



**重庆银行**  
BANK OF CHONGQING

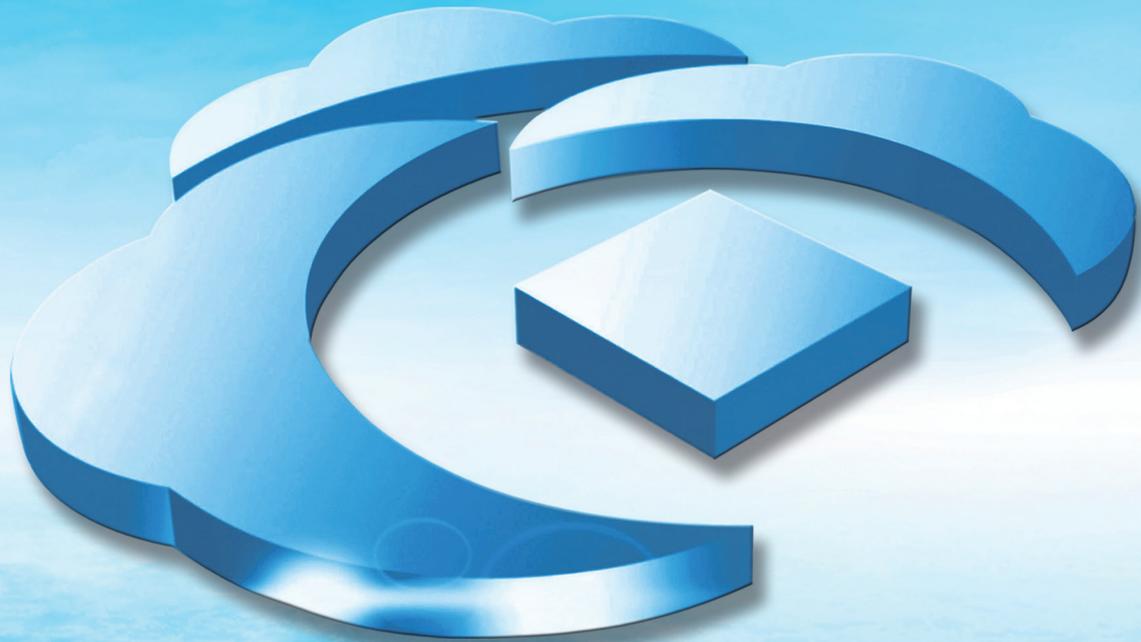
**BANK OF CHONGQING CO., LTD.\***

**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)*



*2019 ANNUAL REPORT*

\* The Bank holds a financial licence number B0206H250000001 approved by the regulatory authority of the banking industry of the PRC and was authorised by the Administration for Market Regulation of Chongqing to obtain a corporate legal person business licence with a unified social credit code 91500000202869177Y. The Bank is not an authorized institution within the meaning of the Hong Kong Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

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# Corporate Information

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## Legal Name and Abbreviation in Chinese

重慶銀行股份有限公司 (Abbreviation: 重慶銀行)

## Name in English

Bank of Chongqing Co.,Ltd.

## Legal Representative

LIN Jun

## Authorized Representatives

LIN Jun

WONG Wah Sing

## Secretary to the Board

PENG Yanxi

## Company Secretary

HO Wing Tsz Wendy

## Registered Address and Postal Code

No. 6 Yongpingmen Street, 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](mailto: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 Market Regulation of Chongqing, the PRC (formerly known as Administration for Industry and Commerce of Chongqing)

## 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*

Address: 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

Address: 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.

Address: 5/F Jinyang Building, No.26 Jin Rong Street, 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, 2019 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,					
	2019	2018	Year-on-year change between 2019 and 2018	2017	2016	2015
<b>OPERATING RESULTS</b>			<b>Change in percentage (%)</b>			
Interest income	21,892,641	19,322,772	13.3	18,920,176	16,226,274	15,507,610
Interest expense	(13,053,512)	(12,447,126)	4.9	(10,805,081)	(8,548,876)	(8,505,537)
Net interest income	8,839,129	6,875,646	28.6	8,115,095	7,677,398	7,002,073
Net fee and commission income	1,257,593	1,341,922	(6.3)	1,680,056	1,926,017	1,512,053
Net trading gains, net gains on investment securities and other operating income	1,694,315	2,412,516	(29.8)	219,655	(381)	78,455
Operating income	11,791,037	10,630,084	10.9	10,014,806	9,603,034	8,592,581
Operating expenses	(2,768,419)	(2,571,121)	7.7	(2,298,865)	(2,537,298)	(3,190,171)
Assets impairment losses	(3,613,581)	(3,436,768)	5.1	(2,999,164)	(2,411,134)	(1,135,300)
Operating profit	5,409,037	4,622,195	17.0	4,716,777	4,654,602	4,267,110
Share of profit of associates	163,250	220,427	(25.9)	178,378	3,910	2,809
Profit before income tax	5,572,287	4,842,622	15.1	4,895,155	4,658,512	4,269,919
Income tax	(1,250,830)	(1,020,527)	22.6	(1,130,958)	(1,156,345)	(1,099,858)
Net profit	4,321,457	3,822,095	13.1	3,764,197	3,502,167	3,170,061
Net profit attributable to shareholders of the Bank	4,207,488	3,769,847	11.6	3,725,881	3,502,167	3,170,061
<b>Calculated on a per share basis (RMB)</b>			<b>Change</b>			
Net assets per share attributable to shareholders of the Bank	10.25	9.00	1.25	8.33	7.61	6.81
Basic earnings per share	1.25	1.11	0.14	1.19	1.12	1.17
Dividend per share	0.236	0.154	0.082	0.118	0.291	0.264
<b>Major indicators of assets/liabilities</b>			<b>Change in percentage (%)</b>			
Total assets	501,231,864	450,368,973	11.3	422,763,025	373,103,734	319,807,987
Of which: loans and advances to customers, net	238,626,834	205,923,212	15.9	172,162,090	146,789,046	121,816,452
Total liabilities	462,618,195	415,757,400	11.3	390,303,113	349,291,822	298,514,992
Of which: customer deposits	281,048,911	256,394,193	9.6	238,704,678	229,593,793	199,298,705
Share capital	3,127,055	3,127,055	0.0	3,127,055	3,127,055	3,127,055
Equity attributable to shareholders of the Bank	36,949,429	33,051,012	11.8	30,951,596	23,811,912	21,292,995
Total equity	38,613,669	34,611,573	11.6	32,459,912	23,811,912	21,292,995

## Financial Highlights

### 2.2 Financial Indicators

(All amounts expressed in percentage unless otherwise stated)	For the year ended December 31,					
	2019	2018	Year-on-year change between 2019 and 2018	2017	2016	2015
<b>Profitability indicators (%)</b>			<b>Change</b>			
Return on average total assets <sup>(1)</sup>	<b>0.91</b>	0.88	0.03	0.95	1.01	1.07
Average return on equity attributable to shareholders of the Bank <sup>(2)</sup>	<b>13.0</b>	12.8	0.2	14.9	15.5	17.0
Net interest spread <sup>(3)</sup>	<b>2.03</b>	1.78	0.25	N/A	N/A	N/A
Net interest margin <sup>(3)</sup>	<b>2.11</b>	1.79	0.32	N/A	N/A	N/A
Net fee and commission income to operating income	<b>10.67</b>	12.62	(1.95)	16.78	20.06	17.60
Cost-to-income ratio <sup>(4)</sup>	<b>22.27</b>	22.93	(0.66)	22.00	23.72	30.69
<b>Asset quality indicators (%)</b>			<b>Change</b>			
Non-performing loan ratio <sup>(5)</sup>	<b>1.27</b>	1.36	(0.09)	1.35	0.96	0.97
Provision for impairment to non-performing loans <sup>(6)</sup>	<b>279.83</b>	225.87	53.96	210.16	293.35	243.98
Provision for impairment to total loans <sup>(7)</sup>	<b>3.56</b>	3.08	0.48	2.85	2.80	2.37
<b>Indicators of capital adequacy ratio (%)</b>			<b>Change</b>			
Core tier I capital adequacy ratio <sup>(8)</sup>	<b>8.51</b>	8.47	0.04	8.62	9.82	10.49
Tier I capital adequacy ratio <sup>(8)</sup>	<b>9.82</b>	9.94	(0.12)	10.24	9.82	10.49
Capital adequacy ratio <sup>(8)</sup>	<b>13.00</b>	13.21	(0.21)	13.60	11.79	11.63
Total equity to total assets	<b>7.70</b>	7.69	0.01	7.68	6.38	6.66
<b>Other indicators (%)</b>			<b>Change</b>			
Liquidity ratio <sup>(9)</sup>	<b>78.35</b>	92.53	(14.18)	79.55	60.05	55.32
Percentage of loans to the single largest customer <sup>(10)</sup>	<b>2.52</b>	2.15	0.37	2.28	4.52	4.00
Percentage of loans to the top ten customers <sup>(11)</sup>	<b>19.30</b>	18.79	0.51	17.19	29.24	30.79

### Notes:

- (1) *Calculated by dividing net profit by the average of total assets at the beginning and at the end of the period.*
- (2) *Net profit (net of dividends of preference shares distributed during the year) attributable to shareholders of the Bank as a percentage of the average balance of equity, net of preference shares, attributable to shareholders of the Bank at the beginning and at the end of the period.*
- (3) *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. The Group has adopted IFRS 9 – Financial Instruments (IFRS 9) published by the International Accounting Standards Board (IASB) in July 2014. The date of initial application of the standard is January 1, 2018. Based on IFRS 9 and IAS 1 – Presentation of Financial Statements (IAS 1), the interest income from financial assets at fair value through profit or loss are recorded by the Group in net gains on investment securities and net trading gains, and the financial assets at fair value through profit or loss are no longer presented as interest-earning assets. In accordance with the transition requirements of IFRS 9, the Group chooses not to restate the information for the comparative periods. The net interest spread and net interest margin for 2015, 2016 and 2017 which are calculated according to classified measurement and corresponding presentation standards of IAS 39-Financial Instruments: Recognition and Measurement (IAS 39) are not comparable with those based on IFRS 9 and IAS 1.*
- (4) *Calculated by dividing operating expenses (less tax and surcharges) by operating income.*
- (5) *Calculated by dividing balance of non-performing loans by total loans and advances to customers.*
- (6) *Calculated by dividing the balance of impairment allowances on loans by the balance of non-performing loans. The balance of impairment allowances on loans is the sum of impairment allowances on loans and advances to customers measured at amortized cost and FVOCI. On a year-on-year basis, the ratio of the audited impairment allowances to non-performing loans for 2018 is 228.35%. Pursuant to regulatory requirements, the regulatory standard of such indicator of the Bank is 150%.*
- (7) *Calculated by dividing balance of impairment allowances on loans by total principal of loans and advances to customers. Pursuant to regulatory requirements, the regulatory standard of such indicator of the Bank is 2.5%.*
- (8) *Core tier I capital adequacy ratio, tier I capital adequacy ratio and capital adequacy ratio were calculated in accordance with the guidance promulgated by China Banking and Insurance Regulatory Commission (the “CBIRC”) (effective from January 1, 2013).*
- (9) *Liquidity ratio is calculated in accordance with the formula promulgated by the CBIRC.*
- (10) *Calculated by dividing total loans to the single largest customer by net capital.*
- (11) *Calculated by dividing total loans to the top ten customers by net capital.*

# Chairman's Statement

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## Dear Shareholders:

2019 marks the 70th anniversary of the founding of the People's Republic of China, as well as a key year for the transformation and development of Bank of Chongqing. We sweated and toiled as we pressed ahead with concrete efforts for achievements. We accomplished extraordinary deeds in the history of development and achieved fruitful results, giving time its meaning. Over the past year, with the scientific decision-making of the Board of Directors, the great support of shareholders and customers, and the hard work of its cadres and employees, Bank of Chongqing made progress against the background of high-quality development.

Continuous improvement of hard power and coordinated development in terms of scale and benefit. Its total assets exceeded the 500 billion level. It improved its ranking to 247th among the "Top 1000 World Banks" in terms of comprehensive strength. For 3 successive years, it has maintained its investment grade rating from S&P, a leading level among urban commercial banks in mainland China. Its net profit reached RMB4.321 billion, representing a year-on-year increase of 13.1%, posting record growth over the last five years. The net profit attributable to shareholders was RMB4.207 billion, representing a year-on-year increase of 11.6%. The return on average total assets increased to 0.91%. The return on equity attributable to shareholders rose to 13.0%.

Continuous stabilization of basic indicators, and equal attention to development and risk control. The Bank makes efforts for a steady increase in indicators including deposit, loan, operating income and the customer base, continuous optimization of structures including assets, liabilities and income, and steady rise in the proportions of real enterprise loans, personal loans and personal savings deposit. In addition, the Bank makes efforts for improvement in asset quality through concentration and integration of functions of post-lending management and disposal of non-performing assets, and comprehensive implementation of policies, and targeted work. It reported the non-performing loan ratio of 1.27%, representing a decrease of 0.09 percentage point, the provision coverage of approximately 280%, representing an increase of approximately 54 percentage points, and the capital adequacy ratio of 13%. Therefore, it strengthens the "protection net" for comprehensive risk management.

Continuous enhancement of the sense of direction, and use of strategies and tactics. The Bank takes innovation-driven growth and comprehensive operation as the direction of strategic transformation, and ensures effective implementation and results through effective tactical implementation. It reaches the “accelerated speed” of financial technology. It completed over 40 science and technology projects, with highlights in intelligitization of inclusive finance, risk control of corporate finance digitization, mobile business platform and other key projects, and realized the popularity of its online products including “Hao Qi Dai (好企貸)” and “Jie e Dai (捷e貸)”. It carries out the operation of data assets with a focus on marketing, risk control and other scenarios, and accelerates the building of a smart bank. The Bank identifies the focus of comprehensive operations, and achieves a synergy with Xinyu Financial Leasing controlled by it, and Mashang Consumer Finance in which it holds shares. It is the first bank to obtain the qualification for dealing in ordinary derives, among urban commercial banks in West China, and has also obtained the qualification of B-Class lead underwriter developing into businesses in new fields.

It is normal to encounter difficulties, and we should keep moving in spite of obstacles. In the face of increased external uncertainties and the impact of the epidemic, we believe that Bank of Chongqing will keep moving in spite of obstacles, with the strong leadership of the Party Central Committee, the municipal Party committee and the municipal government, the care and support of shareholders, customers and all sectors of society, and the concerted efforts of its employees. In 2020, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will make efforts for steady growth, structure adjustment, focus on innovation, risk prevention and management enhancement. We will unswervingly make progress towards high-quality development and deeply integrate into major strategies including the construction of Chengdu-Chongqing Economic Rim. We will support the battle for epidemic prevention and control, and the completion of the process of building a moderately well-off society in all aspects. We will be practical and achieve steady results for shareholders, customers and investors.

*Chairman of the Board of Directors*

**LIN Jun**

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

# President's Statement

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## Dear Shareholders:

In 2019, to cope with the increasing economic downward pressure as well as the complicated and evolving domestic and international situations, the Bank has been closely focusing on targets and tasks determined at the beginning of the year, and has exerted tireless efforts through hardships. The Bank made every effort in managing supply, controlling costs, promoting reforms, preventing risks and enhancing internal control, so that expected operation and management performances were achieved, leading to upgrade in scale, faster enhancement in benefits, improvement of quality and continuous optimization of structure.

