquidity risk management. The Asset and Liability Management Department cooperates with the Interbank Risk Management Department and other departments to form a well-organised, fully functional and efficient liquidity risk management system.

The Group proactively applies new technology to enhance the involvement of IT in liquidity risk management. The system monitors the liquidity index and exposure, which form a mechanism in regular, automatic liquidity risk assessment, and arrange the Bank's asset and liability operations according to current liquidity exposure. The Group actively modifies the assets and liabilities maturity structure by applying internal fund transfer pricing, while taking control of the limit of the liquidity risk positively by carrying out performance assessment. The Group pays constant attention to its liquidity risk management process, holds the weekly meeting for assets and liabilities integration, enhances and improves liquidity risk related policy timely, eventually achieving its goal in liquidity risk management.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the undiscounted cash flows of the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts listed in the table present the undiscounted cash flow as per the contracts.

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
As at 31 December 2017									
Liabilities									
Due to other banks and financial institution	(501,587)	(15,781,837)	(4,492,400)	(35,315,045)	(662,223)	-	-	-	(56,753,092)
Customer deposits	(79,892,790)	(11,122,910)	(14,658,663)	(46,859,061)	(94,782,272)	(3,806,268)	-	-	(251,121,964)
Debt securities issued	-	(7,290,361)	(28,651,838)	(47,727,888)	(1,350,000)	(7,493,843)	-	-	(92,513,930)
Other financial liabilities	(23,663)	(857,350)	(486,324)	(994,545)	(1,683,484)	(274,184)	(1,573,841)	-	(5,893,391)
Total financial liabilities	(80,418,040)	(35,052,458)	(48,289,225)	(130,896,539)	(98,477,979)	(11,574,295)	(1,573,841)	-	(406,282,377)
Assets									
Cash and balances with central bank	569,685	9,000,132	-	-	-	-	34,157,615	-	43,727,432
Due from other banks and financial institutions	2,287,079	23,155,561	4,082,645	7,656,546	-	-	-	-	37,181,831
Non-derivative financial assets at fair value through profit or loss	-	702,122	-	97	93,618	28,660	-	-	824,497
Loans and advances to customers	-	7,492,509	8,682,599	49,851,793	95,118,679	41,226,282	-	8,251,987	210,623,849
Investment securities									
- Loans and receivables	177,500	10,414,414	9,970,600	24,037,388	41,487,104	31,350,183	-	143,097	117,580,286
- AFS	-	7,048,777	4,177,579	7,231,447	16,911,082	6,678,580	-	-	42,047,465
- HTM	-	-	30,285	2,607,232	12,044,571	10,489,683	-	-	25,171,771
Other financial assets	9,884	2,262,476	166,669	376,039	1,320,967	595,546	11,432	-	4,743,013
Total financial assets	3,044,148	60,075,991	27,110,377	91,760,542	166,976,021	90,368,934	34,169,047	8,395,084	481,900,144

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk (Continued)

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
As at 31 December 2016									
Liabilities									
Due to other banks and financial institution	(332,283)	(37,064,892)	(7,537,027)	(15,714,243)	(10,079)	(81,193)	-	-	(60,739,717)
Customer deposits	(78,091,672)	(13,883,661)	(12,774,180)	(54,142,262)	(81,870,968)	(168,228)	-	-	(240,930,971)
Debt securities issued	-	(5,248,286)	(10,497,192)	(35,128,067)	(3,403,294)	(2,293,691)	-	-	(56,570,530)
Other financial liabilities	(19,732)	(843,990)	(311,551)	(905,407)	(1,181,087)	(1,103)	(515,380)	-	(3,778,250)
Total financial liabilities	(78,443,687)	(57,040,829)	(31,119,950)	(105,889,979)	(86,465,428)	(2,544,215)	(515,380)	-	(362,019,468)
Assets									
Cash and balances with central bank	638,068	9,567,344	-	-	-	-	32,608,076	-	42,813,488
Due from other banks and financial institutions	2,209,812	23,152,693	15,379,864	14,642,760	659,709	-	-	-	56,044,838
Non-derivative financial assets at fair value through profit or loss	-	881,985	351	-	163,828	34,160	-	-	1,080,324
Loans and advances to customers	-	9,016,160	8,316,564	46,883,358	65,827,581	44,003,518	-	4,806,663	178,853,844
Investment securities									
- Loans and receivables	-	5,433,417	15,014,500	21,042,503	34,722,006	6,967,750	-	176,841	83,357,017
- AFS	-	3,962,788	713,888	4,450,325	16,364,038	2,243,923	387,624	-	28,122,586
- HTM	-	-	423,154	438,367	10,161,650	13,316,854	-	-	24,340,025
Other financial assets	5,081	1,964,117	79,547	225,723	912,687	197,293	23,692	-	3,408,140
Total financial assets	2,852,961	53,978,504	39,927,868	87,683,036	128,811,499	66,763,498	33,019,392	4,983,504	418,020,262

Assets available to meet all of the liabilities include cash, balances with central bank, items in the course of collection and treasury, due from other banks and financial institutions, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, certain debt securities have been pledged for liabilities. The Group would also be able to meet unexpected net cash outflows by selling securities, using credit commitments from other financial institutions, early termination of borrowings from other financial institutions and repurchase agreements and using the mandatory reserve deposits upon the PBOC's approval.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.4 Derivative financial instruments cash flow

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include foreign exchange swap contracts. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
As at 31 December 2017						
Foreign exchange derivatives						
Inflow	32,694	–	–	–	–	32,694
Outflow	(32,576)	–	–	–	–	(32,576)
Total	118	–	–	–	–	118

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
As at 31 December 2016						
Foreign exchange derivatives						
Inflow	–	–	–	–	–	–
Outflow	–	–	–	–	–	–
Total	–	–	–	–	–	–

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.5 Maturity analysis

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
As at 31 December 2017									
Assets									
Cash and balances with central bank	569,685	9,000,132	-	-	-	-	34,157,615	-	43,727,432
Due from other banks and financial institutions	2,287,079	23,142,135	4,056,175	7,514,702	-	-	-	-	37,000,091
Financial assets at fair value through profit or loss	-	702,202	-	-	-	-	-	-	702,202
Loans and advances to customers	-	7,282,295	7,438,918	45,020,338	79,412,198	24,985,183	-	8,023,158	172,162,090
Investment securities									
- Loans and receivables	177,500	10,397,533	9,865,260	23,341,317	35,779,137	20,919,909	-	127,069	100,607,725
- AFS	-	7,019,855	4,130,806	6,895,275	14,251,804	4,809,059	-	-	37,106,799
- HTM	-	-	30,000	2,548,911	11,065,634	7,367,830	-	-	21,012,375
Other financial assets	9,884	2,262,476	166,669	376,039	1,320,967	595,546	11,432	-	4,743,013
Total financial assets	3,044,148	59,806,628	25,687,828	85,696,582	141,829,740	58,677,527	34,169,047	8,150,227	417,061,727
Liabilities									
Due to other banks and financial institution	(501,587)	(15,763,075)	(4,431,933)	(34,505,295)	(569,362)	-	-	-	(55,771,252)
Customer deposits	(79,892,790)	(11,119,251)	(14,603,994)	(46,327,235)	(84,206,121)	(2,555,287)	-	-	(238,704,678)
Debt securities issued	-	(7,062,534)	(27,947,297)	(46,223,656)	-	(7,493,843)	-	-	(88,727,330)
Other financial liabilities	(23,663)	(857,350)	(486,324)	(994,545)	(1,683,484)	(274,184)	(1,573,841)	-	(5,893,391)
Total financial liabilities	(80,418,040)	(34,802,210)	(47,469,548)	(128,050,731)	(86,458,967)	(10,323,314)	(1,573,841)	-	(389,096,651)
Net liquidity gap	(77,373,892)	25,004,418	(21,781,720)	(42,354,149)	55,370,773	48,354,213	32,595,206	8,150,227	27,965,076

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.5 Maturity analysis (Continued)

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
As at 31 December 2016									
Assets									
Cash and balances with central bank	638,068	9,567,344	-	-	-	-	32,608,076	-	42,813,488
Due from other banks and financial institutions	2,209,812	23,129,406	15,282,139	14,431,665	653,330	-	-	-	55,706,352
Financial assets at fair value through profit or loss	-	881,977	-	-	-	-	-	-	881,977
Loans and advances to customers	-	9,006,653	8,241,368	45,185,635	54,699,545	24,946,121	-	4,709,724	146,789,046
Investment securities									
- Loans and receivables	-	5,420,186	14,859,845	20,169,360	30,345,416	4,780,310	-	175,638	75,750,755
- AFS	-	3,962,623	710,209	4,382,136	12,832,098	1,610,767	387,624	-	23,885,457
- HTM	-	-	419,985	430,000	9,352,658	9,591,899	-	-	19,794,542
Other financial assets	5,081	1,964,117	79,547	225,723	912,687	197,293	23,692	-	3,408,140
Total financial assets	2,852,961	53,932,306	39,593,093	84,824,519	108,795,734	41,126,390	33,019,392	4,885,362	369,029,757
Liabilities									
Due to other banks and financial institution	(332,283)	(37,025,282)	(7,487,258)	(15,424,769)	-	(81,193)	-	-	(60,350,785)
Customer deposits	(78,091,672)	(13,879,710)	(12,739,587)	(53,441,080)	(71,399,761)	(41,983)	-	-	(229,593,793)
Debt securities issued	-	(5,092,876)	(10,144,666)	(34,071,125)	(2,995,894)	(2,293,691)	-	-	(54,598,252)
Other financial liabilities	(19,732)	(843,990)	(311,551)	(905,407)	(1,181,087)	(1,103)	(515,380)	-	(3,778,250)
Total financial liabilities	(78,443,687)	(56,841,858)	(30,683,062)	(103,842,381)	(75,576,742)	(2,417,970)	(515,380)	-	(348,321,080)
Net liquidity gap	(75,590,726)	(2,909,552)	8,910,031	(19,017,862)	33,218,992	38,708,420	32,504,012	4,885,362	20,708,677

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.6 Off-balance-sheet items

The table below lists the off-balance-sheet statement items of the Group according to their remaining term to maturity, and also includes the future minimum lease payments under non-cancellable operating leases where the Group are the lessees. The financial commitments are listed by the earliest maturity date in its notional principal.

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

As at 31 December 2016	Within 1 year	1-5 years	Over 5 years	Total
Unused credit card limits	2,566,179	–	–	2,566,179
Guarantees, acceptances and letters of credit	24,831,532	3,323,130	899	28,155,561
Irrevocable credit commitments	34,704	53,491	–	88,195
Operating lease commitments	51,925	94,905	24,459	171,289
Capital expenditure commitments	389,238	55,503	–	444,741
Total	27,873,578	3,527,029	25,358	31,425,965

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities

(a) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value.

	As at 31 December 2017				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Investment securities					
– Loans and receivables	100,607,725	–	–	103,364,608	103,364,608
– HTM	21,012,375	–	18,225,714	–	18,225,714
Financial liabilities					
Debt securities issued	88,727,330	–	88,456,443	–	88,456,443

	As at 31 December 2016				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Investment securities					
– Loans and receivables	75,750,755	–	6,010	77,900,949	77,906,959
– HTM	19,794,542	–	20,234,757	–	20,234,757
Financial liabilities					
Debt securities issued	54,598,252	–	54,688,829	–	54,688,829

Investment securities

The fair value for investment securities classified as loans and receivables and held to maturity assets is based on market prices or broker/dealer price quotations. Where the information is not available, fair value is estimated using quoted market prices for securities with similar credit risk, maturity and yield characteristics.

Debt securities issued

The fair value of fixed interest bearing debt securities issued is calculated using a discounted cash flow model which is based on a current yield curve appropriate for the remaining term to maturity.

Other than above, the carrying values of those financial assets and liabilities not presented at their fair value on the consolidated statement of financial position are a reasonable approximation of their fair values. Those financial assets and liabilities include balances with central bank, due from other banks and financial institutions, loans and advances to customers, due to other banks and financial institutions, customer deposits, etc. Fair value is measured using a discounted future cash flow model.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(b) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by level of inputs to valuation techniques. The different levels have been defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at fair value on a recurring basis as at 31 December 2017 and 2016:

As at 31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	702,084	–	702,084
– Derivative Financial Instruments	–	118	–	118
	–	702,202	–	702,202
Investment securities-AFS				
– Debt securities	–	36,612,207	–	36,612,207
– Equity investment	–	–	494,592	494,592
	–	36,612,207	494,592	37,106,799
Total	–	37,314,409	494,592	37,809,001

As at 31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	881,977	–	881,977
Investment securities-AFS				
– Debt securities	–	23,308,793	–	23,308,793
– Equity investment	–	–	576,664	576,664
	–	23,308,793	576,664	23,885,457
Total	–	24,190,770	576,664	24,767,434

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

There was no transfer between level 1 and 2 during the year.

There was no financial instrument in level 1 during the year.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Changes in level 3 financial assets are analysed below:

	Investment securities – AFS
Balance at 1 January 2017	576,664
Total gains or losses	
– Other comprehensive income	(189,040)
Purchase of level 3	106,968
Balance at 31 December 2017	494,592
Total gains for the year included in consolidated statement of comprehensive income for assets/liabilities held at 31 December 2017	22,542

	Investment securities – AFS
Balance at 1 January 2016	492,416
Total gains or losses	
– Other comprehensive income	42,986
Purchase of level 3	41,262
Balance at 31 December 2016	576,664
Total gains for the year included in consolidated statement of comprehensive income for assets/liabilities held at 31 December 2016	21,193

3 FINANCIAL RISK MANAGEMENT (Continued)

3.5 Capital management

The Group's objectives when managing capital, which is a broader concept than 'equity' on the consolidated statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy ratio and the use of regulatory capital are monitored quarterly by the Group's management with employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBRC, for supervisory purposes. The required information is filed with the CBRC on a quarterly basis.

The Group calculated the capital adequacy ratio based on the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) issued by the CBRC in June, 2012. According to the approach, the Group measured the credit risk-weighted assets by the weighted method, market risk-weighted assets by the standard method, and operation risk-weighted assets by the basic indicator method.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the *Rules for Regulating the Capital Adequacy of Commercial Banks (Trial)*. For non-systematically important banks, the CBRC requires minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of 7.50%, 8.50% and 10.50%, respectively. At present, the Group is fully compliant with legal and regulatory requirements.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.5 Capital management (Continued)

The capital adequacy ratios calculated by the Group based on the *Rules for Regulating the Capital Adequacy of Commercial Banks (Trial)* are as follows:

	As at 31 December	
	2017	2016
Core capital:		
Share capital	3,127,055	3,127,055
Counted part of capital surplus	4,325,902	4,911,433
Surplus reserve and general risk reserves	6,992,384	5,914,852
Counted part of retained earnings	11,596,948	9,858,572
Capital contribution by non-controlling interests	361,481	–
Core Tier 1 Capital deductibles items:		
Full deduction items	(100,340)	(96,014)
Threshold deduction items	–	–
Total Core Tier 1 Capital, net	26,303,430	23,715,898
Other Tier 1 Capital, net	4,957,505	–
Tier 2 Capital, net	10,240,749	4,752,209
Net capital	41,501,684	28,468,107
On-balance sheet risk-weighted assets	276,140,999	214,620,993
Off-balance sheet risk-weighted assets	10,969,438	9,927,931
Risk-weighted assets for exposure to counterparty credit risk	8,449	–
Total credit risk-weighted assets	287,118,886	224,548,924
Total market risk-weighted assets	544,914	905,495
Total operational risk-weighted assets	17,605,686	15,946,736
Total risk-weighted assets before applying capital base	305,269,486	241,401,155
Total risk-weighted assets after applying capital base	305,269,486	241,401,155
Core Tier 1 Capital adequacy ratio	8.62%	9.82%
Tier 1 Capital adequacy ratio	10.24%	9.82%
Capital adequacy ratio	13.60%	11.79%

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.6 Fiduciary activities

The Group provides custody and trustee services to third parties. Those assets that are held in a fiduciary capacity are not included in the consolidated financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the consolidated financial statements.

	As at 31 December	
	2017	2016
Assets held in investment custody accounts	37,648,746	31,222,279
Entrusted loans	10,281,683	6,228,987

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Impairment allowances for loans and advances and investment securities classified as loans and receivables

The Group reviews its loan portfolios and the breakdown of investment securities classified as loans and receivables to assess impairment on a monthly basis, unless known circumstances indicating that impairment may have occurred. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Group makes judgment as to whether there are evidences indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans or investment securities classified as loans and receivables besides the impairment that can be identified with an individual loan in that portfolio or an individual investment. These evidences may include observable data indicating that there has been an adverse change in the payment status of borrowers in the loan portfolio, or national or local economic conditions that correlate with defaults on assets of the Group, etc. The impairment loss of a loan and advance or investment security classified as loans and receivables that is individually assessed for impairment is the difference between estimated discounted future cash flows and carrying amount. When loans and advances and investment securities classified as loans and receivables are collectively assessed for impairment, the management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Notes to the Consolidated Financial Statements

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

b) Derecognition of financial assets

When assessing whether the batch transfer of loans meet the derecognition requirement of financial assets, it is required to assess whether the Group has transferred the right to receive cash flows of financial assets and whether all the risks and rewards of ownership of the loans have been transferred. In assessment, the Group considers several factors, such as whether the transaction arrangement is attached with repurchase clauses. The Group sets up scenario hypothesis and tests transfer of risks and rewards using future discounted cash flow model. The Group derecognises financial assets only when substantially all the risks and rewards of ownership of the loans have been transferred to another entity. If the Group substantially retains all the risks and rewards of ownership of the transferred loans, these loans shall be continued to recognise and the proceeds received shall be recognised as financial liabilities.

c) Consolidation of structured entity

Structured entity, refers that when judging the control side of the entity, the key elements to consider are the contracts which the entities' main activities are based on or the corresponding arrangements rather than the voting rights or similar rights (for example: the voting rights are just associated with administrative matters only).

When the Group acts as the asset manager in structured entity, the Group needs to identify its own role as the agent or the trustee to make decisions for the structured entity. If the Group's role is just an agent, the Group's primary responsibility is to exercise decision-making authority for other parties (other investors of the structured entity), and therefore the Group does not control the structured entity. However, if the Group's primary responsibility is to exercise decision-making authority for itself, thus the Group controls the structured entity. During the evaluation to identify its own role as the agent or the trustee, the Group considers many factors, such as: the scope of asset manager's decision-making power, rights held by other parties, commission levels as management service provider, and any other arrangements (such as direct investment) which could affect commission level.

d) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation models (e.g. discounted cash flow model). To the extent practical, only observable data is used in the discounted cash flow model. However, areas such as credit risks (from both parties of transactions), market volatilities and correlations require the management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

e) Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has made estimates for items of uncertainty and application of new tax legislation taking into account existing tax legislation and policies given by authorities in charge in previous years. Where the final tax outcomes of these matters are different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made (Note 27).

Notes to the Consolidated Financial Statements

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

f) Held-to-maturity

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgments. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than under specific circumstances defined in IAS 39, such as selling an insignificant amount close to maturity due to a significant deterioration in the issuer's credit, or regulatory requirement, it will be required to reclassify the entire portfolio of investment securities as available-for-sale. The investments would therefore be measured at fair value, other than amortised cost.

g) Impairment of available-for-sale financial assets and held-to-maturity securities

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires the management's judgments. In making these judgements, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

The Group recognises an impairment loss for an available-for-sale debt instrument and held to maturity debt securities when there is objective evidence that the debt instrument is impaired. Objective evidence of an impairment for a debt instrument exists when one or more events have occurred after the initial recognition of the debt instrument, that reduce the estimated future cash flows to be received on the debt instrument.

5 NET INTEREST INCOME

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

Notes to the Consolidated Financial Statements

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

6 NET FEE AND COMMISSION INCOME

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

7 NET TRADING LOSSES

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

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

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

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

Notes to the Consolidated Financial Statements

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

8 OTHER OPERATING INCOME

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

(a) Government grants

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

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

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

9 OPERATING EXPENSES

	2017	2016
Staff costs (including directors and supervisors' emoluments) (Note 10)	1,282,237	1,162,439
General and administrative expenses	592,466	800,819
Tax and surcharges	95,112	259,774
Depreciation of property, plant and equipment (Note 23)	125,394	117,260
Amortisation of intangible assets (Note 24(c))	28,897	23,224
Amortisation of land use rights (Note 24(b))	4,705	4,863
Depreciation of investment properties ((Note 24(d))	307	311
Amortisation of long-term prepaid expenses	24,785	25,146
Rental expenses	74,776	93,064
Professional fees	44,972	30,681
Auditors' remuneration		
– Audit services	3,328	3,463
– Non-audit services	550	240
Donations	13,662	13,650
Others	7,674	2,364
	2,298,865	2,537,298

Notes to the Consolidated Financial Statements

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

10 STAFF COSTS (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS)

	2017	2016
Salaries and bonuses	860,806	743,419
Pension expenses (Note 28)	156,083	152,021
Housing benefits and subsidies	80,783	77,853
Labour union and staff education funds	21,727	22,615
Other social security and benefit costs	162,838	166,531
Total (Note 9)	1,282,237	1,162,439

Five highest paid individuals

For the years ended 31 December 2017 and 31 December 2016, neither directors nor supervisors were included in the five highest paid individuals of the Group.

The emoluments payable to the five highest paid individuals for relevant years are as follows:

	2017	2016
Salaries, housing allowances and other benefits	1,296	1,344
Discretionary bonuses	19,003	13,276
Contributions to pension schemes	434	432
	20,733	15,052

The emoluments payable to senior management and individuals fell within the following bands:

	Number of individuals	
	2017	2016
RMB2,000,001 – RMB2,500,000	1	3
RMB2,500,001 – RMB3,000,000	2	1
RMB3,000,001 – RMB3,500,000	–	–
RMB3,500,001 – RMB4,000,000	1	–
Above RMB4,000,000	1	1
	5	5

No emoluments had been paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for demission.

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

11 IMPAIRMENT LOSSES

	2017	2016
Loans and advances to customers (Note 19(b))		
– Collectively assessed	416,418	1,008,258
– Individually assessed	1,935,823	872,805
Loans and receivables (Note 20)	631,693	528,545
Others	15,230	1,526
	2,999,164	2,411,134

12 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors' and supervisors' emoluments

Details of the directors' and supervisors' emoluments for the year ended 31 December 2017 are as follows:

Name	Remunerations	Salaries, allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive directors					
Gan Weimin (Jan-Jun) ⁽¹⁾	–	84	235	55	374
Ran Hailing (President)	–	167	197	96	460
Liu Jianhua	–	134	154	95	383
Wong Wah Sing	–	134	108	–	242
Non-executive directors					
Deng Yong	80	–	–	–	80
Wong Hon Hing	108	–	–	–	108
Lv Wei	108	–	–	–	108
Yang Jun	98	–	–	–	98
Jin Jingyu	151	–	–	–	151
Kong Xiangbin	151	–	–	–	151
Li He	186	–	–	–	186
To Koon Man Henry	152	–	–	–	152
Wang Pengguo	162	–	–	–	162
Supervisors					
Huang Changsheng	–	134	154	95	383
Lin Min ⁽²⁾	–	106	376	30	512
Yang Xiaotao	–	167	197	96	460
Zhou Xiaohong	–	379	1,262	93	1,734
Chen Zhong	–	74	–	–	74
Chen Zhengsheng	–	84	–	–	84
Yin Xianglong	–	82	–	–	82
Chen Yan	–	53	–	–	53
Wu Bing	–	55	–	–	55
Total	1,196	1,653	2,683	560	6,092

Notes to the Consolidated Financial Statements

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

12 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

Details of the directors' and supervisors' emoluments for the year ended 31 December 2016 are as follows:

Name	Remunerations	Salaries, allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive directors					
Gan Weimin	–	223	223	93	539
Ran Hailing	–	223	223	93	539
Liu Jianhua ⁽³⁾	–	178	178	92	448
WONG Wah Sing ⁽⁴⁾	–	104	104	–	208
Non-executive directors					
Deng Yong	62	–	–	–	62
WONG Hon Hing	70	–	–	–	70
Lv Wei	116	–	–	–	116
Yang Jun	95	–	–	–	95
Jin Jingyu	113	–	–	–	113
Kong Xiangbin	126	–	–	–	126
Li He	117	–	–	–	117
TO Koon Man Henry	100	–	–	–	100
Wang Pengguo	137	–	–	–	137
Supervisors					
Huang Changsheng	–	178	178	92	448
Lin Min	–	309	1,516	91	1,916
Yang Xiaotao	–	223	223	93	539
Zhou Xiaohong	–	372	1,322	92	1,786
Chen Zhong ⁽⁵⁾	–	37	–	–	37
Chen Zhengsheng	–	99	–	–	99
Yin Xianglong	–	81	–	–	81
Chen Yan	–	53	–	–	53
Wu Bing	–	53	–	–	53
Total	936	2,133	3,967	646	7,682

Notes to the Consolidated Financial Statements

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

12 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

- (1) *Gan Weimin was elected by Board of Directors as Chairman of the Board on 30 March 2014, and resigned on 28 June 2017.*
- (2) *Lin Min no longer served as Supervisor since 26 May 2017.*
- (3) *Liu Jianhua was approved as Director by the CBRC on 1 August 2016.*
- (4) *Wong Wah Sing was approved as Director by the CBRC on 13 September 2016.*
- (5) *Chen Zhong was elected as Supervisor on 21 March 2016. Zhou Yongkang no longer served as Supervisor since the same date.*

The total compensation packages (including discretionary bonus) for executive directors and supervisors for the year ended 31 December 2017 have not yet been finalised in accordance with relevant regulations of the relevant authorities in PRC. The amount of the compensation not provided is not expected to have any significant impact on the Group's consolidated financial statements for the year ended 31 December 2017.

(b) Directors' and supervisors' retirement benefits

During the year ended 31 December 2017, no retirement benefit was paid to the directors or supervisors by a defined benefit pension plan operated by the Group (2016: nil).

(c) Directors' and supervisors' termination benefits

During the year ended 31 December 2017, no termination benefits was paid to the directors or supervisors operated by the Group (2016: nil).

(d) Consideration provided to third parties for making available directors' and supervisors' services

During the year ended 31 December 2017, no consideration was provided to third parties for making available directors' and supervisor' services by the Group (2016: nil).

Notes to the Consolidated Financial Statements

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

12 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(e) Information about loans, quasi-loans and other dealings in favour of directors, supervisors and controlled body corporates of such directors and supervisors

During the year ended 31 December 2017, no loan, quasi-loan and other dealing was entered into by the Group, where applicable, in favour of the controlled body corporate of directors and supervisors. The information about loans, quasi-loans and other dealings entered into by the Group, where applicable, in favour of a director and a supervisor are as follows:

Name of director	Nature of connection	Outstanding	Outstanding	Maximum	Amounts due	Provisions	Term	Interest	
		at the beginning of the year	at the end of the year	outstanding during the year	but not been paid	for doubtful/bad debts made		rate	Security
Liu Jianhua	Executive Director	2,000	1,924	2,000	-	-	18 years, average capital plus interest	4.165%	mortgaged by real estate
Jin Jingyu	Director	-	500	500	-	-	3 years, repay the whole capital at due date and interest on a period basis	4.75%	mortgaged
Chen Yan	Supervisor	-	110	120	-	-	10 months, repay the whole capital and interest at due date	5.66%	Guarantee

During the year ended 31 December 2016, no loan, quasi-loan and other dealing was entered into by the Group, where applicable, in favour of the controlled body corporate of directors and supervisors. The information about loans, quasi-loans and other dealings entered into by the Group, where applicable, in favour of a director and a supervisor are as follows:

Name of director	Nature of connection	Outstanding	Outstanding	Maximum	Amounts due	Provisions	Term	Interest	
		at the beginning of the year	at the end of the year	outstanding during the year	but not been paid	for doubtful/bad debts made		rate	Security
Liu Jianhua	Executive Director	-	2,000	2,000	-	-	18 years, average capital plus interest	4.165%	mortgaged by real estate
Zhou Xiaohong	Supervisor	-	700	700	-	-	3 years, repay the whole capital at due date and interest on a monthly basis	4.275%	mortgaged by real estate

(f) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business, to which the Group was a party and in which a director or a supervisor of the Group had a material interest, whether directly or indirectly subsisted at the end of 2017 or at any time during the year (2016: nil).