Over the past year, we have comprehensively implemented major strategies in strict line with our original missions. With “You You Dai (優優貸)” and “Hao Qi Loan (好企貸)” as the starting point, we promoted the transformation of direction of credit supply to support the high-quality development of the real economy. The loan balance of real enterprises increased by RMB14.1 billion or 10%, and the loan balance of strategic emerging industries increased by RMB11.8 billion or 176%. With the proactive development of inclusive finance, “Two Increases” loans increased by RMB5.7 billion or 21.6%, and retail loans increased by RMB22.0 billion or 32.0%. We have fully implemented regulatory opinions and maintained stable operation. In strict accordance to credit control policies of the PBOC, we have promptly implemented the LPR policy and followed all requirements of window guidance. According to regulatory opinions from banking and insurance supervision authorities, we have enhanced the control of key links such as management of credit risk, standards of online businesses, internal control and employee behavior, thus consolidating our stable and sound operation. We have comprehensively performed the decision and deployment of the Board, and successfully achieved our targets and tasks. We focused on asset allocation and have overfulfilled 6 indicators including total assets, inter-bank assets and loans. We intensified the marketing promotion of special products such as “An Ju Fen (安居分)” and “Xing Fu Cun (幸福存)”, and the completion ratio of indicators including credit card balance and personal deposit was improved greatly as compared with 2018. Meantime, we accelerated the pace of financial technology development as well as the completion and launch of projects including the associated risk system and mobile exhibition platform, which showed initial influence in supporting high-quality development. It is not easy to get these achievements. On behalf of the management team, I would like to express my most heartfelt gratitude and sincere respect to all investors and the people from all sectors of the society who strongly support the development of the Bank.

2020 is the first year for the Bank to implement the three-year strategic development plan. Adhering to the general work guideline of making progress while ensuring stability, we will continue to adopt new development concepts. With the supply-side structural reform as the main line as well as reforms and opening up as the driver, we will serve well to win the “Three Critical Battles”, deeply implement “Eight Strategic Action Plans”, and perfect our work in “six stabilities”. We will maintain stable growth, promote reforms, adjust structure, prevent risks and consolidate foundation in a unified manner, and achieve the dynamic balance among multiple goals. The bank will promote high-quality development more intensively, and reward investors with the value preservation and appreciation of its brands and strengths.

*President*

**RAN Hailing**

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

# Recognitions and Awards

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- In the Top 1,000 World Banks ranking from The Banker, a UK magazine, in 2019, the Bank was ranked 247th, up by 5 places as compared with 2018;
- The Bank was ranked 7th in the comprehensive gyro evaluation of city commercial banks published by China Banking Association in 2018, up by 2 places as compared with 2017;
- The Bank won the “Best Standing Committee Enterprise” by the Standardization Committee of Banking Products and Services of China Banking Association;
- The Bank was selected as the “Leading Enterprises” of 2019 online banking service standards by National Internet Finance Association of China;
- The Bank was honored by the Chongqing Business Management Department of the People’s Bank of China with the “Advanced Unit in Operation and Maintenance of Payment System”;
- The Bank was awarded the “Outstanding Contribution Award in Payment and Settlement Business” by the Clearing Center for City Commercial Banks;
- The Yuzhong Management Department of the Bank was awarded by the Chongqing Committee of the Chinese Communist Party and the Chongqing People’s Government as “Civilized Unit of Chongqing”;
- The Tongliang Sub-branch and Yongchuan Sub-branch of the Bank was awarded by the China Corporate Culture Institute as the “Excellent Unit of Corporate Culture on the 70th Anniversary of the Founding of the People’s Republic of China”.

# Management Discussions and Analysis

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## 6.1 Overview

2019 is a key year for the Group to focus on high quality and achieve new development. In the face of complex international and domestic situations, the Group remained true to its original aspiration, and focused on its main business. It had its development driven by innovation, consolidated management, focused on coordinated development in terms of scale, benefit, quality and structure. As a result, it achieved significant improvement in its results of operations, continuous enhancement of its comprehensive strength and new results in high-quality development.

Further increase in the scale of operation was achieved. As at the end of 2019, the total assets of the Group were RMB501.232 billion, exceeding the 500 billion level, and representing a year-on-year increase of 11.3%. The total loans and advances to customers were RMB247.349 billion, representing a year-on-year increase of 16.4%. Customer deposits were RMB281.049 billion, representing a year-on-year increase of 9.6%.

Further improvement in results of performance was achieved. In 2019, the Group's net profit reached RMB4.321 billion, representing a year-on-year increase of 13.1%, the highest growth rate in the last five years. The return on average total assets (ROA) was 0.91%, representing a year-on-year increase of 0.03 percentage point. The average return on equity attributable to shareholders of the Bank (ROE) was 13.0%, representing a year-on-year increase of 0.2 percentage point. The net interest margin was 2.11%, representing a year-on-year increase of 0.32 percentage point.

Further improvement in the asset quality was achieved. The Group concentrates and integrates functions in relation to risk management, makes early judgment, addresses risks in a timely manner and carries out hierarchical treatment, to ensure that the asset quality is steadily improved. As at the end of 2019, the Group's non-performing loan ratio was 1.27%, representing a year-on-year decrease of 0.09 percentage point. The Group's provision for impairment to non-performing loans was 279.83%, representing a year-on-year increase of 53.96 percentage points.

Further optimization in asset management was achieved. The Group vigorously develops capital-saving businesses, strengthens the accumulation of endogenous capital, accelerated the replenishment of exogenous capital, and continuously improve capital management. As at the end of 2019, the adequacy ratio was 13.00%, and the core tier I capital adequacy ratio was 8.51% which represented an increase of 0.04 percentage point compared with last year.

Further improvement in the operating efficiency was achieved. The Group persists in the effort for income increase and cost reduction, and further improves its operating efficiency. As at the end of 2019, the Group's operating income was RMB11.791 billion, representing a year-on-year increase of 10.9%. The Group's operating expenses were RMB2.768 billion, representing a year-on-year increase of 7.7%. The cost-to-income ratio was 22.27%, representing a year-on-year decrease of 0.66 percentage point.

## 6.2 Financial Review

### 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 (%)
	2019	2018		
Interest income	21,892,641	19,322,772	2,569,869	13.3
Interest expense	(13,053,512)	(12,447,126)	(606,386)	4.9
<b>Net interest income</b>	<b>8,839,129</b>	6,875,646	1,963,483	28.6
Net fee and commission income	1,257,593	1,341,922	(84,329)	(6.3)
Net trading gains	248,103	467,771	(219,668)	(47.0)
Net gains on investment securities	1,381,023	1,869,777	(488,754)	(26.1)
Other operating income	65,189	74,968	(9,779)	(13.0)
Operating income	11,791,037	10,630,084	1,160,953	10.9
Operating expenses	(2,768,419)	(2,571,121)	(197,298)	7.7
Assets impairment losses	(3,613,581)	(3,436,768)	(176,813)	5.1
Share of profit of associates	163,250	220,427	(57,177)	(25.9)
Profit before income tax	5,572,287	4,842,622	729,665	15.1
Income tax	(1,250,830)	(1,020,527)	(230,303)	22.6
<b>Net profit</b>	<b>4,321,457</b>	3,822,095	499,362	13.1

In 2019, the net interest income of the Group amounted to RMB8,839 million, representing a year-on-year increase of RMB1,963 million or 28.6%; and net fee and commission income amounted to RMB1,258 million, representing a year-on-year decrease of RMB84 million or 6.3%; share of profit of associates amounted to RMB163 million, representing a year-on-year decrease of RMB57 million or 25.9%; operating expenses amounted to RMB2,768 million, representing a year-on-year increase of RMB197 million or 7.7%; and assets impairment losses amounted to RMB3,614 million, representing a year-on-year increase of RMB177 million or 5.1%. As a result of the foregoing factors, in 2019, the Group achieved a net profit of RMB4,321 million, representing a year-on-year increase of RMB499 million or 13.1%.

## Management Discussions and Analysis

### 1. Net interest income

In 2019, the net interest income of the Group amounted to RMB8,839 million, representing an increase of RMB1,963 million or 28.6% as compared to the previous year.

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 (%)
	2019	2018		
Interest income	21,892,641	19,322,772	2,569,869	13.3
Interest expense	(13,053,512)	(12,447,126)	(606,386)	4.9
<b>Net interest income</b>	<b>8,839,129</b>	<b>6,875,646</b>	<b>1,963,483</b>	<b>28.6</b>

## 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 of the Group during the years indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Average balance	Interest income/expense	Average yield/cost ratio (%)	Average balance	Interest income/expense	Average yield/cost ratio (%)
<b>ASSETS</b>						
Loans and advances to customers	227,407,554	13,725,614	6.04	194,399,165	11,848,155	6.09
Investment securities	120,269,079	6,630,622	5.51	109,574,922	5,590,107	5.10
Cash and balances with central bank	31,175,632	456,280	1.46	35,311,761	524,600	1.49
Due from other banks and financial institutions	40,014,224	1,080,125	2.70	45,435,429	1,359,910	2.99
<b>Total interest-earning assets</b>	<b>418,866,489</b>	<b>21,892,641</b>	<b>5.23</b>	<b>384,721,277</b>	<b>19,322,772</b>	<b>5.03</b>
<b>LIABILITIES</b>						
Customer deposits	265,952,812	7,804,042	2.93	245,527,455	6,379,071	2.60
Due to other banks and financial institutions	43,778,630	1,696,171	3.87	48,810,885	2,109,814	4.32
Debt securities issued	98,329,123	3,553,299	3.61	89,039,781	3,958,241	4.45
<b>Total interest-bearing liabilities</b>	<b>408,060,565</b>	<b>13,053,512</b>	<b>3.20</b>	<b>383,378,121</b>	<b>12,447,126</b>	<b>3.25</b>
<b>Net interest income</b>		<b>8,839,129</b>			<b>6,875,646</b>	
<b>Net interest spread</b>			<b>2.03</b>			<b>1.78</b>
<b>Net interest margin</b>			<b>2.11</b>			<b>1.79</b>

## Management Discussions and Analysis

In 2019, the average balance of interest-earning assets of the Group increased by RMB34,145 million or 8.9% to RMB418,866 million as compared to the previous year. The average yield on interest-earning assets increased by 20 basis points to 5.23% as compared to the previous year.

In 2019, the average balance of interest-bearing liabilities of the Group increased by RMB24,682 million or 6.4% to RMB408,061 million as compared to the previous year. The average cost ratio of interest-bearing liabilities decreased by 5 basis points to 3.20% as compared to the previous year.

As a result of the combined impact of the above-mentioned factors, the net interest spread of the Group increased by 25 basis points to 2.03% as compared to the previous year, while the net interest margin increased by 32 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 based on movements in average balance, while changes in interest rate were based on movements in average 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
<b>ASSETS</b>			
Loans and advances to customers	1,974,659	(97,200)	1,877,459
Investment securities	591,258	449,257	1,040,515
Cash and balances with central bank	(57,726)	(10,594)	(68,320)
Due from other banks and financial institutions	(148,022)	(131,763)	(279,785)
<b>Change in interest income</b>	<b>2,360,169</b>	209,700	2,569,869
<b>LIABILITIES</b>			
Customer deposits	614,730	810,241	1,424,971
Due to other banks and financial institutions	(193,994)	(219,649)	(413,643)
Debt securities issued	342,992	(747,934)	(404,942)
<b>Change in interest expense</b>	<b>763,728</b>	(157,342)	606,386

### 2. Interest income

In 2019, the interest income of the Group amounted to RMB21,893 million, representing an increase of RMB2,570 million or 13.3% as compared to the previous year.

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, 2019			For the year ended December 31, 2018		
	Average balance	Interest income	Average Yield (%)	Average balance	Interest income	Average Yield (%)
Loans and advances to customers	227,407,554	13,725,614	6.04	194,399,165	11,848,155	6.09
Investment securities	120,269,079	6,630,622	5.51	109,574,922	5,590,107	5.10
Cash and balances with central bank	31,175,632	456,280	1.46	35,311,761	524,600	1.49
Due from other banks and financial institutions	40,014,224	1,080,125	2.70	45,435,429	1,359,910	2.99
<b>Total interest-earning assets</b>	<b>418,866,489</b>	<b>21,892,641</b>	<b>5.23</b>	<b>384,721,277</b>	<b>19,322,772</b>	<b>5.03</b>

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

In 2019, the Group's interest income from loans and advances to customers amounted to RMB13,726 million, representing a year-on-year increase of RMB1,877 million or 15.8%, primarily due to the average balance on loans and advances to customers increased by 17.0% as compared to that of the previous year.

#### 2.2 Interest income from investment securities

In 2019, the Group's interest income from investment securities amounted to RMB6,631 million, representing a year-on-year increase of RMB1,041 million or 18.6%, primarily due to the increase of 9.8% in average balance and the increase of 41 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 cash and balances with central bank

In 2019, the Group's interest income from cash and balances with central bank amounted to RMB456 million, representing a year-on-year decrease of RMB68 million or 13.0%, primarily due to the decrease of 11.7% in average balance and the decrease of 3 basis points in average yield on cash and balances with central bank as compared to 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, 2019			For the year ended December 31, 2018		
	Average balance	Interest income	Average Yield (%)	Average balance	Interest income	Average Yield (%)
Due from other banks and financial institutions for deposits and loans	13,569,517	358,722	2.64	17,674,375	484,372	2.74
Financial assets held under resale agreements	26,444,707	721,403	2.73	27,761,054	875,538	3.15
<b>Total</b>	<b>40,014,224</b>	<b>1,080,125</b>	<b>2.70</b>	45,435,429	1,359,910	2.99

In 2019, the interest income from the Group's amounts due from other banks and financial institutions for deposits and loans amounted to RMB359 million, representing a year-on-year decrease of RMB126 million or 25.9%, primarily due to the decrease of 23.2% in average balance of amounts due from other banks and financial institutions for deposits and loans and the average yield decreased by 10 basis points as compared to those of the previous year.

In 2019, the interest income from the Group's financial assets held under resale agreements amounted to RMB721 million, representing a year-on-year decrease of RMB154 million or 17.6%, primarily attributable to the decrease of 4.7% in average balance and the decrease of 42 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 2019 decreased by RMB280 million or 20.6% to RMB1,080 million as compared to that of the previous year.

### 3. Interest expense

#### 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, 2019			For the year ended December 31, 2018		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
<b>Corporate deposits</b>						
Demand	60,335,257	568,444	0.94	68,642,651	547,940	0.80
Time	95,517,273	3,447,790	3.61	89,828,395	3,020,350	3.36
<b>Subtotal</b>	<b>155,852,530</b>	<b>4,016,234</b>	<b>2.58</b>	<b>158,471,046</b>	<b>3,568,290</b>	<b>2.25</b>
<b>Individual deposits</b>						
Demand	11,908,761	46,428	0.39	11,020,508	43,028	0.39
Time	82,105,331	3,297,881	4.02	65,066,317	2,482,138	3.81
<b>Subtotal</b>	<b>94,014,092</b>	<b>3,344,309</b>	<b>3.56</b>	<b>76,086,825</b>	<b>2,525,166</b>	<b>3.32</b>
<b>Other deposits</b>	<b>16,086,190</b>	<b>443,499</b>	<b>2.76</b>	<b>10,969,584</b>	<b>285,615</b>	<b>2.60</b>
<b>Total</b>	<b>265,952,812</b>	<b>7,804,042</b>	<b>2.93</b>	<b>245,527,455</b>	<b>6,379,071</b>	<b>2.60</b>

In 2019, the Group's interest expense on customer deposits was RMB7,804 million, representing a year-on-year increase of RMB1,425 million or 22.3%, primarily due to a year-on-year increase in the average balance of customer deposits by 8.3%, and an increase in average cost ratio of customer deposits by 33 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, 2019			For the year ended December 31, 2018		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Deposits and loans from other banks	31,978,392	1,344,491	4.20	38,663,520	1,816,778	4.70
Borrowings from central bank	7,480,530	235,355	3.15	2,169,564	63,507	2.93
Financial assets sold under repurchase agreements	4,201,573	112,025	2.67	7,977,801	229,529	2.88
Lease liabilities	118,135	4,300	3.64	N/A	N/A	N/A
<b>Total</b>	<b>43,778,630</b>	<b>1,696,171</b>	<b>3.87</b>	<b>48,810,885</b>	<b>2,109,814</b>	<b>4.32</b>

In 2019, the Group's total interest expense on deposits and loans from other banks and financial institutions was RMB1,696 million, representing a year-on-year decrease of RMB414 million or 19.6%, primarily due to the year-on-year decrease in average balance of deposits and loans from other banks and financial institutions by 10.3%, and the year-on-year decrease in average cost ratio by 45 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, 2019			For the year ended December 31, 2018		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Subordinated debts	7,500,000	354,610	4.73	7,500,000	354,583	4.73
Financial debts for small and micro enterprises	-	-	-	945,205	46,106	4.88
Inter-bank certificates of deposits	81,829,123	2,817,816	3.44	78,482,247	3,456,807	4.40
Financial debts	9,000,000	380,873	4.23	2,112,329	100,745	4.77
<b>Total</b>	<b>98,329,123</b>	<b>3,553,299</b>	<b>3.61</b>	<b>89,039,781</b>	<b>3,958,241</b>	<b>4.45</b>

In 2019, the Group's interest expense on issuance of debts securities amounted to RMB3,553 million, representing a year-on-year decrease of RMB405 million or 10.2%, primarily due to the decrease in average cost ratio by 84 basis points as compared to that of the previous year.