Notes to the Consolidated Financial Statements

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

13 INCOME TAX EXPENSE

	2017	2016
Current income tax	1,311,112	1,603,207
Deferred income tax (Note 27)	(180,154)	(446,862)
	1,130,958	1,156,345

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

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate 25% (2016: 25%) to profit before income tax can be reconciled as follows:

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

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

(b) The Group's expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses etc., which exceed the tax deduction limits pursuant to PRC Laws.

Notes to the Consolidated Financial Statements

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

14 BASIC AND DILUTED EARNINGS PER SHARE

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

	2017	2016
Net profit attributable to shareholders of the Bank	3,725,881	3,502,167
Less: Net profit attributable to other equity holders of the Bank	–	–
Net profit attributable to ordinary shareholders of the Bank	3,725,881	3,502,167
Weighted average number of ordinary shares issued (in thousand)	3,127,055	3,127,055
Basic and diluted earnings per share (in RMB)	1.19	1.12

The Bank issued non-cumulative preference shares on 20 December 2017 under the terms and conditions as detailed in Note 32. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to ordinary shareholders of the Bank. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur by 31 December 2017 and therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

15 CASH AND BALANCES WITH CENTRAL BANK

	As at 31 December	
	2017	2016
Cash	569,685	638,068
Mandatory reserve deposits	34,062,459	32,587,061
Surplus reserve deposits with central bank	9,000,132	9,567,344
Fiscal deposits	95,156	21,015
	43,727,432	42,813,488

The Group is required to place mandatory reserve deposits with central bank. The deposits are calculated based on the amount of customer deposits placed with the Group by its customers.

	As at 31 December	
	2017	2016
Mandatory reserve rate for deposits denominated in RMB	14.5%	14.5%
Mandatory reserve rate for deposits denominated in foreign currencies	5%	5%

Mandatory reserve deposits with central bank are not available for use by the Group in its day to day operations.

Deposits with central bank other than mandatory reserve maintained are mainly for liquidity purpose.

Notes to the Consolidated Financial Statements

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

16 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2017	2016
Deposits with other banks and financial institutions	10,339,855	10,540,603
Notes purchased under resale agreements	17,996,326	37,510,169
Other financial assets purchased under resale agreements	631,000	–
Placements with other banks and financial institutions	8,032,910	7,655,580
	37,000,091	55,706,352

No individually-impaired amount due from other banks and financial institutions was held by the Group as at 31 December 2017 and 31 December 2016.

There is no impairment allowance on amounts due from other banks and financial institutions and no write-off amount during the years ended 31 December 2017 and 31 December 2016.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2017	2016
Government debt securities		
– Unlisted	189,763	197,248
Other debt securities		
– Listed outside Hong Kong	359,485	520,525
– Unlisted – Corporate bonds	152,836	164,204
– Derivative financial instruments (<i>Note 18</i>)	118	–
	702,202	881,977

All the Group's unlisted debt securities are traded in the Inter-bank bond market in Mainland China.

As at 31 December 2017, the trading securities mortgaged to the third parties in the Group's repurchase agreement amounted to RMB189,763 thousand (31 December 2016: nil).

Financial assets at fair value through profit or loss are analysed by issuer as follows:

	As at 31 December	
	2017	2016
Designated debt securities issued by:		
– Government	189,763	197,248
– Corporate	512,321	684,729
	702,084	881,977

Notes to the Consolidated Financial Statements

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

18 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2017	Notional amount	Fair value	
		Assets	Liabilities
Swap contracts	32,694	118	–

As at 31 December 2016	Notional amount	Fair value	
		Assets	Liabilities
Swap contracts	–	–	–

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

	As at 31 December	
	2017	2016
Loans and advances to corporate entities		
– Corporate loans	109,780,133	105,349,815
– Discounted bills	4,802,366	4,839,011
Subtotal	114,582,499	110,188,826
Loans and advances to individuals		
– Mortgage loans	17,235,358	18,331,192
– Individual consumption loans	30,024,576	7,161,329
– Credit card advances	4,193,902	3,395,551
– Individual business loans	11,170,569	11,943,743
Subtotal	62,624,405	40,831,815
Total	177,206,904	151,020,641
Less: Allowance for impairment losses		
– Collectively assessed	(3,917,468)	(3,501,050)
– Individual assessed	(1,127,346)	(730,545)
Total	(5,044,814)	(4,231,595)
Carrying amount of loans and advances to customers	172,162,090	146,789,046

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Movements on impairment allowance for loans and advances to customers:

	2017		2016	
	Collective impairment	Individual impairment	Collective impairment	Individual impairment
Balance at the beginning of the year	3,501,050	730,545	2,492,792	460,142
Impairment allowances for loans and advances charged to profit or loss	970,173	2,213,935	1,344,786	1,320,137
Reversal of impairment allowances for loans and advances	(553,755)	(278,112)	(336,528)	(447,332)
Net impairment allowances for loans and advances charged to profit or loss (Note 11)	416,418	1,935,823	1,008,258	872,805
Unwind of discount on allowances	–	(117,090)	–	(112,399)
Loans and advances written off during the year as uncollectible	–	(1,673,174)	–	(548,287)
Recoveries of loans and advances written off in prior years	–	251,242	–	58,284
Balance at the end of the year	3,917,468	1,127,346	3,501,050	730,545

	2017		2016	
	Corporate	Retail	Corporate	Retail
Balance at the beginning of the year	3,253,544	978,051	2,042,541	910,393
Impairment allowances for loans and advances charged to profit or loss	1,990,170	1,193,938	1,953,453	711,470
Reversal of impairment allowances for loans and advances	(222,248)	(609,619)	(343,726)	(440,134)
Net impairment allowances for loans and advances charged to profit or loss	1,767,922	584,319	1,609,727	271,336
Unwind of discount on allowances	(85,478)	(31,612)	(84,366)	(28,033)
Loans and advances written off during the year as uncollectible	(1,441,399)	(231,775)	(351,420)	(196,867)
Recoveries of loans and advances written off in prior years	228,733	22,509	37,062	21,222
Balance at the end of the year	3,723,322	1,321,492	3,253,544	978,051

Notes to the Consolidated Financial Statements

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

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Loans and advances individually recognised for impairment allowance

	As at 31 December			
	2017		2016	
	Impaired loan	Individual impairment	Impaired loan	Individual impairment
Corporate entities	1,689,669	787,444	1,048,222	546,847
Individuals	710,791	339,902	394,277	183,698
	2,400,460	1,127,346	1,442,499	730,545

	As at 31 December	
	2017	2016
Individually impaired loans to gross loans and advances to customers	1.35%	0.96%

(d) Package disposal of loans and advances to customers

For the year ended 31 December 2017, the Group disposed of packaged loans to the third parties with a gross amount of RMB2,252,777 thousand (31 December 2016: RMB1,464,272 thousand) and collected cash totalling RMB1,214,764 thousand. The difference between the gross carrying amount and cash collected had already been written off. The Group derecognised these loans accordingly.

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

20 INVESTMENT SECURITIES

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

Notes to the Consolidated Financial Statements

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

20 INVESTMENT SECURITIES (Continued)

Movement of impairment allowance for investment securities:

	Loans and receivables	Available-for-sale financial assets	Held-to- maturity investments	Total
As at 1 January 2017	799,831	–	–	799,831
Charge for the year (Note 11)	657,996	–	–	657,996
Reversal of the year (Note 11)	(26,303)	–	–	(26,303)
Written off in the year	(214,042)	–	–	(214,042)
As at 31 December 2017	1,217,482	–	–	1,217,482

	Loans and receivables	Available-for-sale financial assets	Held-to- maturity investments	Total
As at 1 January 2016	271,286	–	–	271,286
Charge for the year (Note 11)	541,021	–	–	541,021
Reversal of the year (Note 11)	(12,476)	–	–	(12,476)
As at 31 December 2016	799,831	–	–	799,831

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

20 INVESTMENT SECURITIES (Continued)

Investment securities are analysed by counterparty as follows:

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

Notes to the Consolidated Financial Statements

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

20 INVESTMENT SECURITIES (Continued)

(a) Trust investments:

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

(b) Directional asset management plans:

	As at 31 December	
	2017	2016
Asset management plans purchased from securities company		
– guaranteed by other bank	–	721,000
– pledged by certificates of deposit	200,000	2,076,808
– collateralised by properties	1,880,000	880,000
– guaranteed by third-party company	14,538,250	2,539,010
– unsecured	8,584,703	6,382,672
Subtotal	25,202,953	12,599,490
Asset management plans purchased from commercial bank		
– guaranteed by other bank	–	1,856,480
Asset management plans purchased from asset management company		
– guaranteed by third-party company	3,250,000	380,000
– guaranteed by fund company	362,216	358,902
– unsecured	9,848,688	13,447,176
Subtotal	13,460,904	14,186,078
Asset management plans purchased from fund company		
– unsecured	–	151,023
Total	38,663,857	28,793,071

Notes to the Consolidated Financial Statements

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

20 INVESTMENT SECURITIES (Continued)

Net gains on investment securities include:

	2017	2016
Net (losses)/gains arising from de-recognition of held-for-trading financial assets	(33,389)	12,082
Net gains/(losses) arising from de-recognition of available-for-sale financial assets	173,869	(11,734)
	140,480	348

21 SUBSIDIARY

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

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital	Proportion of equity Interest	Proportion of voting power	Principal activities
Chongqing Xinyu Financial Leasing Co., Ltd.	23 March 2017	Chongqing	3,000,000	51%	51%	Financial leasing

	Assets	Liabilities	Revenue	Profit
Chongqing Xinyu Financial Leasing Co., Ltd.	9,096,024	6,017,828	289,743	78,196

22 INVESTMENT IN ASSOCIATES

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

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

Notes to the Consolidated Financial Statements

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

22 INVESTMENT IN ASSOCIATES (Continued)

As at 15 June 2016, the Group invested RMB54,000 thousand in Mashang Consumer Finance Co., Ltd. (“Mashang Finance”). As at 14 August 2016, Mashang Finance increased its registered capital to RMB1.3 billion, and the Group increased the investment to RMB205,270 thousand, which accounted for 15.79% of equity interest. As at 13 July 2017, Mashang Finance further increased its registered capital to RMB2.21 billion, and the Group increased the investment to RMB338,346 thousand, which accounted for 15.31% of equity interest.

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

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

	Place of incorporation	Assets	Liabilities	Revenue	(Loss)/ Profit	Interest held
As at/for the year ended						
31 December 2017						
Xingyi Wanfeng	PRC	1,518,537	1,369,588	81,030	(15,682)	20.00%
Mashang Finance	PRC	31,800,455	29,019,064	4,667,970	577,665	15.31%
Three Gorges Bank	PRC	202,479,206	189,179,685	4,099,458	1,923,054	4.97%
As at/for the year ended						
31 December 2016						
Xingyi Wanfeng	PRC	1,531,825	1,367,062	65,165	20,734	20.00%
Mashang Finance	PRC	7,629,866	6,336,434	157,911	6,522	15.79%

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

23 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at 1 January 2017	2,096,422	18,923	359,471	122,171	849,443	3,446,430
Additions	51,291	981	65,285	22,107	167,770	307,434
Construction in progress transfer in/(out)	660,563	–	–	–	(660,563)	–
Transfer from investment properties	1,638	–	–	–	–	1,638
Disposals	(463)	(2,471)	(16,118)	(7,681)	–	(26,733)
Transfer to amortisation of long-term prepaid expenses	–	–	–	–	(210)	(210)
As at 31 December 2017	2,809,451	17,433	408,638	136,597	356,440	3,728,559
Accumulated depreciation						
As at 1 January 2017	(408,644)	(17,436)	(242,636)	(86,478)	–	(755,194)
Charge for the year (Note 9)	(68,535)	(700)	(41,692)	(14,467)	–	(125,394)
Transfer from investment properties	(694)	–	–	–	–	(694)
Disposals	314	2,397	13,992	2,277	–	18,980
As at 31 December 2017	(477,559)	(15,739)	(270,336)	(98,668)	–	(862,302)
Net book value						
As at 31 December 2017	2,331,892	1,694	138,302	37,929	356,440	2,866,257
Cost						
As at 1 January 2016	1,906,962	18,478	316,984	115,446	907,708	3,265,578
Additions	8,931	445	42,995	6,769	122,837	181,977
Construction in progress transfer in/(out)	180,624	–	–	–	(180,624)	–
Disposals	(95)	–	(508)	(44)	–	(647)
Transfer to amortisation of long-term prepaid expenses	–	–	–	–	(478)	(478)
As at 31 December 2016	2,096,422	18,923	359,471	122,171	849,443	3,446,430
Accumulated depreciation						
As at 1 January 2016	(344,645)	(16,535)	(205,377)	(72,014)	–	(638,571)
Charge for the year (Note 9)	(64,090)	(901)	(37,762)	(14,507)	–	(117,260)
Disposals	91	–	503	43	–	637
As at 31 December 2016	(408,644)	(17,436)	(242,636)	(86,478)	–	(755,194)
Net book value						
As at 31 December 2016	1,687,778	1,487	116,835	35,693	849,443	2,691,236

As at 31 December 2017, the net value of the buildings that have not been completed in the registration procedures was RMB63,942 thousand (31 December 2016: RMB73,842 thousand). The registration process has little impact on the Group's right to own the property, plant and equipment.

Notes to the Consolidated Financial Statements

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

24 OTHER ASSETS

	As at 31 December	
	2017	2016
Interest receivable ^(a)	3,234,293	2,238,064
Fee and commission receivable	493,421	360,966
Other receivables	796,343	547,601
Less: Impairment allowance	(10,731)	(6,086)
Land use rights ^(b)	147,984	158,320
Leasehold improvement	39,414	58,587
Intangible assets ^(c)	100,195	74,013
Foreclosed assets	16,060	24,812
Prepaid rental expenses	33,580	24,740
Investment properties ^(d)	1,933	4,403
Continuing involvement in transferred assets	229,414	–
Settlement fund	671	51,310
Other	1,378	10,486
	5,083,955	3,547,216

(a) *Interest receivable:*

	As at 31 December	
	2017	2016
Due from and placements with banks, other financial institutions and central bank	138,208	102,885
Investment securities	2,357,431	1,499,795
Loans and advances to customers	738,654	635,384
	3,234,293	2,238,064

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

24 OTHER ASSETS (Continued)

(b) *Land use rights*

	2017	2016
Cost		
Balance at the beginning and the end of the year	194,165	194,165
Disposals	(6,720)	–
Balance at the end of the year	187,445	194,165
Accumulated amortisation		
Balance at the beginning of the year	(35,845)	(30,982)
Amortisation for the year (Note 9)	(4,705)	(4,863)
Transfer-out	1,089	–
Balance at the end of the year	(39,461)	(35,845)
Net book value		
Balance at the end of the year	147,984	158,320

(c) *Intangible assets*

	2017	2016
Cost		
Balance at the beginning of the year	180,983	153,175
Additions	55,079	27,808
Balance at the end of the year	236,062	180,983
Accumulated amortisation		
Balance at the beginning of the year	(106,970)	(83,746)
Amortisation for the year (Note 9)	(28,897)	(23,224)
Balance at the end of the year	(135,867)	(106,970)
Net book value		
Balance at the end of the year	100,195	74,013

Notes to the Consolidated Financial Statements

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

24 OTHER ASSETS (Continued)

(d) *Investment properties*

	2017	2016
Cost		
Balance at the beginning and the end of the year	9,868	9,868
Transfer-out	(1,638)	–
Disposals	(3,895)	–
Balance at the end of the year	4,335	9,868
Accumulated depreciation		
Balance at the beginning of the year	(5,465)	(5,154)
Depreciation charged for the year (Note 9)	(307)	(311)
Transfer-out	3,370	–
Balance at the end of the year	(2,402)	(5,465)
Net book value		
Balance at the end of the year	1,933	4,403

25 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2017	2016
Loans from central bank	1,745,881	1,957,148
Deposits from other banks	36,832,862	28,190,198
Deposits from other financial institutions	5,098,009	12,126,278
Loans from other banks and financial institutions	6,100,000	2,585,950
Notes sold under repurchase agreements	–	12,506,491
Securities sold under repurchase agreements	5,994,500	2,984,720
	55,771,252	60,350,785

26 CUSTOMER DEPOSITS

	As at 31 December	
	2017	2016
Corporate demand deposits	69,460,773	68,206,142
Corporate time deposits	83,239,393	86,326,675
Individual demand deposits	10,275,560	9,681,691
Individual time deposits	57,445,728	49,013,416
Other deposits	18,283,224	16,365,869
	238,704,678	229,593,793
Including:		
Pledged deposits held as collateral	6,601,609	11,115,432

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

27 DEFERRED INCOME TAXES

Deferred income taxes were calculated based on all temporary differences using an effective tax rate of 25% as at 31 December 2017 (31 December 2016: 25%) for transactions.

Movements in the deferred income tax are listed as follows:

	As at 31 December	
	2017	2016
Balance at the beginning of the year	1,005,271	505,920
Charge to profit or loss (<i>Note 13</i>)	180,154	446,862
Fair value changes of AFS securities	195,528	52,489
Balance at the end of the year	1,380,953	1,005,271

Deferred income tax assets and liabilities are attributable to the following items:

	As at 31 December	
	2017	2016
Deferred income tax assets		
Assets impairment allowances	1,193,434	863,642
Fair value losses	117,833	–
Others	163,254	230,422
	1,474,521	1,094,064
Deferred income tax liabilities		
Fair value gains	(124)	(85,300)
Share of the profit from associates	(93,444)	–
Others	–	(3,493)
	(93,568)	(88,793)
Net deferred income tax assets	1,380,953	1,005,271

Deferred income tax in the consolidated statement of comprehensive income comprises the following temporary differences:

	2017	2016
Assets impairment allowances	329,792	367,994
Fair value losses	7,481	15,392
Others	(157,119)	63,476
	180,154	446,862

Notes to the Consolidated Financial Statements

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

28 RETIREMENT BENEFIT OBLIGATIONS

The Group pays supplementary retirement benefits to employees in Mainland China, who retired before 30 June 2011. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on government bonds at the reporting date, the maturity dates of which approximate to the terms of the Group's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are charged or credited to the consolidated statement of comprehensive income as they occur. The amounts recognised in the consolidated statement of financial position represent the present value of unfunded obligations plus any unrecognised actuarial gains and losses minus any unrecognised past service cost.

Employees who retire after 1 January 2010 can voluntarily participate in an annuity plan set up by the Group pursuant to related state corporate annuity regulations. The Group contributes to the annuity plan based on certain percentage of the employees' gross salary of previous year and the contribution is recognised in other comprehensive income as incurred.

	2017	2016
Expenses incurred for retirement benefit plans	110,380	107,818
Expenses incurred for supplementary retirement benefits	892	807
Expenses incurred for corporate annuity plan	44,811	43,396
Total (Note 10)	156,083	152,021

	As at 31 December	
	2017	2016
Consolidated statement of financial position obligations for:		
– Pension benefits	20,659	22,745
	2017	2016
Consolidated statement of comprehensive income charge for:		
– Pension benefits	892	807

The amounts recognised in the consolidated statements of financial position are determined as follows:

	As at 31 December	
	2017	2016
Present value of unfunded obligations	20,659	22,745
Unrecognised past service cost	–	–
Net amount of liabilities in the consolidated statement of financial position	20,659	22,745

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

28 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Movements of the present value of unfunded obligations are as follows:

	2017	2016
Balance at the beginning of the year	22,745	23,380
Retirement benefits paid	(1,574)	(1,762)
Current service cost	–	–
Interest cost	892	807
Net actuarial (gains)/losses	(1,404)	320
Past service cost	–	–
Balance at the end of the year	20,659	22,745

Amounts of retirement benefits recognised in the consolidated statement of comprehensive income are as follows:

	2017	2016
Current service cost	–	–
Interest cost	892	807
Past service cost	–	–
Retirement benefit expense – total	892	807

Revaluation of pension scheme recognised in the consolidated statement of comprehensive income is as follows:

	2017	2016
Revaluation of pension scheme (Note 40)	(1,053)	240

The principal actuarial assumptions for calculating retirement benefits obligations are as follows:

	As at 31 December	
	2017	2016
Discount rate	4.21%	3.59%
Inflation rate for pension benefits	4.00%	4.00%

The mortality assumptions are determined based on the statistics published by China Insurance Regulatory Commission.

The following table lists an average remaining life expectancy in years of a pensioner retiring at age 60 for male and 55 for female:

	As at 31 December	
	2017	2016
Male	22.08	22.08
Female	29.58	29.58

Notes to the Consolidated Financial Statements

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

29 DEBT SECURITIES ISSUED

	As at 31 December	
	2017	2016
Subordinated debts		
Fixed rate subordinated debt-2022 ^(a)	–	796,523
Fixed rate tier II capital debt-2026 ^(b)	1,497,390	1,497,168
Fixed rate tier II capital debt-2027 ^(c)	5,996,454	–
Financial debt		
Fixed rate financial debt-2018 ^(d)	2,999,074	2,995,894
Inter-bank certificate of deposit ^(e)	78,234,412	49,308,667
	88,727,330	54,598,252

(a) Pursuant to a resolution of the extraordinary general meeting passed on 12 August 2011 and Approval to Bank of Chongqing to Issue Subordinated Debt (Yin Jian Fu [2011] No. 511) issued by the CBRC on 18 November 2011, the Group issued a RMB 800 million subordinated debt within China domestic Interbank Bond Market on 20 March 2012. The fixed-rate subordinated debt issued has a maturity of 10 years, with a fixed coupon rate of 6.8% per annum for ten years, payable annually. The Group decided to redeem the bond on 21 March 2017.

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 Tier II capital in accordance with relevant requirements of the CBRC.

(b) Pursuant to a resolution at the general meeting passed on 16 May 2014 and the Approval for Bank of Chongqing Co., Ltd. to Issue Tier II Capital Bonds (Yu Yin Jian Fu [2015] No. 107) by the CBRC on 21 September 2015, the Bank issued RMB 1.5 billion Tier II capital bonds within the domestic inter-bank bond market of China on 19 February 2016. Such Tier II 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 22 February 2021.

The debt has the write-down characteristics of the tier II capital instrument. When the supervised trigger events which are appointed in the issuing document occur, the Bank has the right to write down the principal of the debt and any accumulated interest payables will not be paid as well. According to the related regulations issued by the CBRC, the tier II capital debt meets the standards of the qualified tier II capital instrument.

(c) Pursuant to a resolution at the general meeting passed on 17 June 2016 and the Approval for Bank of Chongqing Co., Ltd. to Issue Tier II Capital Bonds (Yu Yin Jian Fu [2016] No. 162) by the CBRC on 30 November 2016, the Bank issued RMB 6 billion Tier II capital bonds within the domestic inter-bank bond market of China on 20 March 2017. Such Tier II capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.8% 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 21 March 2022.

(d) Pursuant to a resolution of the Extraordinary general meeting passed on 25 November 2011 and Approval to Bank of Chongqing to Issue Small and Micro Enterprises Financial Debt (Yin Jian Fu [2012] No. 526) issued by the CBRC on 21 September 2012, the Group issued a RMB 3 billion financial bond within China domestic interbank bond market on 25 April 2013. The financial bond issued has a maturity of 5 years, with a fixed coupon rate of 4.78% per annum for five years, payable annually. The fund is raised all for small and micro enterprise loans.

Notes to the Consolidated Financial Statements

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

29 DEBT SECURITIES ISSUED (Continued)

(e) For the year ended 31 December 2017, the Bank issued 205 inter-bank certificates of deposit at discounts with maturities from one month to one year. As at 31 December 2017, 124 items of them are not yet due with a total par value of RMB 79.8 billion.

For the year ended 31 December 2017, there were no defaults of principal and interest or other breaches with respect to these bonds since their issuance (31 December 2016: nil).

30 OTHER LIABILITIES

	As at 31 December	
	2017	2016
Interest payable ^(a)	2,906,494	2,502,862
Clearing funds for unsecured wealth management products	1,697,837	480,119
Employee benefits payable	452,348	558,066
Value added tax/Business tax and other taxes payable ^(b)	181,880	249,478
Dividends payable	19,438	16,259
Deferred income	213,282	70,000
Other payables	892,339	481,999
Promissory notes issued	50,042	67,003
Continuing involvement in transferred liabilities	229,414	–
Others	98,264	28,147
	6,741,338	4,453,933

(a) Interest payable

	As at 31 December	
	2017	2016
Deposits from banks and other financial institutions	457,792	263,143
Customer deposits	2,068,194	2,042,368
Debt securities issued	380,508	197,351
Total	2,906,494	2,502,862

(b) Since 1 May 2016, according to the Notice on the Pilot Program of Levying Value-added Tax in Lien of Business Tax. (Cai Shui [2016] No.36) which issued by MOF, value added tax, with a tax rate of 6%, replacing the existing business tax will be levied for certain pilot industries, including financial industry, on a national-wide basis. The business tax, with a tax rate of 5%, was still applicable for aforesaid business before 1 May 2016.

Except for the statements above, the Group has no other significant changes of taxation.

Notes to the Consolidated Financial Statements

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

31 SHARE CAPITAL

All shares of the Bank issued are fully paid ordinary shares. The par value per share is RMB 1. The number of Group's shares is as follows:

	Number of shares (in thousand)	Amount
As at 31 December 2016 and 31 December 2017	3,127,055	3,127,055

32 PREFERENCE SHARES

(1) Preference shares outstanding at the end of the year

	Issue date	Dividend Rate	Issue price (USD)	Amount in shares	In original		Maturity	Conversion condition
					currency (in thousands)	In RMB (in thousands)		
Offshore preference share	20 December 2017	5.40% at the issue date, and resets in the following periods according to the agreement. Dividend rate shall not at any time exceed 16.21% per annum.	20	37,500,000	750,000	4,909,307	No maturity date	No conversion during the year

(2) Preference shares movement of the year

	31 December 2016	Additions	Deductions	31 December 2017
Amount in shares	–	37,500,000	–	37,500,000
Book value in RMB (in thousands)	–	4,909,307	–	4,909,307

32 PREFERENCE SHARES (Continued)

(3) Main Clauses

(a) Dividend Rate

The offshore preference shares will accrue dividends on their liquidation preference at the relevant dividend rate below:

- (1) from and including the issue date to but excluding the first reset date, at the Initial dividend rate; and
- (2) thereafter, in respect of the period from and including the first reset date and each reset date falling thereafter to but excluding the immediately following reset date, at the relevant reset dividend rate, provided that the dividend rate shall not at any time exceed 16.21% per annum, being the mean of the weighted average return on equity of the Bank (as determined in accordance with the *Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9-Calculation and Disclosure of Return on Equity and Earnings per Share (as amended in 2010)* and calculated based on the return attributable to the ordinary shareholders) for the two most recent financial years prior to the issue date.