### 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 2019, the Group's average yield of interest-earning assets increased 20 basis points year on year, while the average cost ratio of interest-bearing liabilities decreased 5 basis points year on year as compared to those of the previous year. In general, the Group's net interest spread was 2.03%, representing a year-on-year increase of 25 basis points as compared to that of the previous year.

In 2019, the Group's net interest margin was 2.11%, representing a year-on-year increase of 32 basis points, primarily due to a year-on-year increase of RMB34,145 million or 8.9% in the average balance of interest-earning assets, and a year-on-year increase of RMB1,963 million or 28.6% in net interest income, with a faster growth rate than the growth rate of the average balance of interest-earning assets.

### 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 (%)
	2019	2018		
<b>Fee and commission income</b>	<b>1,363,684</b>	1,453,712	(90,028)	(6.2)
Financial advisory and consulting services	<b>19,320</b>	144,757	(125,437)	(86.7)
Wealth management agency services	<b>661,875</b>	542,435	119,440	22.0
Custodian services	<b>135,156</b>	252,592	(117,436)	(46.5)
Bank card services	<b>345,677</b>	323,068	22,609	7.0
Guarantees and credit commitments	<b>115,360</b>	96,923	18,437	19.0
Settlement and agency services	<b>86,296</b>	93,937	(7,641)	(8.1)
<b>Fee and commission expense</b>	<b>(106,091)</b>	(111,790)	5,699	(5.1)
<b>Net fee and commission income</b>	<b>1,257,593</b>	1,341,922	(84,329)	(6.3)

## Management Discussions and Analysis

In 2019, the Group's net fee and commission income amounted to RMB1,258 million, representing a decrease of RMB84 million or 6.3% as compared to the previous year and accounting for 10.67% of operating income, down by 1.95 percentage points as compared to that of the previous year, mainly due to the great decrease in commission income from financial advisory and consulting services, and commission income from custodian services.

Commission income from financial advisory and consulting services amounted to RMB19 million, representing a year-on-year decrease of RMB125 million or 86.7%, primarily due to service commission relief for corporate customers resulting from actively responding to national policies to support the development of the real economy.

Commission income from wealth management agency services amounted to RMB662 million, representing a year-on-year increase of RMB119 million or 22.0%, mainly due to an increase in income as a result of the decrease in costs of issuing wealth management products.

Commission income from custodian services amounted to RMB135 million, representing a year-on-year decrease of RMB117 million or 46.5%, primarily due to the decline in demand of such services influenced by market.

Commission income from bank card services amounted to RMB346 million, representing a year-on-year increase of RMB23 million or 7.0%, 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 RMB115 million, representing a year-on-year increase of RMB18 million or 19.0%, primarily due to growth in cross-border and guarantee business.

Commission income from settlement and agency services amounted to RMB86 million, representing a year-on-year decrease of RMB8 million or 8.1%, primarily due to the decline in the scale of entrusted agency business.

### 5.2 Net trading gains

The net trading gains mainly consist of gains/(losses) on foreign exchange, and gains and losses on trading, interest income and fair value gains/(losses) arising from financial assets held for trading.

Gains/(losses) on foreign exchange include gains or losses from the trading of spot contracts and translation of foreign currency monetary assets and liabilities into RMB. In 2019, the Group's exchange gains amounted to RMB106 million. In 2019, net trading income from bond and fund investment was RMB165 million, net trading loss from equity investment was RMB20 million, and net trading loss from derivative financial instruments was RMB3 million.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2019	2018		
Foreign exchange gains	106,498	245,215	(138,717)	(56.6)
Bond and fund investment	164,916	270,800	(105,884)	(39.1)
Equity investments	(20,344)	(47,469)	27,125	(57.1)
Derivative financial instruments	(2,967)	(775)	(2,192)	282.8
<b>Total</b>	<b>248,103</b>	<b>467,771</b>	<b>(219,668)</b>	<b>(47.0)</b>

### 5.3 Net gains on investment securities

In 2019, the Group's net gains on investment securities amounted to RMB1,381 million, representing a decrease of RMB489 million or 26.1% compared with the previous year. The Group's net gains on investment securities include gains of financial assets at fair value through profit or loss and net (losses)/gains arising from de-recognition of financial investment at fair value through other comprehensive income. In 2019, the Group's investment gains of financial assets at fair value through profit or loss was RMB1,381 million, representing a decrease of RMB503 million or 26.7% as compared with the previous year, mainly due to investments in low-yield treasury bonds after high-yield bonds successively matured in 2019.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2019	2018		
Gains of financial assets at fair value through profit or loss	1,381,023	1,884,335	(503,312)	(26.7)
Net losses arising from de-recognition of financial investment at fair value through other comprehensive income	–	(14,558)	14,558	(100.0)
<b>Total</b>	<b>1,381,023</b>	<b>1,869,777</b>	<b>(488,754)</b>	<b>(26.1)</b>

## Management Discussions and Analysis

### 6. Operating expenses

In 2019, the Group's operating expenses were RMB2,768 million, representing an increase of RMB197 million or 7.7% as compared with the previous year.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2019	2018		
Staff costs	1,672,798	1,525,596	147,202	9.6
Tax and surcharges	142,450	134,100	8,350	6.2
Depreciation and amortisation	273,497	207,368	66,129	31.9
General and administrative expenses	578,025	554,472	23,553	4.2
Others	101,649	149,585	(47,936)	(32.0)
<b>Operating expenses</b>	<b>2,768,419</b>	<b>2,571,121</b>	<b>197,298</b>	<b>7.7</b>

#### 6.1 Staff costs

Staff costs constitute the largest component of the Group's operating expenses, accounting for 60.42% and 59.34% of its total operating expenses for 2019 and 2018 respectively.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2019	2018		
Salaries and bonuses	1,233,972	1,126,679	107,293	9.5
Pension costs	160,570	152,782	7,788	5.1
Housing benefits and subsidies	94,568	85,136	9,432	11.1
Labour union and staff education fees	31,150	27,289	3,861	14.1
Other social security and welfare expenses	152,538	133,710	18,828	14.1
<b>Staff costs</b>	<b>1,672,798</b>	<b>1,525,596</b>	<b>147,202</b>	<b>9.6</b>

In 2019, the Group's staff costs amounted to RMB1,673 million, representing a year-on-year increase of RMB147 million or 9.6%, primarily because (1) the average remuneration and benefit per staff increased 5.7% as compared to the previous year; (2) the number of staff increased due to the expansion of business scale and the increase in number of branches. As at December 31, 2019, the Bank had 4,274 full-time employees, representing an increase of 155 employees or 3.8% as compared to the end of the previous year.

#### 6.2 Tax and surcharges

In 2019, the Group's tax and surcharges were RMB142 million, representing a year-on-year increase of RMB8 million or 6.2%. 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.

### 6.3 Depreciation and amortisation

The depreciation and amortisation in 2019 increased by RMB66 million or 31.9% to RMB273 million from the previous year mainly due to the depreciation of right-of-use assets being increased by RMB42 million arising out of changes in accounting policies.

### 6.4 General and administrative expenses

The general and administrative expenses in 2019 increased by RMB24 million or 4.2% to RMB578 million from the previous year.

## 7. Assets impairment losses

In 2019, the provisions for impairment losses of the Group recorded RMB3,614 million, representing an increase of RMB177 million or 5.1% as compared to the previous year.

The following table sets forth the principal components of assets 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 (%)
	2019	2018		
Loans and advances to customers carried at amortised cost	3,305,780	3,531,882	(226,102)	(6.4)
Loans and advances to customers at fair value through other comprehensive income	(32,437)	50,166	(82,603)	N/A
Financial assets carried at amortised cost	(71,725)	(149,200)	77,475	(51.9)
Financial assets at fair value through other comprehensive income	15,807	(81,879)	97,686	N/A
Loan commitments and financial guarantee contracts	206,722	72,308	134,414	185.9
Due from other banks and financial institutions	25,500	1,391	24,109	1,733.2
Others	163,934	12,100	151,834	1,254.8
<b>Assets impairment losses</b>	<b>3,613,581</b>	<b>3,436,768</b>	<b>176,813</b>	<b>5.1</b>

## Management Discussions and Analysis

### 8. Share of profit of associates

In 2019, the Group's share of profit of associates amounted to RMB163 million, representing a year-on-year decrease of RMB57 million or 25.9%. As at December 31, 2019, the Group's associates included Chongqing Three Gorges Bank Co., Ltd. ("**Three Gorges Bank**"), Mashang Consumer Finance Co., Ltd. ("**Mashang Consumer Finance**") and Xingyi Wanfeng Village Bank Co., Ltd. ("**Xingyi Wanfeng**").

### 9. Income tax

The income tax rate applicable to the Group was 25%. The effective tax rates of the Group in 2019 and 2018 were 22.45% and 21.07% respectively.

The following table sets forth the profit before income tax and income tax for the years ended December 31, 2019 and December 31, 2018, respectively.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2019	2018		
Profit before income tax	5,572,287	4,842,622	729,665	15.1
Tax calculated at a tax rate of 25%	1,393,072	1,210,656	182,416	15.1
Tax effect arising from non-taxable income	(183,198)	(166,189)	(17,009)	10.2
Tax effect of expenses that are not deductible for tax purposes	30,761	29,246	1,515	5.2
Income tax adjustment for prior years	10,195	(53,186)	63,381	N/A
<b>Income tax</b>	<b>1,250,830</b>	<b>1,020,527</b>	<b>230,303</b>	<b>22.6</b>

## 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, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	247,348,738	49.3	212,430,769	47.2
Of which: Total principal of loans and advances to customers	245,831,593	49.0	211,209,051	46.9
Interests due from loans and advances to customers	1,517,145	0.3	1,221,718	0.3
Total impairment allowances for the expected credit	(8,721,904)	(1.7)	(6,507,557)	(1.4)
Net loans and advances to customers	238,626,834	47.6	205,923,212	45.7
Investment securities	132,501,429	26.4	117,210,476	26.0
Investments in associates	1,801,573	0.4	1,638,323	0.4
Cash and balances with central bank	32,033,098	6.4	33,216,841	7.4
Due from other banks and financial institutions	61,276,742	12.2	57,915,079	12.9
Financial assets at fair value through profit or loss	26,977,016	5.4	27,421,858	6.1
Fixed assets	3,070,011	0.6	3,023,292	0.7
Deferred income tax assets	2,479,531	0.5	1,890,680	0.4
Other assets	2,465,630	0.5	2,129,212	0.5
<b>Total assets</b>	<b>501,231,864</b>	<b>100.0</b>	450,368,973	100.0

As at December 31, 2019, the Group's total assets amounted to RMB501,232 million, representing an increase of RMB50,863 million or 11.3% over the end of the previous year, among which:

Total loans and advances to customers increased by RMB34,918 million or 16.4% to RMB247,349 million over the end of the previous year. This was mainly because the Group conformed to policy orientation, actively served the real economy and carried out targeted marketing of projects that conformed to national policy orientation, such as green credit, rural revitalization, poverty alleviation, shantytown renovation and the "belt and road initiative". At the same time, the Group continuously promoted the upgrade of individual consumption loan products and services, enriched online customer acquisition channels, and increased customer traffic, and thus the personal consumption loan business continued to grow rapidly.

The investment securities amounted to RMB132,501 million, of which the financial investments at fair value through other comprehensive income amounted to RMB36,094 million and the financial investments measured at amortised cost amounted to RMB96,407 million.

## Management Discussions and Analysis

Cash and balances with central bank decreased by RMB1,184 million or 3.6% to RMB32,033 million as compared to the end of the previous year.

The amount due from other banks and financial institutions increased by RMB3,362 million or 5.8% to RMB61,277 million over the end of the previous year.

### 1.1 Loans and advances to customers

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Loans and advances to corporate entities – measured at amortised cost				
– Corporate loans	140,780,210	56.9	128,932,758	60.7
Loans and advances to corporate entities – at fair value through other comprehensive income				
– Discounted bills	14,271,520	5.8	13,501,381	6.3
<b>Subtotal</b>	<b>155,051,730</b>	<b>62.7</b>	142,434,139	67.0
<b>Retail loans – measured at amortised cost</b>				
– Mortgage loans	26,757,377	10.8	20,606,735	9.7
– Personal consumer loans	41,172,219	16.7	31,199,939	14.7
– Credit card advances	6,657,610	2.7	4,724,758	2.2
– Personal business loans	16,192,657	6.5	12,243,480	5.8
<b>Subtotal</b>	<b>90,779,863</b>	<b>36.7</b>	68,774,912	32.4
<b>Interests receivable from loans and advances to customers</b>				
	1,517,145	0.6	1,221,718	0.6
<b>Total loans and advances to Customers</b>	<b>247,348,738</b>	<b>100.0</b>	212,430,769	100.0

As at December 31, 2019, the Group's total loans and advances to customers amounted to RMB247,349 million, representing an increase of RMB34,918 million or 16.4% as compared to the end of the previous year.

Loans to corporate entities (excluding discounted bills) amounted to RMB140,780 million, representing an increase of RMB11,847 million or 9.2% as compared to the end of the previous year, mainly because the Group gained a thorough understanding of the market at the front line, and made an approach to 27 district and county governments in Chongqing and held the "Financial Services Promotion Meeting", thus acquiring a group of entity customers. Meanwhile, the Group also catered to the market through innovative products including "You You Dai (優優貸)" and "Credit Loans for Entity Enterprises (實體企業信用貸)". It served a group of high-quality entity enterprises in high-quality industries, by providing additional services including visit to the Shanghai Stock Exchange, as well as one-to-one services for enterprises according to regional investment promotion. 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 construction and manufacturing industry increased by RMB3,737 million and RMB3,019 million respectively, achieving a rapid increase.

## Management Discussions and Analysis

Retail loans amounted to RMB90,780 million, representing a significant increase of RMB22,005 million or 32.0% as compared to the end of the previous year, and accounting for 36.7% of total loans and advances to customers, up by 4.3 percentage points from the end of the previous year. Specifically, mortgage loans increased by RMB6,151 million or 29.8% as compared to the end of the previous year, mainly because the Group actively supported housing financing for the first suite and improving suite purchase, resulting in rapid growth of personal housing mortgage loan balance; personal consumer loans significantly increased by RMB9,972 million or 32.0% as compared to the end of the previous year, mainly because the Group continuously promoted the upgrade of consumer loans products and services, and launched the “talent loan” to serve high-end talents, and actively facilitated the intelligent construction of online consumer loans products and the construction of an open intelligent marketing system to continuously enrich online customer acquisition channels and expand the customer traffic; credit card advances increased by RMB1,933 million or 40.9% as compared with the end of last year, mainly due to the continuous increase in the number of credit cards issued, the rise in the average overdraft amount of credit cards, and the popularity of the “Anjufen (安居分)” product; personal business loans increased by RMB3,949 million or 32.3% as compared with the end of last year, mainly because the Group insisted on the innovation-driven development strategy, and developed and launched “Hao Qi Dai (好企貸)” series and “Wei E Dai (微E貸)” financial technology products through the in-depth integration of finance with modern technologies such as the internet and big data, so as to support the development of small and micro businesses, small and micro businesses owners and individual businesses and promote the steady growth of personal business loan business. During the period, the Group identified its market positioning, actively carried out business innovation, and achieved steady development in retail business in view of complex market changes.