(b) Conditions to Distribution of Dividends

As the capital adequacy ratio of the Bank meeting the relevant regulatory requirements, the Bank having distributable after-tax profit after making up for the losses of previous years and contributing to the statutory common reserve fund and general reserve in accordance with law; and the Board having passed a resolution to declare such dividend in accordance with the Articles of Association; Bank can distribute the dividends to offshore preference shareholders.

Further, subject to a resolution to be passed at a general meeting on each such occasion, the Bank may elect to cancel (in whole or in part) any dividend otherwise scheduled to be paid on a dividend payment date in the manner set out in the conditions. The Bank may at its discretion use the funds arising from the cancellation of such dividend to repay other debts that are due. Save as provided in the conditions, the offshore preference shareholders shall not be entitled to convene, attend or vote at such shareholders' general meeting.

The Bank shall give notice of any cancellation (in whole or in part) of any dividend scheduled to be paid to the offshore preference shareholders (in the manner specified in conditions) and the fiscal agent as soon as possible after a resolution has been passed at the general meeting described above to cancel (in whole or in part) such dividend, and in any event at least 10 payment business days prior to the relevant dividend payment date, provided that any failure to give such notice shall not affect the cancellation of (in whole or in part) such dividend by the Bank and shall not constitute a default for any purpose.

Notes to the Consolidated Financial Statements

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

32 PREFERENCE SHARES (Continued)

(3) Main Clauses (Continued)

(b) *Conditions to Distribution of Dividends (Continued)*

If the proposal of cancellation of all or partly offshore preference share dividends being approved by general meeting, the Bank shall not make any distribution or dividend to general shareholders or any type of share/obligation whose recovery order is or is clearly illustrated after offshore preference share.

(c) *Conversion*

If any trigger event occurs, the Bank shall (having notified and obtained the consent of the CBRC but without the need for the consent of the preference shareholders or the ordinary shareholders):

- (1) cancel any dividend in respect of the relevant loss absorption amount that is unpaid accrued up to and including the conversion date; and
- (2) irrevocably and compulsorily convert with effect from the conversion date all or some only of the offshore preference shares into such number of H Shares as is equal to (i) the loss absorption amount held by the offshore preference shareholders (as converted into Hong Kong dollars at the fixed exchange rate of U.S.\$1.00 to HK\$7.7628) divided by (ii) the effective conversion price rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H Shares (such conversion to H Shares being referred to as a “Conversion”, and “Converted” shall have a corresponding meaning), and any fractional share less than one H Share resulting from the conversion will not be issued and no cash payment or other adjustment will be made in lieu thereof.

Trigger event means additional Tier 1 Capital Instrument trigger event or non-viability trigger event (whichever is applicable). Among them, additional Tier 1 Capital Instrument trigger event means at any time, the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below. Non-viability trigger event is the earlier of below :

- (i) the CBRC having decided that without a conversion or write off of the Bank’s capital, the Bank would become non-viable; and
- (ii) the relevant authorities having decided that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

32 PREFERENCE SHARES (Continued)

(3) Main Clauses (Continued)

(d) Status and Rights upon Liquidation

Upon the winding-up of the Bank, the offshore preference shareholders shall rank:

- (1) junior to holders of (i) all liabilities of the Bank including subordinated liabilities and (ii) obligations issued or guaranteed by the Bank that rank, or are expressed to rank, senior to the offshore preference shares;
- (2) equally in all respects with each other and without preference among themselves and with the holders of parity obligations; and
- (3) in priority to the ordinary shareholders

Upon the winding-up of the Bank, the assets of the Bank will be distributed in the following order:

- (i) payment of liquidation expenses;
- (ii) payment of salaries, social insurance premiums and legal compensations of the employees of the Bank;
- (iii) payment of principal amounts for personal savings deposit and its legal interest;
- (iv) payment of taxes due; and
- (v) settlement of the debts of the Bank.

On such winding-up of the Bank, the residual assets of the Bank shall, after the distributions in accordance with paragraphs (i) to (v) above have been made, be applied to the claims of the offshore preference shareholders and the claims of the offshore preference shareholders shall rank *pari passu* with the claims of holders of any parity obligations in all respects and in priority to the claims of the ordinary shareholders. On such winding-up of the Bank, the offshore preference shareholders shall be entitled to an amount in respect of each offshore preference share which will be equal to the liquidation preference together with any declared but unpaid dividends for the then current dividend period in respect of that offshore preference share.

If there are insufficient residual assets upon such winding-up of the Bank to cover the amounts payable in full on the offshore preference shares and all parity obligations, the offshore preference shareholders and the holders of such parity obligations will share rateably in the distribution of such residual assets (if any) of the Bank in proportion to the full amounts to which they are respectively entitled.

Notes to the Consolidated Financial Statements

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

32 PREFERENCE SHARES (Continued)

(3) Main Clauses (Continued)

(e) *Optional Redemption*

The Bank may, subject to obtaining CBRC approval and compliance with the conditions to the distribution of dividends set out in the conditions and the redemption preconditions, upon not less than 30 nor more than 60 days' notice to the offshore preference shareholders and the fiscal agent, redeem in whole or in part of the offshore preference shares on the first reset date and on any dividend payment date thereafter. The redemption price for each offshore preference share so redeemed shall be the aggregate of an amount equal to its liquidation preference plus any declared but unpaid dividends in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the date scheduled for redemption.

33 CAPITAL SURPLUS

Generally, transactions of the following nature are recorded in the capital surplus:

- (a) Share premium arising from the issue of shares at prices in excess of their par value;
- (b) Donations received from shareholders; and
- (c) Any other items required by the PRC regulations to be so treated.

Capital surplus can be utilised for the issuance of bonus shares or for increasing paid-in capital as approved by the shareholders at the annual general shareholders' meeting.

The Bank issued shares at share premium. Share premium was recorded in the capital surplus after deducting direct issuance costs, which mainly included underwriting fees and professional fees.

As at 31 December 2017 and 31 December 2016, the Group's capital surplus is shown as follow:

	As at 31 December	
	2017	2016
Share premium	4,679,838	4,679,838
Donations received from shareholders	800	800
	4,680,638	4,680,638

Notes to the Consolidated Financial Statements

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

34 OTHER RESERVES

	Surplus reserve ^(a)	General reserve ^(b)	Revaluation reserve for available- for-sale securities	Remeasurement of retirement benefits	Total
Balance at 1 January 2017	1,872,431	4,042,421	233,262	(2,467)	6,145,647
Other comprehensive income	-	-	(586,584)	1,053	(585,531)
Addition	372,588	704,944	-	-	1,077,532
Balance at 31 December 2017	2,245,019	4,747,365	(353,322)	(1,414)	6,637,648
Balance at 1 January 2016	1,522,214	3,426,582	390,730	(2,227)	5,337,299
Other comprehensive income	-	-	(157,468)	(240)	(157,708)
Addition	350,217	615,839	-	-	966,056
Balance at 31 December 2016	1,872,431	4,042,421	233,262	(2,467)	6,145,647

(a) *Surplus reserve*

In accordance with the Company Law of the People's Republic of China and the Articles of Association, 10% of the net distributable profit of the Bank and its subsidiary, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital. With approval, statutory surplus reserve can be used for making up losses, or increasing the share capital.

The Group's statutory reserve as at 31 December 2017 amounted to RMB2,245,019 thousand (31 December 2016: RMB1,872,431 thousand).

(b) *General reserve*

Since 1 July 2012, the Bank appropriates general reserves according to Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No.20) issued by the Ministry of Finance (MOF). In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets. This measure also stipulates that if the balance of general risk reserve for a financial enterprise can hardly reach 1.5% of the aggregate amount of all risk assets, the reserve may be appropriated to 1.5% during certain years, which shall not exceed 5 years in principle.

A general reserve of RMB619,378 thousand based on 1.5% of the ending balance of risk assets for the year ended 31 December 2017 was proposed by the Board of the Bank for approval at the annual general meeting. These consolidated financial statements do not reflect this general reserve.

For the year ended 31 December 2017, the Group appropriated a general reserve of RMB704,944 thousand from undistributed profits (31 December 2016: RMB615,839 thousand). As at 31 December 2017, the ending balance of general reserve was RMB4,747,365 thousand (31 December 2016: RMB4,042,421 thousand).

Notes to the Consolidated Financial Statements

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

35 DIVIDENDS

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

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

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

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

A dividend of RMB0.118 per share in respect of profit for the year ended 31 December 2017 (2016: RMB0.291 per share), amounting to a total dividend of RMB368,992 thousand based on the number of shares issued as at 31 December 2017, will be proposed for approval at the annual general meeting. These consolidated financial statements do not reflect this dividend payable in liabilities.

36 STRUCTURED ENTITY

(a) Consolidated structured entity

The Group has consolidated certain structured entities which mainly are wealth management products where the Group provides financial guarantee. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For those wealth management products where the Group provides financial guarantee, the Group therefore has obligation to fund the losses, if any, in accordance with the guarantee agreements although the Group does not have any investment in those products. The Group concludes that these structured entities shall be consolidated.

As at 31 December 2017, the wealth management products managed and consolidated by the Group amounted to RMB13,165,158 thousand (31 December 2016: RMB5,046,598 thousand). The financial impact of any individual wealth management products on the Group's financial performance is not significant. Interests held by interest holders in wealth management products are included in customer deposits and due to other banks and financial institutions.

Notes to the Consolidated Financial Statements

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

36 STRUCTURED ENTITY (Continued)

(b) Unconsolidated structured entity

(i) Unconsolidated structured entities managed by the Group

The unconsolidated structure entities managed by the Group are mainly wealth management products issued and managed by the Group acting as an agent. Based on the analysis and research on the potential targeted clients, the Group designs and sells capital investment and management plan to specific targeted clients, and the raised funds are then put into related financial market or invested in related financial products according to the product contracts. Gains would be allocated to investors after the Group gained from investment. The Group receives corresponding wealth management commission fee income as the asset manager. The Group has recognised net commission income from unsecured wealth management products with the amount of RMB748,927 thousand for the year ended 31 December 2017 through provision of asset management service (2016: RMB637,719 thousand). The Group expects that the variable return is insignificant as to the structured entities. By the end of 31 December 2017, the maximum risk exposure of the unconsolidated structured entities is zero (31 December 2016: nil). The Group has not provided any liquidity support to the wealth management products during the year.

As at 31 December 2017, the balance of unconsolidated wealth management products managed and consolidated by the Group was RMB53,578,777 thousand (31 December 2016: RMB36,944,566 thousand).

(ii) Unconsolidated structured entities invested by the Group

In 2017, to make better use of capital for profit, the Group invested in unconsolidated structured entities, mainly including the wealth management products, capital trust schemes and directional asset management plans issued and managed by independent third parties. The Group classified the unconsolidated structured entities as loans and receivables.

The table below lists the book value and maximum loss risk exposure of the assets due to the holdings of profits from unconsolidated structured entities.

As at 31 December 2017	Book value	Maximum risk exposure
Investment securities – loans and receivables	95,601,296	95,601,296
<hr/>		
As at 31 December 2016	Book value	Maximum risk exposure
Investment securities– loans and receivables	71,653,855	71,653,855

Notes to the Consolidated Financial Statements

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

36 STRUCTURED ENTITY (Continued)

(b) Unconsolidated structured entity (Continued)

(ii) Unconsolidated structured entities invested by the Group (Continued)

The interest income and fee and commission income from the above unconsolidated structured entities were:

	2017	2016
Interest income	5,028,918	4,353,769
Fee and commission income	1,107,763	1,319,228
	6,136,681	5,672,997

The market information of total size of the unconsolidated structured entities listed above is not readily available from the public.

For the year ended 31 December 2017, there was no loss related to the above unconsolidated structured entities (2016: nil).

For the year ended 31 December 2017, the Group had no plan to provide any financial or other support to unconsolidated structured entities (2016: nil).

37 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Financial guarantees and credit related commitments

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

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

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

37 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Capital expenditure commitments

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

Operating lease commitments

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

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

External investment commitment

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

Legal proceedings

Legal proceedings are initiated by third parties against the Group as defendant. The Group has 16 outstanding legal claims of RMB281,358 thousand in total as at 31 December 2017 (31 December 2016: 9 outstanding legal claims for loan of RMB15,615 thousand in total). After consulting legal professionals, the management believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

Notes to the Consolidated Financial Statements

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

38 COLLATERALS

(a) Assets pledged

The carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	As at 31 December	
	2017	2016
Debt securities	5,994,500	2,984,720
Notes under resale agreements	–	11,447,635
Discounted bills	–	358,830
Total	5,994,500	14,791,185

The carrying amounts of loans pledged as collateral under refinance agreements with the PBOC are as follows:

	As at 31 December	
	2017	2016
Loans	2,483,493	4,294,190

As at 31 December 2017 and 31 December 2016, the Group's repurchase agreements and refinance agreements were due within 12 months.

(b) Collateral accepted

The Group received debt securities and bills as collaterals in connection with the purchase of assets under resale agreements. Some of these collaterals accepted can be resold or repledged.

As at 31 December 2017, the Group has accepted collaterals that can be resold or repledged with a fair value of RMB17,995,796 thousand (31 December 2016: RMB32,775,458 thousand). The Group has repledged collaterals accepted that the Group is obligated to repay with a fair value of RMB5,994,500 thousand as at 31 December 2017 (31 December 2016: RMB11,447,635 thousand).

39 CREDIT RISK-WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS

	As at 31 December	
	2017	2016
Financial guarantees and credit related commitments	10,969,438	9,927,931

The credit risk weighted amount refers to the amount calculated in accordance with the formula promulgated by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and credit commitments.

Notes to the Consolidated Financial Statements

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

40 OTHER COMPREHENSIVE INCOME

	Before tax amount	Tax expense/ (benefit)	Net of tax amount
As at 31 December 2017			
<i>Items that may be reclassified to profit or loss:</i>			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	(782,112)	195,528	(586,584)
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of pension scheme	1,404	(351)	1,053
Other comprehensive income/(losses) for the year	(780,708)	195,177	(585,531)
As at 31 December 2016			
<i>Items that may be reclassified to profit or loss:</i>			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	(209,957)	52,489	(157,468)
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of pension scheme	(320)	80	(240)
Other comprehensive income/(losses) for the year	(210,277)	52,569	(157,708)

41 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

For the purposes of the statement of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	As at 31 December	
	2017	2016
Cash and balances with central bank	9,566,914	10,205,412
Due from other banks and financial institutions	8,885,308	9,434,308
Placements with banks	1,972,755	5,148,609
	20,424,977	24,788,329

Notes to the Consolidated Financial Statements

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

42 RELATED PARTY TRANSACTIONS

(a) Related parties of the Group

The Group has no control over or controlled by any related parties or joint ventures during the reporting period.

The related parties of the Group mainly include: the major shareholders who have 5% or more shares of the Bank as well as the entities controlled by them, the Group's associates, the key management personnel (including the Group's directors, supervisors and senior management) and their family members who have close relationships with them as well as the entities which are controlled, joint controlled or can be significantly influenced by the Group's key management personnel or their family members, and the entities in which the Group's key management personnel or their close family members act as directors or senior management except the Group.

(b) Related party transactions and balances

Transactions and balances with associates

Transactions between the Group and its associates are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates are as follows:

	As at 31 December	
	2017	2016
Due to other banks and financial institutions	521	220
Placements with other banks	300,000	500,000
	2017	2016
Interest income	23,846	–
Interest expense	16	–

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

42 RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions and balances (Continued)

Related party transactions and balances (besides associates)

The main transactions between the Group and the related parties were engaged under ordinary business terms.

All transaction balances and ranges of the interest rate with the related parties at the end of reporting period are as follows:

	As at 31 December	
	2017	2016
Loans and advances to customers	117,934	395,292
Customer deposits	1,022,435	328,959
Due to other banks and financial institutions	788,798	527,483
Other receivables	228,193	284,000

	As at 31 December	
	2017	2016
Loans and advances to customers	4.17%–5.66%	4.165%–7.04%
Customer deposits	0.385%–3.575%	0.385%–5.225%
Due to other banks and financial institutions	0.385%	0.385%

	2017	2016
	Interest income from loans and advances to customers	5,286
Interest expense for customer deposits	4,728	2,804

Notes to the Consolidated Financial Statements

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

42 RELATED PARTY TRANSACTIONS (Continued)

(c) Balance of loans and advances to customers guaranteed by the related parties

	As at 31 December	
	2017	2016
Chongqing Xingnong Financing Guarantee Group Co., Ltd.	2,265,919	2,568,393
Chongqing Sanxia Guarantee Group Corporation	579,460	963,242
Chongqing Export–Import Credit Guarantee Co., Ltd.	–	111,000
Chongqing RE–Guarantee Co., Ltd.	113,000	–
	2,958,379	3,642,635

(d) Transactions between the Bank and its subsidiary

Related party transactions are conducted between the Bank and its subsidiary. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority.

For the year ended 31 December 2017, transactions between the Bank and its subsidiary only include due to other financial institutions (31 December 2016: nil).

As at 31 December 2017, the Bank's deposits from its subsidiary amounted to RMB26,314 thousand (31 December 2016: nil). For the year ended 31 December 2017, the interest expense of the Bank's transactions with subsidiary amounted to RMB21,440 thousand (at 31 December 2016: nil).

(e) Transactions with key management personnel

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the business of the Group, directly or indirectly, including directors, supervisors and senior management personnel. The Group enters into banking transactions with key management personnel in the normal course of business. During the years ended 31 December 2017 and 2016, there was no material transaction and balance with key management personnel on an individual basis.

The compensation for key management for the years ended 31 December 2017 and 2016 comprises:

	2017	2016
Remunerations, salaries, allowances and benefits	2,407	4,236
Discretionary bonuses	3,666	5,514
Contribution to pension schemes	1,055	1,183
	7,128	10,933

Notes to the Consolidated Financial Statements

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

42 RELATED PARTY TRANSACTIONS (Continued)

(f) Loans and advances to directors, supervisors and senior management

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior management as at the end of reporting period. Those loans and advances to directors, supervisors and senior management were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees.

43 SEGMENT ANALYSIS

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

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

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

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

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

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

Notes to the Consolidated Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

44 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

(a) Statement of Financial Position of the Bank

	As at 31 December	
	2017	2016
ASSETS		
Cash and balances with central bank	43,727,432	42,813,488
Due from other banks and financial institutions	36,900,088	55,706,352
Financial assets at fair value through profit or loss	702,202	881,977
Loans and advances to customers	163,283,323	146,789,046
Investment securities		
– Loans and receivables	100,607,725	75,750,755
– Available-for-sale (“AFS”)	37,106,799	23,885,457
– Held-to-maturity (“HTM”)	21,012,375	19,794,542
Investment in subsidiaries	1,530,000	–
Investment in associates	1,113,146	238,394
Property, plant and equipment	2,830,692	2,691,236
Deferred income tax assets	1,369,094	1,005,271
Other assets	5,040,438	3,547,216
Total assets	415,223,314	373,103,734
LIABILITIES		
Due to other banks and financial institutions	50,197,566	60,350,785
Customer deposits	238,704,678	229,593,793
Current tax liabilities	331,343	295,059
Debt securities issued	88,727,330	54,598,252
Other liabilities	6,350,681	4,453,933
Total liabilities	384,311,598	349,291,822
EQUITY		
Share capital	3,127,055	3,127,055
Preference shares	4,909,307	–
Capital surplus	4,680,638	4,680,638
Other reserves	6,619,611	6,145,647
Retained earnings	11,575,105	9,858,572
Equity attributable to shareholders of the Bank	30,911,716	23,811,912
Total liabilities and equity	415,223,314	373,103,734

Notes to the Consolidated Financial Statements

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

44 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (Continued)

(b) Statement of Changes in Equity of the Bank

	Share capital	Preference shares	Capital surplus	Surplus reserve	General reserve	Revaluation reserve for available-for-sale securities	Remeasurement of retirement benefits	Retained earnings	Total
Balance at									
1 January 2016	3,127,055	-	4,680,638	1,522,214	3,426,582	390,730	(2,227)	8,148,003	21,292,995
Net profit for the year	-	-	-	-	-	-	-	3,502,167	3,502,167
Other comprehensive income	-	-	-	-	-	(157,468)	(240)	-	(157,708)
Total comprehensive income	-	-	-	-	-	(157,468)	(240)	3,502,167	3,344,459
Dividends	-	-	-	-	-	-	-	(825,542)	(825,542)
Transfer to other reserves	-	-	-	350,217	615,839	-	-	(966,056)	-
Balance at 31									
December 2016	3,127,055	-	4,680,638	1,872,431	4,042,421	233,262	(2,467)	9,858,572	23,811,912
Balance at									
1 January 2017	3,127,055	-	4,680,638	1,872,431	4,042,421	233,262	(2,467)	9,858,572	23,811,912
Net profit for the year	-	-	-	-	-	-	-	3,686,001	3,686,001
Other comprehensive income	-	-	-	-	-	(586,584)	1,053	-	(585,531)
Total comprehensive income	-	-	-	-	-	(586,584)	1,053	3,686,001	3,100,470
Issuance of preference shares	-	4,909,307	-	-	-	-	-	-	4,909,307
Dividends	-	-	-	-	-	-	-	(909,973)	(909,973)
Transfer to other reserves	-	-	-	368,600	690,895	-	-	(1,059,495)	-
Balance at									
31 December 2017	3,127,055	4,909,307	4,680,638	2,241,031	4,733,316	(353,322)	(1,414)	11,575,105	30,911,716

45 SUBSEQUENT EVENTS

Up to the date of this report, the Group has no material events for disclosure after the reporting date.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Liquidity Ratios

(Expressed in percentage)	As at December 31, 2017	As at December 31, 2016
RMB current assets to RMB current liabilities	75.25	60.16
Foreign currency current assets to foreign currency current liabilities	687.92	67.37

The liquidity ratios are calculated in accordance with the relevant provisions of the PBOC and the CBRC.

2. Cross-border Claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include amounts due from other banks and financial institutions.

Cross-border claims have been disclosed by different countries or geographical areas. A country or geographical area is reported separately where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2017	As at December 31, 2016
Asia Pacific excluding Mainland China	4,892,457	17,186
– of which attributed to Hong Kong	4,891,815	16,310
Europe	2,379	547,791
North America	444,194	429,923
Oceania	649	121
Total	5,339,679	995,021

Unaudited Supplementary Financial Information

3. Currency Concentrations

(All amounts expressed in thousands of RMB unless otherwise stated)	Equivalent in RMB			
	US Dollar	HK Dollar	Others	Total
As at December 31, 2017				
Spot assets	14,404,657	13,104	70,979	14,488,740
Spot liabilities	(14,190,336)	(128)	(70,108)	(14,260,572)
Net position	214,321	12,976	871	228,168

(All amounts expressed in thousands of RMB unless otherwise stated)	Equivalent in RMB			
	US Dollar	HK Dollar	Others	Total
As at December 31, 2016				
Spot assets	6,770,872	5,431	585,249	7,361,552
Spot liabilities	(6,626,496)	(5,431)	(585,250)	(7,217,177)
Net position	144,376	–	(1)	144,375

4. Overdue and Rescheduled Assets

(a) Overdue loans

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2017		As at December 31, 2016	
	Total overdue loans to customers	Percentage (%)	Total overdue loans to customers	Percentage (%)
Within 3 months	4,260,480	52.74	3,313,201	59.26
Between 3 and 6 months	822,409	10.18	844,768	15.11
Between 6 and 12 months	1,372,474	16.99	815,292	14.58
Over 12 months	1,623,208	20.09	617,612	11.05
Total	8,078,571	100.00	5,590,873	100.00

(b) Overdue and rescheduled loans

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2017	As at December 31, 2016
Gross amount of overdue and rescheduled loans	1,227,618	723,912

4. Overdue and Rescheduled Assets (Continued)

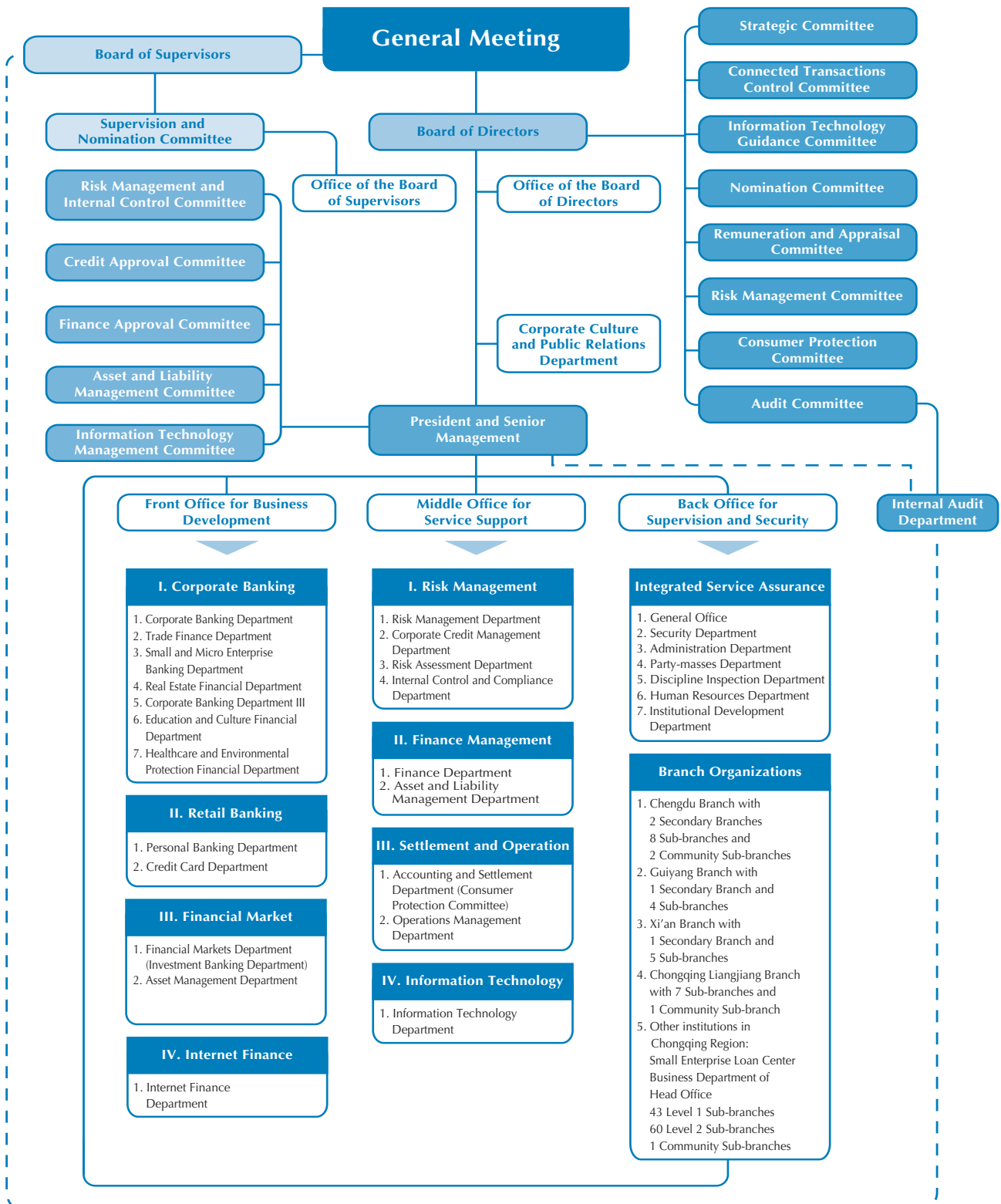
(c) Type of collateral of overdue loans

(All amounts expressed in thousands of RMB unless otherwise stated)	Past due	Past due	Past due	Past due	Total
	1-90 days (including 90 days)	90 days-1 year (including 1 year)	1-3 years (including 3 years)	over 3 years	
As at December 31, 2017					
Unsecured loans	123,584	62,964	47,594	786	234,928
Guaranteed loans	1,831,973	804,272	504,457	684	3,141,386
Collateralised loans	1,933,125	1,292,887	800,974	58,910	4,085,896
Pledged loans	369,022	37,535	209,346	458	616,361
Total	4,257,704	2,197,658	1,562,371	60,838	8,078,571
As at December 31, 2016					
Unsecured loans	67,173	36,689	41,125	–	144,987
Guaranteed loans	1,725,638	633,599	54,207	425	2,413,869
Collateralised loans	1,375,696	916,817	391,438	49,637	2,733,588
Pledged loans	142,433	75,216	80,322	458	298,429
Total	3,310,940	1,662,321	567,092	50,520	5,590,873

5. Geographical Information

The Bank mainly operates its business in Mainland China, and most of its loans and advances are granted to the clients from the city of Chongqing.