### Distribution of loans and advances to customers by type of collateral

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateralised loans	76,819,536	31.1	69,774,637	32.8
Pledged loans	22,796,136	9.2	22,235,920	10.5
Guaranteed loans	114,310,120	46.2	97,113,789	45.7
Unsecured loans	31,905,801	12.9	22,084,705	10.4
Interest receivable from loans and advances to customers	1,517,145	0.6	1,221,718	0.6
<b>Total loans and advances to customers</b>	<b>247,348,738</b>	<b>100.0</b>	<b>212,430,769</b>	<b>100.0</b>

## Management Discussions and Analysis

### Expected credit losses allowances for loans

The following table sets forth the Group's expected credit losses allowances for loans for the dates indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
<b>Loans and advances to corporate entities</b>				
December 31, 2018	2,093,609	1,901,480	1,356,750	5,351,839
New financial assets originated or purchased	884,973	–	–	884,973
Remeasurement	(226,939)	2,298,039	930,151	3,001,251
Repayment	(781,996)	(367,474)	(280,151)	(1,429,621)
Written-off	–	–	(825,608)	(825,608)
Transfer:				
<i>Transfer from Stage 1 to Stage 2</i>	(360,978)	360,978	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(20,307)	–	20,307	–
<i>Transfer from Stage 2 to Stage 1</i>	74,006	(74,006)	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(411,830)	411,830	–
Recoveries of loans written-off in previous years and advances transfer-in	–	–	146,317	146,317
Effect of discount factors	–	–	(77,724)	(77,724)
<b>December 31, 2019</b>	<b>1,662,368</b>	<b>3,707,187</b>	<b>1,681,872</b>	<b>7,051,427</b>
<b>Retail loans</b>				
December 31, 2018	310,372	303,429	541,917	1,155,718
New financial assets originated or purchased	543,862	–	–	543,862
Remeasurement	47,578	295,034	432,885	775,497
Repayment	(118,084)	(170,613)	(181,485)	(470,182)
Written-off	–	–	(422,846)	(422,846)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(15,358)	15,358	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(34,637)	–	34,637	–
<i>Transfer from Stage 2 to Stage 1</i>	14,930	(14,930)	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(74,269)	74,269	–
<i>Transfer from Stage 3 to Stage 2</i>	–	3,169	(3,169)	–
<i>Transfer from Stage 3 to Stage 1</i>	4,148	–	(4,148)	–
Recoveries of loans written-off in previous years and advances transfer-in	–	–	101,592	101,592
Effect of discount factors	–	–	(13,164)	(13,164)
<b>December 31, 2019</b>	<b>752,811</b>	<b>357,178</b>	<b>560,488</b>	<b>1,670,477</b>

## Management Discussions and Analysis

For the year of 2019, in strict accordance with the relevant accounting and regulatory requirements, the Group took into account the external economic dynamics and macro monitoring policies and increased the impairment allowances for loans and advances to customers. As of December 31, 2019, the balance of impairment allowances for loans and advances to customers was RMB8,722 million, representing an increase of RMB2,214 million or 34.0% as compared to the end of the previous year; and the impairment allowances for non-performing loans ratio increased by 53.96 percentage points to 279.83% from that of the end of the previous year.

### 1.2 Investment securities

The following table sets forth the composition of the Group's investment securities for the dates indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Investment securities – financial investments at fair value through other comprehensive income</b>				
Debt securities – measured at fair value				
– Listed outside Hong Kong	6,189,898	4.7	5,243,620	4.5
– Listed in Hong Kong	3,948,840	3.0	4,176,011	3.5
– Unlisted	24,804,608	18.7	24,219,352	20.7
Of which: Corporations debt	22,611,823	17.1	20,527,463	17.5
Policy banks debt	1,082,057	0.8	2,090,419	1.8
Commercial banks debt	915,810	0.7	1,410,517	1.2
Governments debt	194,918	0.1	190,953	0.2
<b>Interest receivable from financial investments at fair value through other comprehensive income</b>	873,718	0.6	839,570	0.7
Equity securities -measured at fair value				
– Unlisted	277,000	0.2	208,600	0.2
Of which: Equity investment	277,000	0.2	208,600	0.2
Others	14	0.0	14	0.0
<b>Subtotal</b>	<b>36,094,078</b>	<b>27.2</b>	<b>34,687,167</b>	<b>29.6</b>

## Management Discussions and Analysis

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Investment securities – financial investments measured at amortised cost</b>				
Debt securities – measured at amortised cost				
– Listed outside Hong Kong	11,790,198	8.9	12,754,742	10.9
– Unlisted	84,069,275	63.4	69,646,884	59.4
Of which: Trust investments	15,909,408	12.0	22,165,632	18.9
Directional asset management plans	40,819,000	30.8	26,918,000	23.0
Debt securities	18,716,867	14.1	15,313,226	13.1
Debt financing scheme	8,624,000	6.5	4,420,000	3.8
Wealth management products purchased from financial institutions	–	–	315,505	0.3
Others	–	–	514,521	0.4
<b>Interest receivable from debt securities at amortised cost</b>	1,950,182	1.5	1,595,712	1.4
Less: ECL allowance	(1,402,304)	(1.0)	(1,474,029)	(1.3)
<b>Subtotal</b>	<b>96,407,351</b>	<b>72.8</b>	82,523,309	70.4
<b>Total</b>	<b>132,501,429</b>	<b>100.0</b>	117,210,476	100.0

As at December 31, 2019, the Group's balance of investment securities amounted to RMB132,501 million, representing an increase of RMB15,291 million or 13.0% as compared to the end of the previous year. As at December 31, 2019, financial investments at fair value through other comprehensive income were RMB36,094 million, accounting for 27.2% of total investment securities; financial assets measured at amortised cost were RMB96,407 million, accounting for 72.8% of total investment securities.

### 1.3 Investment in associates

<b>(All amounts expressed in thousands of RMB unless otherwise stated)</b>	<b>December 31, 2019</b>	December 31, 2018
Balance at the beginning of the year	1,638,323	1,113,146
Additional investment in associates	–	316,796
Share of profit after tax of the associates	163,250	220,427
Cash dividends declared	–	(12,046)
<b>Balance at the end of the year</b>	<b>1,801,573</b>	1,638,323

On May 5, 2011, the Group invested RMB22.00 million to establish Xingyi Wanfeng and held 20% of equity interest of RMB110.00 million registered capital.

On June 15, 2015, the Group established Mashang Consumer Finance with initial capital contribution of RMB54.00 million. On August 14, 2016, the Group increased the investment to RMB205.27 million, accounting for 15.79% of equity interest of RMB1,300.00 million registered capital. On July 13, 2017, the Group increased the investment to RMB338.35 million, accounting for 15.31% of equity interest of RMB2,210.00 million registered capital. On August 9, 2018, the Group increased the investment to RMB655.14 million, accounting for 15.53% of equity interest of RMB4,000.00 million registered capital.

Pursuant to the resolution passed at the 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, and therefore, the Group had significant influence on Three Gorges Bank. Three Gorges Bank became an associated company of the Group. The registered capital of Three Gorges Bank 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.

## Management Discussions and Analysis

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Financial assets at fair value through profit or loss</b>				
Debt securities – measured at fair value				
– Listed outside Hong Kong	74,439	0.3	135,953	0.5
– Unlisted	16,865,582	62.5	16,451,930	60.0
Of which: Trust investments	5,219,379	19.4	5,174,858	18.9
Directional asset management plans	10,360,368	38.4	10,266,659	37.4
Commercial banks debt	683,689	2.5	702,578	2.6
Corporations debt	–	–	106,052	0.4
Governments debt	602,146	2.2	201,783	0.7
Equity securities -measured at fair value				
– Listed outside Hong Kong	418,179	1.5	438,523	1.6
– Unlisted	9,618,383	35.7	10,395,452	37.9
Of which: Wealth management products purchased from financial institutions	9,618,383	35.7	2,357,023	8.6
Fund investments	–	–	8,038,429	29.3
Derivative financial instruments	433	0.0	–	–
<b>Total</b>	<b>26,977,016</b>	<b>100.0</b>	<b>27,421,858</b>	<b>100.0</b>

As at December 31, 2019, the Group's balance of financial assets at fair value through profit or loss amounted to RMB26,977 million, representing a decrease of RMB445 million or 1.6% as compared to the end of the previous year.

### 2. Liabilities

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Due to other banks and financial institutions	70,149,225	15.2	57,089,939	13.7
Financial liabilities at fair value through profit or loss	3,602	0.0	657	0.0
Customer deposits	281,048,911	60.7	256,394,193	61.7
Debt securities issued	105,386,006	22.8	96,982,613	23.3
Taxes payable	503,815	0.1	548,673	0.1
Other liabilities	5,526,636	1.2	4,741,325	1.2
<b>Total liabilities</b>	<b>462,618,195</b>	<b>100.0</b>	415,757,400	100.0

As at December 31, 2019, the Group's total liabilities amounted to RMB462,618 million, representing an increase of RMB46,861 million or 11.3% as compared to the end of the previous year. Customer deposits are the Group's largest source of capital, which amounted to RMB281,049 million, representing an increase of RMB24,655 million or 9.6% as compared to the end of the previous year; amounts due to other banks and financial institutions amounted to RMB70,149 million, representing an increase of RMB13,059 million or 22.9% as compared to the end of the previous year; debt securities issued amounted to RMB105,386 million, representing an increase of RMB8,403 million or 8.7% as compared to the end of the previous year, primarily because the increase in the balance of the inter bank certificates of deposit. As at December 31, 2019, the balance of the inter-bank certificates of deposit issued by the Group was RMB88,509 million, increased by 10.5% as compared to the end of the previous year.

## Management Discussions and Analysis

### 2.1 Customer deposits

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate demand deposits	69,294,876	24.7	66,883,415	26.1
Corporate time deposits	88,913,327	31.6	85,905,724	33.5
Individual demand deposits	12,799,558	4.6	12,005,521	4.7
Individual time deposits	88,013,730	31.3	68,480,223	26.7
Others deposits	19,480,960	6.9	20,894,394	8.1
Interest payable on customer deposits	2,546,460	0.9	2,224,916	0.9
<b>Total customer deposits</b>	<b>281,048,911</b>	<b>100.0</b>	256,394,193	100.0
Of which: Security deposits	12,140,299	4.3	13,284,371	5.2

As at December 31, 2019, the total customer deposits of the Group amounted to RMB281,049 million, representing an increase of RMB24,655 million or 9.6% as compared to the end of the previous year. Among which: Corporate deposits balance was RMB158,208 million, representing an increase of RMB5,419 million or 3.6% as compared to the end of the previous year; individual deposits balance was RMB100,813 million, representing an increase of RMB20,328 million or 25.3% as compared to the end of the previous year; corporate and individual demand deposits balance amounted to RMB82,094 million, representing an increase of RMB3,205 million or 4.1% as compared to the end of the previous year; corporate and individual time deposits balance amounted to RMB176,927 million, representing an increase of RMB22,541 million or 14.6% 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, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Subordinated debts</b>				
Fixed rate Tier II capital bond – 2026	1,497,618	1.4	1,497,618	1.5
Fixed rate Tier II capital bond – 2027	5,996,830	5.7	5,996,591	6.7
<b>Financial debts</b>				
Fixed rate financial debt – 2021	2,997,174	2.8	2,995,341	3.1
Fix-rate green financial debt – 2021	5,997,434	5.7	5,996,470	6.2
Inter-bank certificates of deposit	88,508,834	84.0	80,114,348	82.6
Interest payable on debt securities issued	388,116	0.4	382,245	0.4
<b>Total</b>	<b>105,386,006</b>	<b>100.0</b>	96,982,613	100.0

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 Chongqing Bureau on September 21, 2015, the Bank issued the RMB1,500 million Tier II Capital bonds within the domestic inter-bank bond market of China on February 19, 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 February 22, 2021.

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 Chongqing Bureau 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 4.8% 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 March 21, 2022.

The above-mentioned bonds have the write-down feature of a Tier II capital instrument, which allows the Bank to write down the entire principal of the above-mentioned bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would cease to be payable. The above-mentioned Tier II capital bonds are qualified as Tier II Capital Instruments in accordance with the CBIRC requirements.

Pursuant to a resolution of the general meeting passed on July 21, 2017 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》) (Yu Yin Jian Fu [2017] No. 156) by the CBRC Chongqing Bureau on November 3, 2017, the Bank issued RMB3,000 million innovation-and-entrepreneurship themed bonds within the domestic inter-bank bond market of China on June 8, 2018. Such bonds have a maturity of 3 years, with a fixed coupon rate of 4.50% per annum before maturity, payable annually. All proceeds raised are used for loans to innovation-and-entrepreneurship themed enterprises.

Pursuant to a resolution of the general meeting passed on July 21, 2017 and the Approval for Bank of Chongqing to Issue Green Financial Bonds (《關於重慶銀行發行綠色金融債券的批覆》) (Yu Yin Jian Fu [2017] No. 157) by the CBRC Chongqing Bureau on November 2, 2017, the Bank issued the first tranche of Green Financial Bonds with a principal amount of RMB3,000 million within the domestic inter-bank bond market of China on November 5, 2018, with a coupon rate of 4.05% per annum before maturity, and issued the second tranche of Green Financial Bonds with a principal amount of RMB3,000 million within the domestic inter-bank bond market of China on November 21, 2018, with a coupon rate of 3.88% per annum before maturity. All the bonds have a maturity of 3 years with a fixed coupon rate, payable annually. The proceeds raised thereof will be used for the green projects specified in the Green Bond Support Project Directory prepared by the Green Finance Committee of the China Society for Finance and Banking.

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In 2019, the Group issued a total of 181 inter-bank certificates of deposit by discounting with a tenor of one month to one year. As at December 31, 2019, 136 issued inter-bank certificates of deposit were outstanding with a total nominal value of RMB89.9 billion.

In 2019, 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, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Due to central bank	12,280,000	17.5	3,232,088	5.7
Deposits from banks	24,460,654	34.9	28,482,610	49.9
Deposits from other financial institutions	2,641,989	3.8	358,010	0.6
Placements from other banks and financial institutions	16,773,592	23.9	14,029,645	24.6
Notes sold under repurchase agreements	4,005,102	5.7	3,023,414	5.3
Securities sold under repurchase agreements	9,420,500	13.4	7,550,700	13.2
Interest payable on due to other banks and financial institutions	567,388	0.8	413,472	0.7
<b>Total</b>	<b>70,149,225</b>	<b>100.0</b>	57,089,939	100.0

As at December 31, 2019, the Group's balance due to other banks and financial institutions amounted to RMB70,149 million, representing an increase of RMB13,059 million or 22.9% as compared to the end of the previous year. Among which: the Group's balance due to central bank increased by RMB9,048 million or 279.9% to RMB12,280 million as compared to the end of the previous year, mainly due to an increase in the convenience of middle term borrowing by RMB7,500 million; deposits from banks decreased by RMB4,022 million or 14.1% to RMB24,461 million as compared to the end of the previous year; deposits from other financial institutions significantly increased by RMB2,284 million or 638.0% to RMB2,642 million as compared to the end of the previous year; the Group's placements from other banks and financial institutions increased by RMB2,744 million or 19.6% to RMB16,774 million as compared to the end of the previous year; the balance of notes sold under repurchase agreements was RMB4,005 million, representing an increase of RMB982 million as compared to the end of the previous year; and securities sold under repurchase agreements increased by RMB1,870 million or 24.8% to RMB9,421 million as compared to the end of the previous year.