Organizational Chart



List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
1	Business Department of Bank of Chongqing Co., Ltd.	Lot A04-1/03, Outline Zoning A, Jiangbeicheng, Jiangbei District, Chongqing	400024
2	Small Enterprise Loan Centre of Bank of Chongqing Co., Ltd.	No. 331 Donghu South Road, Yubei District, Chongqing	401147
3	Liangjiang Branch of Bank of Chongqing Co., Ltd.	No. 52 Middle Section of Huangshan Avenue, Yubei District, Chongqing	401121
4	Chengdu Branch of Bank of Chongqing Co., Ltd.	North Building, New Tianfu International Centre, No. 99 Tianfu Second Street, Hi-Tech District, Chengdu, Sichuan	610059
5	Guiyang Branch of Bank of Chongqing Co., Ltd.	1/F to 3/F, Building II, Shengshi Huating, No. 51 Jiefang Road, Nanming District, Guiyang, Guizhou	550002
6	Xi'an Branch of Bank of Chongqing Co., Ltd.	1/F to 3/F, Building 2, Yinhe Xinzuoobao Building, No. 25 Tangyan Road, Xi'an, Shaanxi	710075
7	Guang'an Secondary Branch of Bank of Chongqing Co., Ltd.	1/F and 15/F, Guang'an Power Administration, Building, No. 9 Siyuan Avenue, Guang'an District, Guang'an, Sichuan	638000
8	Leshan Secondary Branch of Bank of Chongqing Co., Ltd.	(Even No.) No. 438-454 Baiyang Middle Road and (Even No.) No. 206-214 Jiaxing Road, Central District, Leshan, Sichuan	614001
9	Bijie Secondary Branch of Bank of Chongqing Co., Ltd.	1-4/F, Block 5, Qizhong Aolai International Plaza, Qixingguan District, Bijie, Guizhou	551700
10	Yan'an Secondary Branch of Bank of Chongqing Co., Ltd.	No. 1 Nanshi Street, Baota District, Yan'an, Shaanxi	716000
11	Wenhuagong Sub-branch of Bank of Chongqing Co., Ltd.	No. 139 Zhongshan San Road, Yuzhong District, Chongqing	400014
12	Qixinggang Sub-branch of Bank of Chongqing Co., Ltd.	No. 148 Zhongshan Yi Road, Yuzhong District, Chongqing	400013
13	Bayi Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 258 Bayi Road, Yuzhong District, Chongqing	400010
14	The Great Hall Sub-branch of Bank of Chongqing Co., Ltd.	No. 4 Xuetianwan Zheng Street, Yuzhong District, Chongqing	400015
15	Renhe Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 89 Renhe Street, Yuzhong District, Chongqing	400015
16	Shangqingsi Sub-branch of Bank of Chongqing Co., Ltd.	No. 38-4, 5, 6, and 7 Zhongshan Si Road, Yuzhong District, Chongqing	400015
17	Jiefangbei Sub-branch of Bank of Chongqing Co., Ltd.	No. 101 Minzu Road, Yuzhong District, Chongqing	400010
18	Minsheng Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 153 Zourong Road, Yuzhong District, Chongqing	400010
19	Dayanggou Sub-branch of Bank of Chongqing Co., Ltd.	G/F (street frontage), Oupeng Building, No. 216 Xinhua Road, Yuzhong District, Chongqing	400010

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
20	Chaotianmen Sub-branch of Bank of Chongqing Co., Ltd.	No. 7 Datong Street, Yuzhong District, Chongqing	400011
21	Zongbucheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 44 and 46 Huxie Road, Yuzhong District, Chongqing	400011
22	Hualongqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 162 and 164 Ruitian Road, Yuzhong District, Chongqing	400043
23	Renmin Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 129 Renmin Road, Yuzhong District, Chongqing	400015
24	Shidai Tian Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 16-2-35 and 16-2-36 Shidai Tian Street, Yuzhong District, Chongqing	400014
25	Daping Sub-branch of Bank of Chongqing Co., Ltd.	No. 121 Daping Changjiang Er Road, Yuzhong District, Chongqing	400042
26	Minxinjiayuan Community Sub-branch of Bank of Chongqing Co., Ltd.	No. 530-15, Minxin Road, Beibu New District, Chongqing	401147
27	Xiaolongkan Sub-branch of Bank of Chongqing Co., Ltd.	No. 18 Xiaolongkan New Street, Shapingba District, Chongqing	400030
28	Shazheng Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 37-6 Shazheng Street, Shapingba District, Chongqing	400030
29	Sanxia Plaza Sub-branch of Bank of Chongqing Co., Ltd.	No. 339-3, Xiaolongkan Zheng Street, Shapingba District, Chongqing	400030
30	Tianxingqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 40-28 Tianxingqiao Zheng Street, Shapingba District, Chongqing	400030
31	Chongda Sub-branch of Bank of Chongqing Co., Ltd.	No. 83 Shabei Street, Shapingba District, Chongqing	400044
32	University City Sub-branch of Bank of Chongqing Co., Ltd.	No. 125-127 and 149-152, No. 17 University City West Road, Huxi Town, Shapingba District, Chongqing	400044
33	Dadukou Sub-branch of Bank of Chongqing Co., Ltd.	No. 37-18 Cuibai Road, Chunhui Road Subdistrict, Dadukou District, Chongqing	400084
34	Ganghua Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Shuangshan Road, Dadukou District, Chongqing	400084
35	Jiulong Square Sub-branch of Bank of Chongqing Co., Ltd.	No. 36 Yangjiaping Xijiao Road, Jiulongpo District, Chongqing	400050
36	Baishiyi Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-3, 4, 5, and 6, Unit 1, Building 1, No 23 Bai Xin Road, Baishiyi Town, Jiulongpo District, Chongqing	401329
37	High-Tech Development Zone Subbranch of Bank of Chongqing Co., Ltd.	No. 1409 Jingwei Avenue, Jiulongpo District, Chongqing	400039
38	Yangjiaping Sub-branch of Bank of Chongqing Co., Ltd.	(Jianye Building) Yangjiaping Labour Village 3, Jiulongpo District, Chongqing	400050
39	Yuzhou Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 18-1 Yuzhou Road, Jiulongpo District, Chongqing	400039

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
40	Nanping Sub-branch of Bank of Chongqing Co., Ltd.	2-2, 1/F, No. 199 Nancheng Avenue, Nanping Subdistrict, Nan'an District, Chongqing	400060
41	Chayuan New District Sub-branch of Bank of Chongqing Co., Ltd.	No. 101-8 Tongjiang Avenue, Chayuan New District, Nan'an District, Chongqing	401336
42	Danzishi Sub-branch of Bank of Chongqing Co., Ltd.	No. 52 Danzishi New Street, Nan'an District, Chongqing	400061
43	Huilongwan Sub-branch of Bank of Chongqing Co., Ltd.	No. 37, 1/F, No. 29, Nanhu Road, Nan'an District, Chongqing	400060
44	Banan Sub-branch of Bank of Chongqing Co., Ltd.	No. 60-1 Xinshi Street, Banan District, Chongqing	401320
45	Yudong Sub-branch of Bank of Chongqing Co., Ltd.	Shop-1 13-20, Shop-2 9-14, Shop-3 6-12, No. 40 Longzhou Avenue, Ba Shop-2 9-14, Shop-3 6-12, No. 40 Lon	401320
46	Jieshi Sub-branch of Bank of Chongqing Co., Ltd.	No. 137, 139, 141 and 143 Jiemei Road, Jieshi Town, Banan District, Chongqing	401346
47	Lijiatio Sub-branch of Bank of Chongqing Co., Ltd.	Shop 5 No. 5, Mawangping Zheng Street, Lijiatio, Banan District, Chongqing	400054
48	Beibei Sub-branch of Bank of Chongqing Co., Ltd.	No. 453, 455 and 457 Yunqing Road, Beibei District, Chongqing	400700
49	Beibeichaoyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 73 Zhongshan Road, Beibei District, Chongqing	400700
50	Southwest University Sub-branch of Bank of Chongqing Co., Ltd.	No. 18 Shigang Village, Beibei District, Chongqing	400700
51	Tianshengqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 85-3 Huangshu Village, Beibei District, Chongqing	400716
52	Beibei District Shuitu Sub-branch of Bank of Chongqing Co., Ltd.	No. 98-27 Fangzheng Avenue, Beibei District, Chongqing	400700
53	Jianxin North Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 23-4 Jianxin North Road, Jiangbei District, Chongqing	400020
54	Ranjiaba Sub-branch of Bank of Chongqing Co., Ltd.	No. 433 and 435 Longshan Road, Nanqiao Temple, Yubei District, Chongqing	400020
55	Wulidian Sub-branch of Bank of Chongqing Co., Ltd.	No. 292 Jianxin East Road, Jiangbei District, Chongqing	400023
56	Jianxin East Road Sub-branch of Bank of Chongqing Co., Ltd.	Baiyexing Building, No. 3-1 Jianxin East Road, Jiangbei District, Chongqing	400020
57	Bonded Port Sub-branch of Bank of Chongqing Co., Ltd.	2-1, 2-2, 2-3, and 2-4, Building 2, No. 153 Jinyu Avenue, Jiangbei District, Chongqing	400025
58	Longtousi Sub-branch of Bank of Chongqing Co., Ltd.	No. 331 Donghu South Road, Yubei District, Chongqing	401147
59	Jinkai Sub-branch of Bank of Chongqing Co., Ltd.	No. 11-1 Jintong Road, Beibu New District, Chongqing	401122
60	Yanghe Sub-branch of Bank of Chongqing Co., Ltd.	No. 383 Honghuang Road, Longxi Sub-district, Yubei District, Chongqing	401147

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
61	Yuanyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 119, Building G8, No. 1122 Jinkai Avenue, Beibu New District, Chongqing	401147
62	Liangjiang New District Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-3 Xingguang Avenue, Gaoxin Park, Beibu New District, Chongqing	401121
63	Fenglinxiushui Sub-branch of Bank of Chongqing Co., Ltd.	No. 52, 54, 56 and 58 Xihu Road, Yubei District, Chongqing	401120
64	Songshuqiao Sub-branch of Bank of Chongqing Co., Ltd.	District A, Shanghai Building, No. 71 Wuling Road, Longxi Sub-district, Yubei District, Chongqing	401147
65	Renhe Sub-branch of Bank of Chongqing Co., Ltd.	No. 50 Renhe Jile Avenue, Yubei District, Chongqing	401121
66	Jiazhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 115 Jiazhou Road, Yubei District, Chongqing	401147
67	Yuzui Sub-branch of Bank of Chongqing Co., Ltd.	No. 14, 15 and 16, 1/F, Building B2, Tuoxin • Liangjiang Qibocheng, No. 47 Yonghe Road, Yuzui, Liangjiang New District, Chongqing	401133
68	Chang'an Jinxiucheng Community Subbranch of Bank of Chongqing Co., Ltd.	Shop 1027, Second District, No. 109 Songpai Road (Chang'an Jinxiucheng), Longxi Sub-district, Yubei District, Chongqing	401147
69	Red Star Plaza Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1, 1-2, and 1-3, Building 4, No. 42 Golden State Avenue, Beibu New District, Chongqing	401120
70	Yubei Sub-branch of Bank of Chongqing Co., Ltd.	Shops 1-1 and 2-1 of Integrated Commercial Complex of Shengjing Tianxia, No. 9 Baiguo Road, Shuanglonghu Sub district, Yubei District, Chongqing	401120
71	Lianglu Sub-branch of Bank of Chongqing Co., Ltd.	No. 86 Shuanglong Avenue, Shuanglonghu Subdistrict, Yubei District, Chongqing	401120
72	Fuling Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-2, 2-2, 3-1, 3-4, Basement, Block 2, Xiangjiang Garden, No. 8-1 Zhongshan Road, Fuling District, Chongqing	408000
73	Fuling Stadium Sub-branch of Bank of Chongqing Co., Ltd.	Xinghua Middle Road (Stadium South Road), Fuling District, Chongqing	408000
74	Lidu Sub-branch of Bank of Chongqing Co., Ltd.	No. 88 Julong Avenue, Lidu Sub-district, Fuling District, Chongqing	408100
75	Changshou Sub-branch of Bank of Chongqing Co., Ltd.	No. 10 Taoyuan West Road, Changshou District, Chongqing	401220
76	Yanjia Sub-branch of Bank of Chongqing Co., Ltd.	No. 33 Yucai Road, Yanjia Sub-district, Changshou District, Chongqing	401221
77	Fengcheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 2 Xiangyang Road, Changshou District, Chongqing	401220
78	Hechuan Sub-branch of Bank of Chongqing Co., Ltd.	1-2, 2-1, No. 402, 400 Jiangcheng Avenue, South Office, Hechuan District, Chongqing	401520