### 3. Shareholders' equity

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	3,127,055	8.1	3,127,055	9.0
Preferred shares	4,909,307	12.7	4,909,307	14.2
Capital reserve	4,680,638	12.1	4,680,638	13.5
Other reserves	9,298,770	24.1	8,289,192	23.9
Retained earnings	14,933,659	38.7	12,044,820	34.8
Total equity attributable to shareholders of the Bank	36,949,429	95.7	33,051,012	95.5
Non-controlling interests	1,664,240	4.3	1,560,561	4.5
<b>Total equity</b>	<b>38,613,669</b>	<b>100.0</b>	34,611,573	100.0

As at December 31, 2019, equity attributable to shareholders of the Bank amounted to RMB36,949 million, representing an increase of RMB3,898 million or 11.8% as compared to the end of the previous year, among which: the paid-in capital was RMB3,127 million, preferred shares was RMB4,909 million, capital reserve was RMB4,681 million, other reserves was RMB9,299 million, and retained earnings was RMB14,934 million.

## Management Discussions and Analysis

### III. Loan quality analysis

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

The following table sets forth the distribution of the Group's principals of loans and advances 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, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Pass	235,044,428	95.61	201,291,218	95.31
Special mention	7,656,338	3.12	7,036,669	3.33
Substandard	980,046	0.40	1,371,389	0.65
Doubtful	1,547,069	0.63	889,139	0.42
Loss	603,712	0.24	620,636	0.29
<b>Total principals of loans and advances to customers</b>	<b>245,831,593</b>	<b>100.00</b>	211,209,051	100.00
Amount of non-performing loans	<b>3,130,827</b>	<b>1.27</b>	2,881,164	1.36

In 2019, faced with the 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, conducted a thorough risk review of credit assets, strengthened early risk warning, tracking and post-lending monitoring management and stepped up efforts in risk management. As a result of these efforts, the quality of the Group's credit assets was relatively good compared to other banks. As at December 31, 2019, the balance of non-performing loans was RMB3,131 million, representing an increase of RMB250 million as compared to the end of the previous year; non-performing loan ratio was 1.27%, representing a decrease of 0.09 percentage point as compared to the end of the previous year. The amount of loans under special mention category accounted for 3.12% of total loans, representing a decrease of 0.21 percentage point as compared to that of the end of the previous year.

## 2. Concentration of loans

### 2.1 Concentration by industry and distribution of non-performing loans

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019				As at December 31, 2018			
	Loan amount	Percentage of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Percentage of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
<b>Loans to corporate entities – measured at amortised cost</b>								
Manufacturing	19,654,168	8.0	571,731	2.91	16,634,742	7.9	332,358	2.00
Wholesale and retail	13,425,889	5.5	904,838	6.74	13,462,906	6.4	671,628	4.99
Construction	15,919,277	6.5	151,586	0.95	12,182,083	5.8	114,003	0.94
Real estate	13,712,652	5.6	246,091	1.79	11,642,543	5.5	176,132	1.51
Leasing and commercial services	21,696,220	8.8	66,029	0.30	20,446,505	9.7	122,988	0.60
Water conservation, environment and public facility administration	35,925,100	14.6	248	0.00	35,482,723	16.8	3,248	0.01
Transportation, warehousing and postal service	3,762,158	1.5	16,898	0.45	2,422,016	1.1	6,384	0.26
Mining	1,931,622	0.8	73,086	3.78	2,417,486	1.1	397,447	16.44
Electricity, heat, gas and water production and supply	5,094,776	2.1	143,855	2.82	3,638,130	1.7	144,336	3.97
Agriculture, forestry, animal husbandry and fishery	2,397,875	1.0	44,515	1.86	1,998,964	0.9	37,141	1.86
Household services, maintenance and other services	324,810	0.1	2,250	0.69	1,755,783	0.8	7,010	0.40
Education	749,455	0.3	844	0.11	631,729	0.3	–	–
Financing	765,156	0.3	–	–	765,493	0.4	–	–
Scientific research and technology services	1,317,998	0.5	4,735	0.36	994,808	0.5	–	–
Information transmission, software and information technology services	700,468	0.3	–	–	788,231	0.4	–	–
Accommodation and catering	1,170,175	0.5	13,224	1.13	1,150,115	0.5	10,795	0.94
Culture, sports and entertainment	447,429	0.2	4,499	1.01	383,030	0.2	–	–
Health and social welfare	1,784,982	0.7	2,368	0.13	2,135,471	1.0	2,808	0.13
<b>Loans to corporate entities – measured at fair value through other comprehensive income</b>								
Discounted bills	14,271,520	5.8	–	–	13,501,381	6.4	–	–
<b>Retail loans – measured at amortised cost</b>								
Retail loans	90,779,863	36.9	884,030	0.97	68,774,912	32.6	854,886	1.24
<b>Total</b>	<b>245,831,593</b>	<b>100.0</b>	<b>3,130,827</b>	<b>1.27</b>	<b>211,209,051</b>	<b>100.0</b>	<b>2,881,164</b>	<b>1.36</b>

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

## Management Discussions and Analysis

In 2019, the Group continued to optimize its industry-specific credit entry and exit criteria for customers, further refined the management of industry quotas and strengthened the disposal of non-performing assets. Non-performing loan ratio at the end of 2019 decreased by 0.09 percentage point as compared to the end of the previous year. Major industries experienced the following changes:

The balance of non-performing loans in the mining industry decreased by RMB324 million as compared with the end of last year, and the non-performing loan ratio decreased by 12.66 percentage points;

The balance of non-performing loans in the leasing and commercial services industry decreased by RMB57 million as compared with the end of the previous year, and the non-performing loan ratio decreased by 0.30 percentage point;

The balance of non-performing loans in the water conservation, environment and public facility administration industry decreased by RMB3 million as compared with the end of the previous year, and the non-performing loan ratio decreased by 0.01 percentage point;

The balance of non-performing loans in household services, maintenance and other services decreased by RMB5 million as compared with the end of the previous year, and the non-performing loan ratio increased by 0.29 percentage point.

### 2.2 Concentration of borrowers

As at December 31, 2019, the Group's total loans to its largest single borrower accounted for 2.52% of its net capital while total loans to its top ten customers accounted for 19.30% of its net capital, which were in compliance with regulatory requirements. As at December 31, 2019, all of the Bank's loans to top ten single borrowers were loans in the pass category.

#### (1) Indicators of concentration

Major regulatory indicators	Regulatory standard	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
Loan concentration ratio for the largest single customer (%)	≤10	2.52	2.15	2.28
Loan concentration ratio for the top ten customers (%)	–	19.30	18.79	17.19

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

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

(All amounts expressed in thousands of RMB unless otherwise stated)		As at December 31, 2019	
		Amount	Percentage of total principal of loans and advances (%)
<b>Customer A</b>	Water conservation, environment and public facility administration	1,249,959	0.51
<b>Customer B</b>	Manufacturing	1,113,540	0.45
<b>Customer C</b>	Water conservation, environment and public facility administration	1,035,000	0.42
<b>Customer D</b>	Electricity, heat, gas and water production and supply	1,000,000	0.41
<b>Customer E</b>	Leasing and commercial services	970,000	0.39
<b>Customer F</b>	Real estate	954,200	0.39
<b>Customer G</b>	Leasing and commercial services	905,000	0.37
<b>Customer H</b>	Manufacturing	850,000	0.35
<b>Customer I</b>	Water conservation, environment and public facility administration	770,000	0.31
<b>Customer J</b>	Real estate	737,000	0.30

## Management Discussions and Analysis

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

The following table sets forth the principals of loans and advances 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, 2019			As at December 31, 2018		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
<b>Loans and advances to corporate entities</b>						
– measured at amortized cost	140,780,210	2,246,797	1.60	128,932,758	2,026,278	1.57
Corporate loans	140,780,210	2,246,797	1.60	128,932,758	2,026,278	1.57
Short-term loans	25,802,480	1,409,832	5.46	28,078,682	1,363,546	4.86
Medium- and long – term loans	114,977,730	836,965	0.73	100,854,076	662,732	0.66
<b>Loans to corporate entities – at fair value through other comprehensive income</b>						
Discounted bills	14,271,520	–	–	13,501,381	–	–
<b>Retail loans – measured at amortized cost</b>	90,779,863	884,030	0.97	68,774,912	854,886	1.24
Residential mortgage and personal commercial property loans <sup>(1)</sup>	26,756,056	90,493	0.34	20,602,122	120,509	0.58
Personal business and re-employment loans	16,192,657	418,518	2.58	12,243,480	422,500	3.45
Others <sup>(2)</sup>	47,831,150	375,019	0.78	35,929,310	311,877	0.87
<b>Total</b>	<b>245,831,593</b>	<b>3,130,827</b>	<b>1.27</b>	<b>211,209,051</b>	<b>2,881,164</b>	<b>1.36</b>

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 Xing Fu Dai (幸福貸), other personal loans for general consumption needs, Jie E Dai (捷e貸), Yangtze Card revolving credit loans, Xin e Dai (薪e貸), Xing Fu Dai (new version) (幸福貸(新)), personal consumer automobile mortgage loans (indirect type), Xin Jin Dai (薪金貸), personal consumer automobile mortgage loans (direct type), Yangtze Quick and Easy Loan (長江快易貸), personal cooperative organization residential mortgage loans (residential), personal transferring residential mortgage loans (residential), Shun Di Dai (順抵貸), Wei Li Dai (微粒貸), Kuai I Dai (快I貸), Kuai E Dai (快E貸), Fenqile Co-Branded Loans(分期樂聯合貸款) and new Kuai E Dai (新快E貸).

As at December 31, 2019, the balance of non-performing loans to corporate entities was RMB2,247 million, representing an increase of RMB221 million as compared to the end of the previous year. Non-performing loan ratio of loans to corporate entities increased by 0.03 percentage point to 1.60% as compared to the end of the previous year, and the balance of non-performing retail loans was RMB884 million, representing an increase of RMB291 million as compared to the end of the previous year. Non-performing loan ratio of retail loans decreased by 0.27 percentage point to 0.97% as compared to the end of the previous year.

### 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, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Past due within 90 days	4,053,545	60.03	4,474,879	62.39
Past due 90 days to 1 year	1,204,187	17.83	1,488,638	20.76
Past due over 1 year and within 3 years	1,370,514	20.30	989,045	13.79
Past due over 3 years	124,030	1.84	219,704	3.06
<b>Total overdue loans and advances to customers</b>	<b>6,752,276</b>	<b>100.00</b>	<b>7,172,266</b>	<b>100.00</b>

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

As at December 31, 2019, the total overdue loans amounted to RMB6,752 million, representing a decrease of RMB420 million as compared to the end of the previous year. Total overdue loans accounted for 2.75% of total principals of loans and advances to customers, representing a decrease of 0.65 percentage point as compared to the end of the previous year.

## Management Discussions and Analysis

### IV. Segment information

#### 1. Summary of geographical segment

(Expressed in percentage)	As at December 31,							
	2019		2018		2017		2016	
	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Deposits	86.73	13.27	86.09	13.91	84.36	15.64	81.55	18.45
Loans	79.21	20.79	75.66	24.34	76.18	23.82	74.93	25.07
Assets	90.20	9.80	88.40	11.60	87.34	12.66	85.88	14.12
Loan-to-deposit ratio	72.08	123.72	62.34	124.10	60.85	102.57	58.73	86.84
Non-performing loan ratio	0.99	3.07	1.06	3.43	1.09	2.71	0.76	1.64
Impairment allowance to non-performing loans	336.43	190.37	244.68	181.86	286.65	131.98	372.68	183.92

(Expressed in percentage)	For the year ended December 31,							
	2019		2018		2017		2016	
	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Return on average total assets	1.76	1.29	1.81	1.14	2.35	(1.41)	1.07	0.63
Net fee and commission income to operating income	8.33	4.47	15.05	6.09	19.23	13.08	21.53	13.02
Cost-to-income ratio	22.69	22.11	22.61	24.50	20.61	33.35	22.85	30.11

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, 2019				
	Corporate banking	Retail banking	Treasury	Unallocated	Total
Net interest income from external customers	5,258,190	566,062	3,014,877	–	8,839,129
Inter-segment net interest income/(expense)	1,630,526	1,777,970	(3,408,496)	–	–
<b>Net interest income/(expense)</b>	<b>6,888,716</b>	<b>2,344,032</b>	<b>(393,619)</b>	<b>–</b>	<b>8,839,129</b>
<b>Net fee and commission income</b>	<b>137,937</b>	<b>322,624</b>	<b>797,032</b>	<b>–</b>	<b>1,257,593</b>
Net trading gains	106,498	–	141,605	–	248,103
Net gains on investment securities	–	–	1,381,023	–	1,381,023

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31, 2018				
	Corporate banking	Retail banking	Treasury	Unallocated	Total
Net interest income/(expense) from external customers	5,567,780	398,680	909,186	–	6,875,646
Inter-segment net interest income/(expense)	1,826,220	1,526,162	(3,352,382)	–	–
<b>Net interest income</b>	<b>7,394,000</b>	<b>1,924,842</b>	<b>(2,443,196)</b>	<b>–</b>	<b>6,875,646</b>
<b>Net fee and commission income</b>	<b>253,567</b>	<b>293,328</b>	<b>795,027</b>	<b>–</b>	<b>1,341,922</b>
Net trading gains/(losses)	245,215	–	222,556	–	467,771
Net gains on investment securities	–	–	1,869,777	–	1,869,777

## Management Discussions and Analysis

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

Off-balance-sheet items of the Group mainly include bank acceptances, issuance of letters of credit, issuance of letters of guarantee, unused credit card limits, irrevocable loan commitments, operating lease commitments and capital expenditure commitments. As at December 31, 2019, the balance of bank acceptances was RMB29,221 million, representing an increase of RMB11,209 million or 62.2% as compared to the end of the previous year; the balance of issuance of letters of credit was RMB9,087 million, representing a decrease of RMB1,372 million or 13.1% as compared to the end of the previous year; the balance of issuance of letters of guarantee was RMB6,769 million, representing an increase of RMB2,828 million or 71.8% as compared to the end of the previous year; the balance of unused credit card limits was RMB4,265 million, representing an increase of RMB1,096 million or 34.6% as compared to the end of the previous year; the balance of irrevocable loan commitments was RMB25 million, representing a decrease of RMB55 million or 68.7% as compared to the end of the previous year; the balance of operating lease commitments was nil, representing a decrease of RMB148 million; the balance of capital expenditure commitments was RMB207 million, representing a decrease of RMB162 million or 44.0% as compared to the end of the previous year.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019			
	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	29,221,132	–	–	29,221,132
Issuance of letters of credit	9,086,819	–	–	9,086,819
Issuance of letters of guarantee	4,117,566	2,651,013	730	6,769,309
Unused credit card limits	4,265,204	–	–	4,265,204
Irrevocable loan commitments	20,667	4,340	–	25,007
Capital expenditure commitments	118,139	88,442	–	206,581
<b>Total</b>	<b>46,829,527</b>	<b>2,743,795</b>	<b>730</b>	<b>49,574,052</b>

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018			
	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	18,012,260	–	–	18,012,260
Issuance of letters of credit	10,446,455	11,997	–	10,458,452
Issuance of letters of guarantee	2,348,795	1,591,155	680	3,940,630
Unused credit card limits	3,169,448	–	–	3,169,448
Irrevocable loan commitments	29,530	50,402	–	79,932
Operating lease commitments	42,079	88,809	17,191	148,079
Capital expenditure commitments	214,525	154,124	–	368,649
<b>Total</b>	<b>34,263,092</b>	<b>1,896,487</b>	<b>17,871</b>	<b>36,177,450</b>

## 6.3 Business Overview

### 6.3.1 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)	For the year ended December 31,		
	2019	2018	Change (%)
Net interest income from external customers	5,258,190	5,567,780	(5.6)
Inter-segment net interest income/(expense)	1,630,526	1,826,220	(10.7)
<b>Net interest income/(expense)</b>	<b>6,888,716</b>	7,394,000	(6.8)
<b>Net fee and commission income</b>	<b>137,937</b>	253,567	(45.6)
Net trading gains	106,498	245,215	(56.6)
Impairment losses	(3,321,733)	(3,593,659)	(7.6)
Operating expense	(1,395,051)	(1,340,359)	4.1
– Depreciation and amortisation	(137,819)	(108,104)	27.5
– Others	(1,257,232)	(1,232,255)	2.0
<b>Profit before income tax</b>	<b>2,416,367</b>	2,958,764	(18.3)

(All amounts expressed in thousands of RMB unless otherwise stated)	As at	As at	Change (%)
	December 31, 2019	December 31, 2018	
<b>Capital expenditure</b>	<b>132,720</b>	151,731	(12.5)
<b>Segment assets</b>	<b>179,118,971</b>	166,206,234	7.8
<b>Segment liabilities</b>	<b>(197,208,744)</b>	(182,012,244)	8.3

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

#### (I) Corporate Deposits

Adhering to the strategy of “building a bank founded on the basis of deposit”, the Bank vigorously promoted the marketing of corporate deposits. The launch of cash management system provided customers with easy, convenient and efficient fund management services, thus improving its service quality. The introduction of structured deposit products for enterprises enriched its product portfolios. The Bank utilized general deposits, large deposit certificates and structured deposits in an integrated manner to meeting the daily settlement, investment and other capital needs of customers. As a “local bank”, the Bank actively participated in deposit bidding and bond issuance of key local customers and promoted the marketing of deposits capitalizing on its advantages of being close to local customers. As of December 31, 2019, the balance of our corporate deposits amounted to RMB158.208 billion, representing an increase of 3.5% or RMB5.419 billion, accounting for 56.3% of the balance of total deposits.

## Management Discussions and Analysis

### *(II) Corporate Loans*

During the Reporting Period, with active compliance with policy orientation, the Bank conducted targeted marketing with projects following the direction of national policy, such as green credit, rural revitalization, poverty alleviation, shantytowns transformation and “Belt and Road” Initiative. Meantime, based on the characteristics of Chongqing, Sichuan, Guizhou and Shaanxi regions, the Bank focused credit lending pace on regional advantageous industries.

In terms of selecting industries, the Bank insisted on staying to the origin and actively marketed with large customers in the real economy and non-cyclical industries; as for the selection of customers, the Bank actively responded to national calls, extended equal treatment to private enterprises and state-owned enterprises, with a view to selecting high-quality customers. We actively enhanced the ranking of our customers and cooperation stickiness by carrying out inter-headquarters marketing; in respect of application of our products, we integrated traditional credit granting practices, inter-bank cooperation as well as trade and financial instruments into a comprehensive solution which achieved satisfactory results in our marketing campaign to secure customers.

As of December 31, 2019, the balance of loans and advances to corporate entities (including discount of bills) amounted to RMB155.052 billion, representing growth of RMB12.618 billion or 8.9% as compared to the end of the previous year.

### *(III) Corporate Banking Business Development Initiatives*

During the Reporting Period, corporate banking product portfolio of the Bank achieved further improvement.

1. To cater to the needs of our customers, we proactively tailored our debt products to specific industry features, settlement practices and capital retention patterns with reference to regional economic and industry conditions. We strove to cover customers’ such needs as daily settlement and high-yield investment through comprehensively utilizing traditional deposits, large deposit certificates and structured deposits.
2. As a proactive response to the national call, the Bank intensified support for the real economy by optimizing and upgrading “You You Dai (優優貸)” and “Entity Credit Loan (實體信用貸)” to broaden business coverage and expand customer base, thus providing credit financing for regional high-quality entities and enhancing cooperation stickiness.
3. The Bank promoted a platform for marketing settlement by batches and utilized a margin platform to provide comprehensive transaction settlement service to enterprises; integrated with engineering fund platforms to market enterprise construction funds through full-process; established a platform covering banks, shares and enterprises to provide comprehensive service to enterprises seeking for listing; optimized cooperation among banks, governments and enterprises to continuously obtain debt issuance funds; proactively marketed upstream and downstream customers and settlement funds with linked development of assets and liabilities to achieve a win-win situation between the Bank and enterprises; and launched a cash management business platform to provide strong support for refined management of customer funds.

4. The Bank expanded its pool of financial licenses to enhance financial services for customers and improve its own risk management and control methods. On February 25, 2019, the Chongqing CBIRC officially approved the Bank's business qualification for ordinary class derivatives, which was another breakthrough after the Bank's implementation of a comprehensive strategy since the approval of business qualification for basic class derivatives on July 10, 2017, thereby further consolidating the foundation for the Bank's high-quality development. Our bank has also become the first city commercial bank in western China which has obtained the business qualification for ordinary class derivatives.
5. The Bank promoted the healthy development of the supply chain of its financial businesses in a stable and steady manner. It continued to expand and improve the supply chain of financial products system through innovation; launched a new financial system for the supply chain with science and technology empowerment, to improve its capabilities in the interaction and application of date; enhanced the quality and efficiency of customer service through the development of intelligent online business model for the supply chain; effectively supported the financing of small and micro enterprises through the batch online business model; and contributed to the growth of various enterprises with different financial services, thus truly serving the development of the local real economy.
6. With the aim to assist high-quality enterprises in financing overseas, the Bank provided credit bond for SLC to enterprises for overseas bond issuance through model innovation. Bank of Chongqing made its presence in the overseas capital market as the issuer of SLC, which was highly recognized by overseas investors. At the same time, it showed that the Bank can provide more diversified channels and tools for cross-border financing. In 2019, the amount of bonds through SLC issued by Bank of Chongqing amounted to US\$81 million with oversubscription of more than 5 times.

### 6.3.2 Small and Micro Enterprise Banking Business

#### *(I) Overview of Small and Micro Enterprise Banking Business*

As of December 31, 2019, according to the national statistic standards, the balance of our small and micro enterprise loans amounted to RMB79.867 billion, representing an increase of RMB4.924 billion as compared with the end of the previous year. The number of customers was 43,657, increasing by 10,233 as compared with the end of the previous year. The Bank adhered to the development concept of "scale expansion, small individual lending, small and micro business, and risk diversification". The small and micro enterprise loans with an individual lending amount of below RMB10 million recorded a balance of RMB32.049 billion, representing an increase of RMB5.703 billion as compared with the end of the previous year. The number of loan customers was 29,985, increasing by 10,645 as compared with the end of the previous year. The Bank continued to meet the regulatory requirements of China Banking and Insurance Regulatory Commission for "two increases and two controls".

## Management Discussions and Analysis

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

1. Deepening the development of internal mechanisms enhance the willingness to lending. We deepened the construction of assessment and incentive, tolerance standards for non-performing loans, the Due Diligence and Liability Exemption policy and risk prevention and control mechanism, and continued to create the “Five Category” security mechanism, namely separate credit limits, favorable internal pricing, preferential capital cost, special incentive arrangements and human resources support, so as to maintain financial support for small and micro enterprises. We formulated and implemented the implementation regulations on the Due Diligence and Liability Exemption policy for small and micro enterprise credit business, the implementation regulations on the Due Diligence and Liability Exemption policy for the online small and micro enterprise credit business of “Hao Qi Dai (好企貸)”, and the measures on the management of the Due Diligence and Liability Exemption policy for financial service work of agricultural affairs and poverty alleviation, thus enhancing the willingness to lending of front-line business personnel.
2. Strengthening the guidance and training on businesses to enhance lending capacities. We strengthened the system construction and business training mechanisms to enhance lending capacities of personnel in small and micro enterprise financial service business. Firstly, we optimized the rules and regulations, including revising the measures on the management of small and micro enterprise credit business, the measures on the management of joint marketing and the measures on the management of guarantee companies, effectively adapting to the latest developments and policy requirements. Secondly, with focus on improving account managers’ capacities in marketing and expansion, product utilization and risk management and control, we implemented business trainings such as area training covering all branches and special training covering all new policies, systems and products.
3. Optimizing the technical means of credit to improve the efficiency of financial services. Leveraging our advantages in geography, close relationship and people exchanges, we made innovation in credit evaluation methods credit products and service models. Firstly, we optimized the batch business model to restructure standardized product design elements and establish special investigation and approval modules, so as to enhance the implementation of batch business. Secondly, in order to expand the coverage and increment of “Knowledge Value Credit Loan (知識價值信用貸款)”, we optimized the cooperation between banks and governments through adjusting the entry threshold of customers and expanding its application. Thirdly, we optimized the fast loan model through expanding the entry scope and setting flexible credit conditions, thus enhancing the competitiveness of “Home Mortgage Loan (房抵貸)”. Fourthly, we optimized the lending model of annual assessment through extending the credit period and simplifying the annual assessment process, thereby improving the quality and efficiency of “Annual Review Loan (年審貸)”. Fifthly, we optimized the online loan model and developed the online special loan renewal for “Hao Qi Dai (好企貸)”, so as to accelerate the iterative operation upgrading of “Hao Qi Dai (好企貸)” products.

4. Improving the credit information function to enhance the effectiveness of financial services. We intensified the in-depth integration of financial big data and the Internet to expand the comprehensive service channels for small and micro enterprises. Firstly, we improved the online service functions and developed the Mobile Payment Platform 2.0 for small and micro enterprises and a real estate online cloud assessment system, to provide “online loan application and online evaluation” for small and micro enterprises. Secondly, in order to facilitate interaction between banks and enterprise, we carried out the “entry of banks to enterprises (百行進萬企)” and “first loan (首次貸款)” to expand the coverage and increment as well as financial service promotion meetings for private enterprises, thus solving the “last mile (最後一公里)” problem in financial services for small and micro enterprises. Thirdly, we organized value-added service activities, including the linkage and interaction meeting for investment and credit co-hosted by the Chongqing Industry Guidance Fund and Bank of Chongqing as well as lectures on management and taxation knowledge of small and micro enterprises.
5. Making good use of external preferential policies to give full play to the synergy of policies. We increased the financial service resources for small and micro enterprises capitalizing on preferential external policies. Firstly, we made full use of preferential monetary policies, and applies for the refinancing fund of RMB4.78 billion for supporting small and micro enterprises from the People’s Bank of China and the lending fund of RMB2.5 billion from China Development Bank. Secondly, we gave full play to preferential financial and tax policies, and successfully applied for preferential policies on exempting VAT for the interest income of eligible small and micro enterprises. Thirdly, taking advantage of the launch of National Financing Guarantee Fund, we became the first bank for projects from National Financing Guarantee Fund in Chongqing, with guaranteed small and micro enterprise loans of RMB3 billion.
6. Supporting for rural industrial revitalization and the poverty alleviation strategy. We explored the credit needs from customers in rural areas, and the balance of agricultural loans increased by RMB2.533 billion, of which the balance of inclusive agricultural loans increased by RMB1.394 billion. Firstly, in order to support the structural reform of the supply side of agriculture, we promoted the “Agricultural Loan for Six New Industries (新六產助農貸)” and the “Loan for Three Reforms (三變改革貸)” to support the integrated development of rural primary, secondary and tertiary industries. Secondly, we promoted the “Road Protection Loan (路保貸)” and the “Travel Loan (助旅貸)” to support rural infrastructure projects to help the development of beautiful villages. Thirdly, we focused on the deep poverty-stricken areas and people through the “Small Credit for Poverty Alleviation (扶貧小額信貸)” to help registered low-income families get rid of poverty and increase income. Fourthly, we promoted innovative financial models for targeted poverty alleviation in the form of industrial poverty alleviation, consumption poverty alleviation, sales poverty alleviation, employment poverty alleviation and village-based poverty alleviation, thus building a long-term and sustainable poverty alleviation mechanism.

## Management Discussions and Analysis

### 6.3.3 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)	For the year ended December 31,		
	2019	2018	Change (%)
Net interest income/(expense) from external customers	566,062	398,680	42.0
Inter-segment net interest income	1,777,970	1,526,162	16.5
<b>Net interest income</b>	<b>2,344,032</b>	1,924,842	21.8
<b>Net fee and commission income</b>	<b>322,624</b>	293,328	10.0
Other operating income	2,025	2,824	(28.3)
Impairment losses	(346,319)	61,776	N/A
Operating expenses	(976,262)	(1,028,132)	(5.0)
– Depreciation and amortisation	(96,447)	(82,921)	16.3
– Others	(879,815)	(945,211)	(6.9)
<b>Profit before income tax</b>	<b>1,346,100</b>	1,254,638	7.3

(All amounts expressed in thousands of RMB unless otherwise stated)	As at	As at	Change (%)
	December 31, 2019	December 31, 2018	
<b>Capital expenditure</b>	<b>64,001</b>	71,256	(10.2)
<b>Segment assets</b>	<b>86,376,445</b>	78,053,909	10.7
<b>Segment liabilities</b>	<b>(102,080,647)</b>	(81,570,116)	25.1

#### (I) Personal Deposits

Benefiting from the continued and rapid economic growth in Chongqing and fully utilizing its advantage as a regional brand, the Bank constantly promoted and marketed its special time deposit products Xing Fu Cun (幸福存), Meng Xiang Cun (梦想存) and large certificate of personal deposit, and launched the personal structured deposit business to expand the product pool of the Bank. We continuously improved the maintenance of key customers such as VIP customers and subsidized customers, while strengthening marketing on young customers to maintain steady progress in service capabilities. The Bank's balance of personal deposits continued to increase steadily by RMB20.328 billion or 25.26% as compared with the end of the previous year to RMB100.813 billion, and the local market share of which has been continually increased.

### *(II) Personal Loans*

As of December 31, 2019, the balance of personal consumption loans (including personal consumption loans and mortgage loans) increased by RMB16.123 billion to RMB67.930 billion as compared with the end of the previous year, representing an increase of 31.1%, and the balance of personal business loans increased by RMB3.949 billion to RMB16.193 billion, representing an increase of 32.3%. During the Reporting Period, to cope with the complicated market changes, the Bank proactively carried out market-oriented business innovation, and achieved steady growth in retail business:

1. As always taking enhancing the customer experience as the starting point, the Bank constantly upgraded consumption loan products and services, launched “Talent Loan (人才貸)” for high-end talents, and optimized the process and approval efficiency of consumption loans;
2. The Bank actively promoted the intelligent development of online consumption loan products, and successfully completed the upgrade and optimization of “Jie e Dai (捷e貸)” to expand the coverage of the customer base to the entire society;
3. With the continuous implementation of the innovation-driven development strategy, the Bank developed financial technology products such as “Hao Qi Dai (好企貸)” and “Wei E Dai (微E貸)” through the deep integration of finance with the Internet, big data and other modern technologies, thus supporting the development of small and micro business owners and individual businesses and the rapid growth of personal business loans.
4. The Bank promoted the construction of an open and intelligent marketing system and developed an open banking platform to diversify channels for acquiring online customers and expand customer traffic.

### *(III) Bank Cards*

The Bank recorded stable growth in the number of issued bank cards and maintained active in consumer transactions. As of December 31, 2019, the total number of issued debit cards increased by 0.2898 million to 4.0074 million as compared with the previous year, and the transaction volume for the year amounted to RMB13.740 billion; the total number of issued credit cards increased by 0.0306 million to 0.2442 million as compared with the previous year, and the transaction volume for the year amounted to RMB4.208 billion.