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
79	Hechuan District Zhaojia Sub-branch of Bank of Chongqing Co., Ltd.	No. 47, 49, 51 Jiaotong Street and No. 210, 212, 214, 216 Zuofu Road, Joint Office, Hechuan District, Chongqing	401520
80	Wanzhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 193 Baiyan Road, Wanzhou District, Chongqing	404000
81	Wanzhou District Wuqiao Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Building A, Shanghai Grand World, No. 55 Shanghai Avenue, (Wuqiao) Wanzhou District, Chongqing	404020
82	Qianjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 555 Xinhua Avenue (West Section), Chengxi Sub-district, Qianjiang District, Chongqing	409000
83	Dashizi Sub-branch of Bank of Chongqing Co., Ltd.	No. 296 Jiefang Road, Chengdong Sub-district, Qianjiang District, Chongqing	409000
84	Jiangjin Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-2 and 2-1, Building 1, Xiangrui Building, No. 518 Dingshan Avenue, Dingshan Sub-district, Jiangjin District, Chongqing	402260
85	Jiangjin District Shuangfu Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1, 1-2 and 1-3, Basement, Block 1, Meifang Mansion, Shui Basement, No. 95, 93 and 91 Shuangfu Avenue, Shuangfu Sub-district, Jiangjin District, Chongqing	402260
86	Jiangjin District Luohuang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-8, Block Commercial, Century Huacheng, No. 23 Luohuang Industrial Park Avenue, Luohuang Town, Jiangjin District, Chongqing	402283
87	Tongliang Sub-branch of Bank of Chongqing Co., Ltd.	2-1, No. 2, No. 2 Jiefang East Road, Bachuan Sub-district, Tongliang District, Chongqing	402560
88	Tongliang District Xincheng Sub-branch of Bank of Chongqing Co., Ltd.	(Even No.) No. 198-206 and 206-1-8 Zhongxing East Road, Dongcheng Sub-district, Tongliang District, Chongqing	402560
89	Yongchuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 78 Renmin South Road, Yongchuan District, Chongqing	402160
90	Yongchuan District Yuxi Square Sub-branch of Bank of Chongqing Co., Ltd.	No. 101-1-5 and 101-10 Xuanhua Road, Yongchuan District, Chongqing	402160
91	Liangping Sub-branch of Bank of Chongqing Co., Ltd.	No. 2, 4, 6 and 8 Shuncheng Street, Liangshan Town, Liangping County, Chongqing	405200
92	Nanchuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-12 and No. 2-14, Block 1 (Chamber of Commerce Building), No. 12 Longhua Avenue, Xi Cheng Sub-district, Nanchuan District, Chongqing	408400
93	Nanchuan District Heping Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 18-1 Heping Road, Nan Cheng Sub-district, Nanchuan District, Chongqing	408400

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
94	Rongchang Sub-branch of Bank of Chongqing Co., Ltd.	1-3 and 2-3, No. 43-2 Changlong Avenue, Changzhou Sub-district, Rongchang County, Chongqing	402460
95	Rongchang County Changyuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 199-205 Binhe Middle Road, Changyuan Town, Rongchang County, Chongqing	402460
96	Zhong County Sub-branch of Bank of Chongqing Co., Ltd.	No. 3-1 Zhongbo Avenue, Zhongzhou Town, Zhong County, Chongqing	404300
97	Bishan Sub-branch of Bank of Chongqing Co., Ltd.	No. 205 (3 to 5) Jinjian Road, Bishan County, Chongqing	402760
98	Qinggang Sub-branch of Bank of Chongqing Co., Ltd.	No. 190, 192 and 194 Zhong Street, Qinggang Sub-district, Bishan County, Chongqing	402760
99	Qijiang Sub-branch of Bank of Chongqing Co., Ltd.	Sub No. 1-40 and Sub No. 2-225 to 229, Podium Building, Rongrun Kaixuan Mingcheng, No. 47 Jiulong Avenue, Wenlong Sub-district, Qijiang District, Chongqing	401420
100	Wansheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 23-1 Wansheng Avenue, Wansheng District, Chongqing	400800
101	Xiushan Sub-branch of Bank of Chongqing Co., Ltd.	No. 46 Fengxiang Road, Zhonghe Town, Tujia Autonomous County, Xiushan County, Chongqing	409900
102	Xiushan County Wuyue Plaza Sub-branch of Bank of Chongqing Co., Ltd.	Shops 15, 16 and 17, 1/F, Building 1, Wuyue Plaza (South Zone), Yuxiu Avenue, Xiushan County, Chongqing	409900
103	Kaizhou Sub-branch of Bank of Chongqing Co., Ltd.	Market Square, Kaizhou Avenue (Middle Section), Kaizhou County, Chongqing	405400
104	Kaizhou County Pingqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 500 Kaizhou Avenue West, Yunfeng Street, Kaizhou County, Chongqing	405499
105	Dazu Sub-branch of Bank of Chongqing Co., Ltd.	No. 257 Wuxing Avenue, Tangxiang Sub-district, Dazu County, Chongqing	402360
106	Shuangqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 10-39 Xihu Avenue, Shuangqiao District, Chongqing	400900
107	Dazu County Longshui Sub-branch of Bank of Chongqing Co., Ltd.	1-8, 1-7-1, 1-7-2 and 1-6-2, Block G, Wujin Lvyou Cheng, Longshui Town, Dazu District, Chongqing	402368
108	Tongnan Sub-branch of Bank of Chongqing Co., Ltd.	No. 2, 1/F, No. 86-92 Xingtong Avenue, Guilin Sub-district, Tongnan County, Chongqing	402660
109	Tongnan Waitan Sub-branch of Bank of Chongqing Co., Ltd.	Shops 9, 10, 11, 27 and 28, 1/F, Building 4, No. 3 Waitan West Road, Zitong Sub-district, Tongnan District, Chongqing	402660
110	Fengdu Sub-branch of Bank of Chongqing Co., Ltd.	No. 184 and 186 Pingdu Avenue (West Section), Sanhe Town, Fengdu County, Chongqing	408200
111	Shizhu Sub-branch of Bank of Chongqing Co., Ltd.	No. 100-6 Wanshou Avenue, Nanbin Town, Shizhu Tujia Autonomous County, Chongqing	409100
112	Dianjiang Sub-branch of Bank of Chongqing Co., Ltd.	Unit 1-1, Building B51 Fengshan West Road, Guixi Town, Dianjiang County, Chongqing	408300

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
113	Yunyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1299 Yunjiang Avenue, Shuangjiang Town, Yunyang County, Chongqing	404500
114	Wuxi Sub-branch of Bank of Chongqing Co., Ltd.	Entertainment and Sports Building, Chunshen Avenue, Chengxiang Town, Wuxi County, Chongqing	405800
115	Wulong Sub-branch of Bank of Chongqing Co., Ltd.	No. 117 Furong West Road, Xiangkou Town, Wulong County, Chongqing	408500
116	Wulong County Nancheng Sub-branch of Bank of Chongqing Co., Ltd.	Unit 8-11, No.2 Jianshe Middle Road, Xiangkou Town, Wulong County, Chongqing	408500
117	Youyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-14, 1-15, 2-1, Building 9, Huisheng Square, No. 10 Middle Road, Taohuayuan Avenue, Siyang County, Chongqing City	409800
118	Youyang Taohuayuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 17 Chengbei New District, Zhongduo Town, Youyang County, Chongqing	409800
119	Pengshui Sub-branch of Bank of Chongqing Co., Ltd.	G/F (street frontage) Binjiang Community, Hanjia Town, Pengshui County, Chongqing	409699
120	Wushan Sub-branch of Bank of Chongqing Co., Ltd.	Complex Building 1-1, No. 329 Guangdong East Road, Gaotang Sub-district, Wushan County, Chongqing	404700
121	Chengkou Sub-branch of Bank of Chongqing Co., Ltd.	Commercial Building One, Block 1, Chongyang • Yicheng International Commercial Podium, No.18 Dongda Street, Gecheng Sub-district, Chengkou County, Chongqing	405900
122	Fengjie Sub-branch of Bank of Chongqing Co., Ltd.	No. 4 Qiaomu Street, Yong'an Town, Fengjie County, Chongqing	404600
123	Chongzhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 353-367 Yangci Street and No. 79 South Section 1, Binhe Road, Chongyang Town, Chongzhou, Sichuan	611230
124	Chengdu Binjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 65 Shangchi Zheng Street, Qingyang District, Chengdu, Sichuan	610015
125	Chengdu Wuhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 17 South Section 4, Yihuan Road Gaosheng Bridge, Wuhou District, Chengdu, Sichuan	610000
126	Chengdu Economic Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	(Even No.) 620-626 Beiquan Road, and (Odd No.) 1-19 Yiju Road, Longquanyi District, Chengdu, Sichuan	610100
127	Chengdu Jinsha Sub-branch of Bank of Chongqing Co., Ltd.	No. 171 Jinze Road, and No. 246 Shuhui Road, Qingyang District, Chengdu, Sichuan	610074
128	Chengdu Kehua Sub-branch of Bank of Chongqing Co., Ltd.	Libao Building, No. 62 Kehua North Road, Wuhou District, Chengdu, Sichuan	610040
129	Chengdu Jinjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 79-93, 79-95 and 79-97 Section 1, Jinhua Road, Jinjiang District, Chengdu, Sichuan	610023
130	Chengdu Feicuicheng Community Sub-branch of Bank of Chongqing Co., Ltd.	No.13, 1/F, Building No.15, Phase II, Jade City, No.2 Huarun Road, Jinjiang District, Chengdu, Sichuan	610023

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
131	Chengdu Zhonghai Mansion No.9 Community Sub-branch of Bank of Chongqing Co., Ltd.	No. 470 Jinshang West Er Road, Hi-Tech Development Zone, Chengdu, Sichuan	610094
132	Chengdu Xindu Sub-branch of Bank of Chongqing Co, Ltd.	No. 470, 472 and 474 Yuying Road, Chengdu, Sichuan	610599
133	Guiyang Chengdong Sub-branch of Bank of Chongqing Co., Ltd.	No. 116 Baoshan North Road, Yunyan District, Guiyang, Guizhou	550001
134	Zunyi Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1 Building 1, Jinxucheng Shangcheng Community, Nanjing Road, Huichuan District, Zunyi, Guizhou	563000
135	Liupanshui Zhongshan Middle Road Sub-branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Longcheng Plaza, No. 81 Zhongshan Middle Road, Zhongshan District, Liupanshui, Guizhou	553000
136	Guiyang Guanshanhu Sub-branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Commercial Building One, Circle Y1 and Y2, Shijicheng, Guanshanhu District, Guiyang, Guizhou	550081
137	Xi'an Economic &Technological Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Fenglu No. 1, No. 19 Wenjing Road, Xi'an Economic and Technological Development Zone, Xi'an, Shaanxi	710015
138	Xi'an Qujiang New District Sub-branch of Bank of Chongqing Co., Ltd.	1/F and 2/F, No. 6, Building No. 1, Longmai South Zone Tianlunyu Cheng, Second South Ring Road (East Section), Xi'an, Shaanxi	710018
139	Xi'an International Trade and Logistics Park Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Qihang Garden Commercial Street, No. 6 Port Avenue, Xi'an International Trade and Logistics Park, Xi'an, Shaanxi	710026
140	Jidong Sub-branch of Bank of Chongqing Co., Ltd.	1/F 10101, 2/F 10201, Block 2, Wanxiangcheng Phase 1, Xidong New City, Xixian New District, Xi'an City, Shaanxi	710116
141	Yanta South Road Sub-branch of Bank of Chongqing Co., Ltd.	10108 Building1 No. 396 Yanta South Road, Qujiang New District, Xi'an, Shaanxi	710061

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank” or “Bank of Chongqing”	Bank of Chongqing Co., Ltd. (重慶銀行股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
“Board” or “Board of Directors”	the board of Directors of the Bank
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBRC Chongqing Bureau”	China Banking Regulatory Commission Chongqing Bureau (中國銀行業監督管理委員會重慶監管局)
“Chongqing Road & Bridge”	Chongqing Road & Bridge Co., Ltd., a company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code:600106), and holds approximately 5.48% of the total issued share capital of the Bank as at the Latest Practicable Date
“Dah Sing Bank”	Dah Sing Bank, Limited, a licensed bank incorporated in Hong Kong, holds approximately 14.66% of the total issued share capital of the Bank as at the Latest Practicable Date
“Director(s)”	director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“HKD” or “HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“H Shares”	overseas-listed foreign shares issued by the Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange

Definitions

“IFRS(s)”	International Financial Reporting Standard(s)
“Latest Practicable Date”	April 20, 2018, the latest practicable date prior to printing of this annual report
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC” or “Central Bank”	People’s Bank of China (中國人民銀行)
“PRC” or “China”	the People’s Republic of China, and for the purpose of this report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Reporting Period”	the year ended December 31, 2017
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shares”	the Domestic Shares and the H Shares
“Shareholder(s)”	the shareholders of the Bank
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Bank
“Yufu”	Chongqing Yufu Assets Management Group Co., Ltd., a company incorporated in the PRC with limited liability, holds approximately 14.75% of the total issued share capital of the Bank as at the Latest Practicable Date