The Bank has been committed to the expansion of functions such as consumption and settlement, and constantly promoting channel improvement and security enhancement to facilitate a healthy development of the bank card business. In terms of debit cards, the Bank improved its payment functions with Cloud Quick Pass APP, including access to featured service, agency collection and payment, quick payment and account verification, so as to enhance cardholders’ binding with Cloud Quick Pass and increase the transaction volume of agency collection and payment. In terms of credit cards, the Bank completed multiple optimization and transformation work, including the transformation of UnionPay credit and debit/agency payment business, launch of WeChat repayment function, transformation of ETC post-payment system, optimization of consumer transactions in intermediary business platform of credit cards, and optimization and transformation of transfer and repayment transactions, thus promoting the technological upgrading of credit cards.

## Management Discussions and Analysis

### 6.3.4 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)	For the year ended December 31,		
	2019	2018	Change (%)
Net interest income from external customers	3,014,877	909,186	231.6
Inter-segment net interest expense	(3,408,496)	(3,352,382)	1.7
<b>Net interest income</b>	<b>(393,619)</b>	<b>(2,443,196)</b>	<b>(83.9)</b>
<b>Net fee and commission income</b>	<b>797,032</b>	<b>795,027</b>	<b>0.3</b>
Net trading gains/(losses)	141,605	222,556	(36.4)
Net gains on investment securities	1,381,023	1,869,777	(26.1)
Share of profits of associates	163,250	220,427	(25.9)
Other operating income	1,200	880	36.4
Impairment losses	54,581	107,214	(49.1)
Operating expense	(348,053)	(163,636)	112.7
– Depreciation and amortisation	(34,385)	(13,198)	160.5
– Others	(313,668)	(150,438)	108.5
<b>Profit before income tax</b>	<b>1,797,019</b>	<b>609,049</b>	<b>195.1</b>

(All amounts expressed in thousands of RMB unless otherwise stated)	As at	As at	Change (%)
	December 31, 2019	December 31, 2018	
<b>Capital expenditure</b>	<b>172,783</b>	186,402	(7.3)
<b>Segment assets</b>	<b>233,188,183</b>	204,185,736	14.2
<b>Segment liabilities</b>	<b>(163,327,112)</b>	(152,173,991)	7.3

In 2019, 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 RMB1.797 billion for the year, and increased by RMB1.188 billion or 195.1% as compared to the previous year.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Held for trading	16,940,021	11.36	16,587,883	12.42
Financial investments carried at amortised cost	96,407,351	64.63	82,523,309	61.77
Financial investments at fair value through other comprehensive income	35,817,064	24.01	34,478,553	25.81
<b>Total</b>	<b>149,164,436</b>	<b>100.00</b>	133,589,745	100.00

The Bank adopted IFRS 9 for the first time on January 1, 2018, pursuant to which securities investment can be divided by holding purpose into held-for-trading financial investments, financial investments at amortised cost and financial investments measured at FVOCI. As at December 31, 2019, the balance of held-for-trading financial investments was RMB16.940 billion, accounting for 11.36%; the balance of financial investments at amortised cost was RMB96.407 billion, accounting for 64.63%; the balance of financial investments measured at FVOCI was RMB35.817 billion, accounting for 24.01%.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
AAA	4,155,238	2.79	6,616,679	4.95
AA- to AA+	15,036,445	10.08	14,450,387	10.82
A+	242,168	0.16	50,370	0.04
Unrated	129,730,585	86.97	112,472,309	84.19
<b>Total</b>	<b>149,164,436</b>	<b>100.00</b>	133,589,745	100.00

The Bank increased the holdings of bonds with controllable risks and high yield in 2019. As at December 31, 2019, the balance of AAA rated securities investments decreased by RMB2.461 billion as compared with the end of the previous year, with the proportion decreased by 2.16 percentage points; the balance of AA- to AA+ rated securities investments increased by RMB0.586 billion as compared with the end of the previous year, with the proportion decreased by 0.74 percentage point; the balance of A+ rated securities investments increased by RMB192 million as compared with the end of the previous year, with the proportion increased by 0.12 percentage point; and unrated securities investment increased by RMB17.258 billion as compared with the end of the previous year, with the proportion increasing by 2.78 percentage points. The unrated securities investment mainly comprised loans and receivables and government bonds.

## Management Discussions and Analysis

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage	Amount	Percentage
		(%)		(%)
Up to 3 months	5,125,969	3.44	6,126,573	4.59
3 to 12 months	17,978,577	12.05	20,243,716	15.15
1 to 5 years	95,480,425	64.01	71,316,979	53.39
Over 5 years	30,579,465	20.50	35,902,477	26.88
<b>Total</b>	<b>149,164,436</b>	<b>100.00</b>	133,589,745	100.00

As at December 31, 2019, the Bank's securities investment with remaining maturity within 12 months decreased by RMB3.266 billion from the end of the previous year, with the proportion decreasing by 4.25 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, 2019, the balance of our financial bonds was RMB4.060 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 thousands of RMB	Interest rate	Maturity date
2016 Policy Bank Financial Bond	1,000,000	3.18%	2026-04-05
2018 Commercial Bank Bonds	800,000	4.50%	2021-05-29
2016 Policy Bank Financial Bond	500,000	3.18%	2026-09-05
2013 Policy Bank Financial Bond	460,000	5.04%	2023-10-24
2006 Policy Bank Financial Bond	380,000	3.79%	2021-06-28
2018 Commercial Bank Tier II Capital Bond	200,000	5.30%	2028-06-08
2018 Commercial Bank Tier II Capital Bond	200,000	4.86%	2028-09-05
2018 Commercial Bank Tier II Capital Bond	200,000	4.34%	2034-09-24
2005 Policy Bank Financial Bond	200,000	4.10%	2025-08-30
2003 Non-Bank Financial Institution Bond	120,000	5.10%	2023-12-12

### 6.3.5 Distribution Channels

#### *(I) Physical Outlets*

As of December 31, 2019, the Bank operated its business and marketed its retail banking products and services through 142 sub-units, including the business department of its Head Office, its small enterprise loan center, four primary branches, 216 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*

As of December 31, 2019, the Bank had 216 self-service centers (including offsite and onsite self-service banking centers) and 501 ATM self-service equipment (including 138 ATMs and 363 CRSs) that offer self-services such as deposit, withdrawal, fund transfer and account inquiry. In 2019, the Bank processed approximately 4.59 million transactions in ATM self-service equipment, with a total transaction volume of RMB12.1 billion.

#### *(III) Electronic Banking*

1. Online Banking and Mobile Banking. As at December 31, 2019, the number of personal online banking customers was 915.7 thousand, with 753.8 thousand transactions in total and the total transaction amount of RMB40.827 billion; the number of personal mobile banking customers was 914.8 thousand, with 4,966.8 thousand transactions in total and the total transaction amount of RMB175.891 billion. The Bank had 27,409 corporate online banking customers, representing an increase of 5,212 customers or 23.5% as compared with the end of the previous year. The total number of transactions amounted to 2.3861 million, and the total transaction volume amounted to RMB346.802 billion.
2. Third Party Payment. As of December 31, 2019, 9 merchants in aggregate accessed to third party payment. The total number of transactions amounted to 48.3170 million, and the total transaction volume amounted to RMB36.396 billion.
3. Online Lending Business. As of December 31, 2019, a total of 14,574 loans were granted under “Hao Qi Dai (好企貸)”, representing an increase of 6,349 loans as compared with the end of the previous year. The accumulated amount of loans granted reached RMB8.844 billion, representing an increase of RMB4.301 billion as compared with the end of the previous year. There were 5,927 managed accounts with a balance of RMB3.968 billion.

## Management Discussions and Analysis

### 6.3.6 Information Technology

In 2019, 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 Group.

#### *(1) We continued to strengthen internal control on information technology to enhance risk prevention and control capability based on information technology.*

1. We continued our works on establishment of IT internal control system, and abolished 6 systems and revised 39 systems according to the organizational structure adjustment required by the Ministry of Science and Technology of China and the actual implementation of the Bank, thus ensuring that its systems are practical and feasible.
2. We proactively conducted classified network security protection. During the year, we completed the onsite assessments and correction of 8 information systems with network security level of Class III.
3. We actively staged on-site IT risk screening campaign, penetration testing and rectifications.
4. We deployed the network data leakage prevention system and mobile application security management system to enhance the Bank's capability to prevent data leakage through networks, and strengthened the security management and control of mobile terminals.
5. We completed the construction of a network security operation and management platform and improved its monitoring model which can collect the logs of networks, hosts and security systems in a unified manner and conduct related analysis in a centralized manner, thus its capacities to identify threats within the network.

#### *(2) We continued to ensure the stable operation of information system of the Bank, and intensified the construction of infrastructure projects.*

1. We formulated a four-year integrated operation and maintenance plan of "supervision, management and control" in 2019, and gradually launched an intelligent transaction monitoring system, an operation dispatch platform, a workflow management system and a configuration management system as planned. The intelligent transaction monitoring system can realize real-time monitoring of key transaction indicators of important information systems including transaction success rate, number of transactions and response rate, and display real-time business operations in a unified manner, thus achieving full monitoring coverage of important information systems. The operation dispatch platform can manage the status of more than 900 operations, and automatically send alarms on abnormal operations via SMS. The workflow management system can realize the electronic circulation and mobile approval of various operation and maintenance processes such as events, changes, problems, services and commissions. The configuration management system can manage the configuration of important information systems in a unified manner, and provide basic IT configuration information for other automation systems.
2. We tested the power system of computer rooms, and obtained the A-level certification for the power system of computer rooms.
3. We carried out 58 emergency drills on systems, networks and infrastructure in an orderly and planned manner in this year.

### *(3) We accelerated the innovation and integration of IT and businesses, and facilitated the application of new businesses and technologies.*

In the year of 2019, we put into production main projects including the remote centralized authorization project, paperless transmission of credit files, the Payment Platform for Small and Micro Loans, robotic automated processing platform, IFRS 9 reporting system, the data mart system for assets and liabilities and IFRS 9, exposure system of large credit Phase I, intelligent risk control decision-making management system for online credit, mobile statistical analysis system, the new T+1 core report system, the third generation anti-money laundering system, the second generation anti-counterfeit currency system, the integrated intelligent operation and maintenance system for consumption loans, the new generation management platform for self-service equipment, the second generation credit inquiry system, the anti-fraud system for personal consumption finance, the intelligent supply chain system and the mobile display platform. Among them, the remote centralized authorization project can provide a solid support and assurance for comprehensively improving the service capabilities of outlets, promoting the construction of intelligent operations and facilitating the transformation of outlets. The paperless transmission of credit files can realize the paperless online transmission and approval of some key credit files, laying foundation for further promoting the paperless transformation for all online credit. The Payment Platform for Small and Micro Loans can meet the needs of small and micro customer base for online deposit and loan and capital transactions.

#### 6.3.7 Particulars of Principal Associates

Please refer to the subsection of “1.3 Investment in associates” under “II. Analysis of the Statement of Financial Position” in the section of “Management Discussions and Analysis” in this annual report.

## Management Discussions and Analysis

### 6.4 Employees and Human Resources Management

#### 6.4.1 Details of the employees

##### *(I) Composition of employees*

As of December 31, 2019, there were 4,274 employees on-duty, of which 852 or 19.93% were management personnel while 124 or 2.90% were marketing personnel, both worked at the Head Office, and 2,346 or 54.89% worked at branch outlets in Chongqing while 952 or 22.28% worked at branches in other cities.

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

The average age of the employees of the Bank was 35 years old. 169 or 3.95% of them were under the age of 25 while 1,007 or 23.56% aged between 26 to 30 years old. 1,454 or 34.02% of them aged between 31 to 35 years old while 641 or 15.00% of them aged between 36 to 40 years old. 405 or 9.48% of them aged between 41 to 45 years old while 440 or 10.29% of them aged between 46 to 50 years old and 158 or 3.70% of them aged above 50 years old.

##### *(III) Educational background*

594 or 13.90% of the employees of the Bank possessed a post-graduate qualification or above, and 8 of which held Doctoral degrees. 3,289 or 76.95% of them held Bachelor degrees while 391 or 9.15% of them received junior college degrees or below.

##### *(IV) Composition of gender*

The Bank had 1,878 male employees and 2,396 female employees, with the proportion of 43.94% and 56.06% respectively.

#### 6.4.2 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.

### 6.4.3 Training and development of the employees

The Bank closely focused on the strategic development planning of “being asset-light, capital-light, industry-oriented and professional with investment banking attributes”, and adhered to demand-oriented and target-oriented principles. With emphasis on key positions and core talents, the Bank vigorously promoted its construction of talent supply chain, and established a talent team that recognizes the Bank’s corporate culture and aligns with the requirements of the Bank’s strategic development, and improved the quality and efficiency of talent and employee training. The Bank has preliminarily set up a multiple dimension and level-and-category based employee training and development system, and through building the E-learning and M-learning training platforms, a variety of mixed training techniques were introduced, continued to enrich the online training and mobile learning resource, innovate training mechanisms, measures and methods to keep promoting the overall standard of all the employees, thus building the Bank’s advantages in talent competition.

## 6.5 Risk Management

### 6.5.1 Credit risk management

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.

The Group closely monitors the macro-economic and financial situation, and makes efforts for structure adjustment, focus on monitoring, addressing and control of risks, continuously promotes the optimization of credit structure, improves the credit risk management model, strengthens the management of credit asset quality, and improves the initiative and forward-lookingness in terms of credit risk management.

Proper market positioning and customer selection. In response to the government’s call, it granted more loans for industries with a better prospect such as high and new technology, advanced manufacturing, medical care and ageing, environmental protection, education and culture; continued to maintain credit support for small and micro enterprises and private enterprises with vitality, market, technology and integrity; strengthened financial services for “agriculture, farmer and rural area”, under the strategy of rural revitalization.

Promoting the optimization and upgrade of the risk control management model. It optimized the organizational structure, job responsibilities, credit process, rules of procedure and management assessment for credit review, and formed a unified and standard review management system. It unified the post-lending management functions in lines of business, in respect of which the post-lending management team carried out inspection and supervision for institutions to strengthen the supervision of post-lending management. It centrally managed non-performing assets, and disposed of non-performing assets in various ways, including direct collection, litigation and collection, assignment of debt, payment of debts in kind and verification.

Strengthening business risk monitoring, prevention and control. It strengthened the monitoring of portfolio risks and formed a comprehensive risk monitoring system. It carried out risk investigation for key areas and key businesses, analyzed the risk profile and carried out risk control strategies as early as possible. It took case prevention, warning education and the rectification of market chaos as an opportunity, and established a mechanism for regular credit inspection, analyzed the causes of problems in depth, and made effective rectification to prevent operational risks.

## Management Discussions and Analysis

Improvement in the risk management of credit concentration. It established a large exposure management system and a management mechanism with mutual connection and effective checks and balances. It established a new large risk exposure management system to measure credit risk exposure to final debtors. It set an internal limit for large risk exposure, and continuously monitored, warned of and prevented concentration risks of non-peer and peer customers and cross-market financial products.

### 6.5.2 Management on 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. The Group carries out full-process management of operational risks, continuously consolidates basic work, improves its systems, innovates its management mechanisms, strengthens risk prevention and control measures, and improves the quality and efficiency of operational risk management.

Deepening the application of operational risk management tools. The Bank organized business management departments to carry out self-assessment of operational risks and control of 56 basic processes, and formulated improvement measures and optimize business processes in a timely manner with regard to high-risk areas and control weaknesses which were identified. It properly carried out real-time monitoring of key risk indicators and the collection of loss event information. With reliance on the problem base, it standardized the collection of problems identified in internal and external inspections and accountability information and regularly issued risk warning.

Strengthening the prevention and control of operational risks in key areas. The Bank paid close attention to key institutions, personnel and processes, strengthened risk control in the credit business, interbank business, authorization management, management of seal, certificate and license, office management, data security management and other fields. It strengthened the identification of abnormal behaviors of employees, with 100% coverage ensured.

Enhancing the capability of scientific and technological prevention and control of operational risks. Through full use of internal and external big data and with reliance on projects such as early warning system, paperless approval, online post-lending service and mobile integrated terminal, it established an intelligent risk control engine. It established an abnormal transaction control mechanism of “enhanced review, internal co-prevention, list management, police-bank linkage” to improve daily monitoring of account risks. It concentrated ex post facto supervision business of its branches and continuously optimized and upgraded the platform for internal control of operations.

Improvement in outsourcing risk management. The Bank comprehensively and dynamically collected the risk profile of various outsourcing activities of the Bank, carried out risk assessment and spot checks on key outsourcing projects, and practically and properly implemented outsourcing risk control measures, such as strictly implementing service provider qualification, evaluation and disqualification mechanisms, conducting due diligence on outsourcers, standardizing outsourcing contracts and strictly performing contract terms, ensuring the safety of outsourcing information, regularly monitoring and reporting outsourcing abnormalities, and establishing outsourcing emergency management mechanisms, etc.

Strengthening information technology risk and business continuity management. The Bank continuously followed up the operation and maintenance of the bank-wide information system, improved IT risk monitoring indicators, and regularly carried out IT risk analysis and assessment. The Bank conducted business impact analysis and risk assessment covering all business lines and products of the Bank, clarified the Bank's important business and business recovery objectives, and improved business recovery strategies. It strengthened drills for business continuity, and the construction of emergency resources to enhance emergency response capability.

### 6.5.3 Market risk management

#### *(1) Interest rate risk*

Interest rate risk refers to the risk of loss suffered by commercial banks arising from the uncertain fluctuation of market interest rates, namely, the possibility of losses suffered by commercial banks resulting from the divergence between effective yield and the expected yield or the real cost and the expected cost of commercial banks due to the changes in interest rate, which results in the effective yield being lower than the expected yield or the real cost being higher than the expected cost. The main interest rate risk the Group faced was gap risk, which arose from the mismatch between interest rate sensitive assets or liabilities at the re-pricing date or that at the maturity date.

The Group measures its interest rate sensitivity gap on a regular basis, evaluates interest rate risk suffered 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.

Since 2019, the monetary policy has remained stable. The People's Bank of China has used a variety of monetary policy tools to maintain reasonable and sufficient liquidity, leading the decrease in the terminal interest rate with fluctuations in a narrow range. The Group paid close attention to changes in the interest rate environment in the external market, strengthened market research and judgment, and continuously improved the management of interest rate pricing and the interest rate risk in the banking book. It effectively guided the adjustment of repricing term structure through the rational use of tools such as interest rate pricing and internal fund transfer pricing (FTP), and improved its initiative and foresight in terms of bank account book interest rate risk management, to ensure the overall stability and controllability of interest rate risk.

## Management Discussions and Analysis

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>December 31, 2019</b>							
Total financial assets	161,209,903	30,366,227	103,727,422	162,661,005	21,507,708	13,770,535	493,242,800
Total financial liabilities	(121,091,796)	(43,974,543)	(161,456,621)	(114,286,848)	(12,384,380)	(7,170,322)	(460,364,510)
<b>Total interest rate sensitivity gap</b>	<b>40,118,107</b>	<b>(13,608,316)</b>	<b>(57,729,199)</b>	<b>48,374,157</b>	<b>9,123,328</b>	<b>6,600,213</b>	<b>32,878,290</b>

(All amounts expressed in thousands of RMB unless otherwise stated)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>December 31, 2018</b>							
Total financial assets	102,127,980	24,211,656	165,568,092	110,498,988	26,366,392	14,690,290	443,463,398
Total financial liabilities	(114,164,528)	(41,598,411)	(145,177,865)	(96,247,509)	(10,257,799)	(6,438,827)	(413,884,939)
<b>Total interest rate sensitivity gap</b>	<b>(12,036,548)</b>	<b>(17,386,755)</b>	<b>20,390,227</b>	<b>14,251,479</b>	<b>16,108,593</b>	<b>8,251,463</b>	<b>29,578,459</b>

As of December 31, 2019, the Group's accumulated gap for all maturities amounted to RMB32,878 million, representing an increase of RMB3,300 million or 11.2% as compared to the end of the previous year.

2. Interest rate sensitivity analysis. Assuming that overall market interest 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 risk, the Bank's interest rate sensitivity analysis are as follows:

(All amounts expressed in thousands of RMB unless otherwise stated)	Change of net interest income	
	December 31, 2019	December 31, 2018
+ 100 basis points parallel move in all yield curves	54,578	(183,777)
- 100 basis points parallel move in all yield curves	(54,578)	183,777

(All amounts expressed in thousands of RMB unless otherwise stated)	Change of other comprehensive income	
	December 31, 2019	December 31, 2018
+ 100 basis points parallel move in all yield curves	(905,702)	(795,375)
- 100 basis points parallel move in all yield curves	945,105	835,318

### *(II) Exchange rate risks*

Exchange rate risk faced by the Group mainly relates to the impact on the position level and cash flow of foreign exchange exposure held by the Group due to changes in major foreign exchange rates. By setting limits on foreign exchange exposure and stop loss to reduce and control exchange rate risk, the Group seeks to ensure that the adverse impact of exchange rate fluctuations falls within an acceptable range.

1. Exposure to foreign exchange risk. The position of foreign exchange risk of the Group's financial assets and liabilities at carrying amounts in RMB, categorised by the original currency, is as follows:

(All amounts expressed in thousands of RMB unless otherwise stated)	RMB	US Dollar	HK Dollar	Others	Total
<b>December 31, 2019</b>					
Net position	27,255,739	5,607,627	9,614	5,310	32,878,290

(All amounts expressed in thousands of RMB unless otherwise stated)	RMB	US Dollar	HK Dollar	Others	Total
<b>December 31, 2018</b>					
Net position	24,169,572	5,397,675	3,397	7,815	29,578,459

## Management Discussions and Analysis

2. Exchange rate sensitivity analysis. Assuming that overall market 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 exchange rates risk, the Bank's exchange rates sensitivity analysis are as follows:

(All amounts expressed in thousands of RMB unless otherwise stated)	Estimated profit/(loss) before income tax change	
	December 31, 2019	December 31, 2018
+1% upward change of foreign exchange rate	56,226	54,089
-1% downward change of foreign exchange rate	(56,226)	(54,089)

### 6.5.4 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 Group and the liquidity risks within its products, business lines, business links, and branches, keep the liquidity risk affordable, make sure the Group 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 reviews and approves policies and liquidity risk limitations related to the 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 liquidity risk preference and policies 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.

## Management Discussions and Analysis

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 and improve our capability in liquidity risk measurement and forecast 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. 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 management through system construction and active application of scientific and technological means.

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

In addition, the Group continuously carried out liquidity risk stress tests (at least once a quarter) so that it can discover the weak links in liquidity risk management in advance through such stress tests and adopt relevant measures to constantly improve the liquidity risk management and control capability of the Bank. The results of the quarterly stress tests in 2019 indicated that the liquidity risks remained within a controllable range even under stressful conditions.

As at the end of 2019, all of the major indicators reflecting the Group's liquidity position met the regulatory requirements.

The Group uses liquidity gap analysis to assess liquidity risk. The following table sets out the analysis of net assets and liabilities of the Group according to relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

(All amounts expressed in thousands of RMB unless otherwise stated)	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	In perpetuity	Overdue	Total
	<b>December 31, 2019</b>								
<b>Net liquidity gap</b>	<b>(78,335,240)</b>	<b>28,628,540</b>	<b>(22,257,512)</b>	<b>(68,436,091)</b>	<b>85,264,904</b>	<b>58,415,888</b>	<b>24,428,000</b>	<b>5,169,801</b>	<b>32,878,290</b>

(All amounts expressed in thousands of RMB unless otherwise stated)	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	In perpetuity	Overdue	Total
	<b>December 31, 2018</b>								
<b>Net liquidity gap</b>	<b>(77,094,835)</b>	<b>37,933,760</b>	<b>(18,117,061)</b>	<b>(53,759,767)</b>	<b>56,626,837</b>	<b>51,758,613</b>	<b>25,851,850</b>	<b>6,379,062</b>	<b>29,578,459</b>

## Management Discussions and Analysis

In 2019, the Group's cumulative gap for all maturities was RMB32,878 million, representing an increase of RMB3,300 million as compared to the end of the previous year. Although there was a shortfall in on-demand repayment of RMB78,335 million, the Group had an extensive and solid deposit customer basis. Current deposit settlement rates were relatively high and funding sources were stable, so the impact of the shortfall on the Group's real liquidity was not significant.

### *(1) Liquidity coverage ratio*

<b>(All amounts expressed in thousands of RMB unless otherwise stated)</b>	<b>December 31, 2019</b>	December 31, 2018
Qualified high-quality liquid assets	<b>39,136,754</b>	43,812,705
Net cash outflow in the next 30 days	<b>18,257,191</b>	17,383,563
<b>Liquidity coverage ratio (%)</b>	<b>214.36</b>	252.04

The latest Administrative Measures for Liquidity Risk Management of Commercial Banks of the CBIRC requires that commercial banks' liquidity coverage ratios must reach 100% by the end of 2018. The Group measures its liquidity coverage ratio according to the latest Administrative Measures for Liquidity Risk Management of Commercial Banks of the CBIRC which came into effect on July 1, 2018. As of December 31, 2019, the Group's liquidity coverage ratio was 214.36%, which was in compliance with the regulatory requirements of the CBIRC.

### *(2) Net stable funding ratio*

The net stable funding ratio is introduced to ensure that commercial banks have sufficient and stable funding to meet the requirements of various assets and off-balance sheet risk exposures for stable funding. According to the Administrative Measures for Liquidity Risk Management of Commercial Banks, which was implemented on July 1, 2018, the net stable funding ratio shall be no less than 100%. As at December 31, 2019, available and stable funds and required stable funds of the Group amounted to RMB290,351 million and RMB278,008 million, which meet the regulatory requirement with the net stable funding ratio standing at 104.44%.

## 6.6 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, in recent years, the Group has 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 with capital adequacy.

### 6.6.1 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 CBIRC 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 CBIRC's requirements for minimum capital, capital reserve and counter-cyclicality capital during the transition period.

The following table sets forth the information about net capital and capital adequacy ratio of the Group and the Bank for the dates indicated calculated based on the Administrative Measures for the Capital of Commercial Banks (for Trial).

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	The Group	The Bank	The Group	The Bank
<b>Net capital:</b>				
Core Tier I Capital, net	<b>32,521,479</b>	<b>30,040,201</b>	28,552,917	26,317,273
Tier I Capital, net	<b>37,526,419</b>	<b>34,947,956</b>	33,541,222	31,226,580
Net capital	<b>49,674,469</b>	<b>46,672,770</b>	44,558,427	41,704,166
<b>Capital adequacy ratio:</b>				
Core Tier I Capital adequacy ratio (Expressed in percentage)	<b>8.51</b>	<b>8.28</b>	8.47	8.15
Tier I Capital adequacy ratio (Expressed in percentage)	<b>9.82</b>	<b>9.64</b>	9.94	9.67
Capital adequacy ratio (Expressed in percentage)	<b>13.00</b>	<b>12.87</b>	13.21	12.92

## Management Discussions and Analysis

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, 2019	December 31, 2018
<b>Core capital:</b>		
Share capital	3,127,055	3,127,055
Counted part of capital surplus	5,406,868	4,898,704
Surplus reserve and general risk reserves	8,543,207	8,016,715
Counted part of retained earnings	14,933,659	12,044,820
Eligible portion of minority interests	717,249	592,485
<b>Core Tier I Capital deductibles items:</b>		
Full deductibles items	(206,559)	(126,862)
Threshold deduction items	–	–
<b>Core Tier I Capital, net</b>	<b>32,521,479</b>	28,552,917
<b>Other Tier I Capital, net</b>	<b>5,004,940</b>	4,988,305
<b>Tier II Capital, net</b>	<b>12,148,050</b>	11,017,205
<b>Net capital</b>	<b>49,674,469</b>	44,558,427
On-balance sheet risk-weighted assets	350,151,257	307,153,940
Off-balance sheet risk-weighted assets	10,847,749	10,518,068
Risk-weighted assets for exposure to counterparty credit risk	439	345
<b>Total credit risk-weighted assets</b>	<b>360,999,445</b>	317,672,353
<b>Total market risk-weighted assets</b>	<b>588,309</b>	555,006
<b>Total operational risk-weighted assets</b>	<b>20,551,480</b>	19,064,920
Total risk-weighted assets before applying capital base	382,139,234	337,292,279
Total risk-weighted assets after applying capital base	382,139,234	337,292,279
<b>Core Tier I Capital adequacy ratio (Expressed in percentage)</b>	<b>8.51</b>	8.47
<b>Tier I Capital adequacy ratio (Expressed in percentage)</b>	<b>9.82</b>	9.94
<b>Capital adequacy ratio (Expressed in percentage)</b>	<b>13.00</b>	13.21

As at the end of the Reporting Period, the Group's capital adequacy ratio was 13.00%, representing a decrease of 0.21 percentage point as compared to the end of the previous year. Tier I Capital adequacy ratio was 9.82%, representing a decrease of 0.12 percentage point as compared to the end of the previous year. Core Tier I Capital adequacy ratio was 8.51%, representing an increase of 0.04 percentage point as compared to the end of the previous year. The change in capital adequacy ratio during the Reporting Period was mainly because: (1) the accumulation of endogenous capital increased. In 2019, the total capital increased by RMB5.12 billion, of which the core tier I capital increased by RMB3.97 billion or 13.9%; (2) the capital adequacy ratio decreased as a result of growth in the total on- and off-balance sheet risk-weighted assets arising out of sound development of various operations.

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 CBIRC, the Bank has disclosed its capital composition, relevant items, and capital tools, details of which are available at "Investors Relation – Capital Regulation" ("投資者關係 – 監管資本") on the official website of the Bank ([www.cqcbank.com](http://www.cqcbank.com)).

### 6.6.2 Leverage ratio

As at the end of the Reporting Period, the Bank's leverage ratio was 6.93%, falling within regulatory requirements of the CBIRC.

<b>(All amounts expressed in thousands of RMB unless otherwise stated)</b>	<b>As at December 31, 2019</b>	As at December 31, 2018
Leverage ratio(%)	<b>6.93</b>	7.05
Tier I Capital	<b>37,732,978</b>	33,668,084
Deductions from Tier I Capital	<b>206,559</b>	126,862
Tier I Capital, net	<b>37,526,419</b>	33,541,222
On-balance sheet assets after adjustment	<b>502,029,268</b>	442,851,211
Off-balance sheet assets after adjustment	<b>39,456,928</b>	32,908,500
On- and off-balance sheet assets after adjustment	<b>541,486,196</b>	475,759,711

## Management Discussions and Analysis

### 6.7 Environment and Outlook

In 2020, the global economic environment will face significant rise in risks and challenges. Uncertainties of trade frictions will sustain, and the sudden outbreak of COVID-19 may further intensify the downward pressure on the global economy in the short term. Meantime, China is in a critical period of transforming development models, optimizing economic structure and switching growth drivers, with a mix of structural, institutional and cyclical issues. As affected by multiple factors, China will face more complicated and challenging economic situations in 2020. However, with the in-depth advancement of supply-side structural reforms and the successive launch of counter-cyclical adjustment policies such as tax reduction and fee reduction, China will continue to see a stable economy moving in a positive direction in the long term.

In terms of financial policies, the Central Economic Work Conference proposed that “a prudent monetary policy should be flexible and appropriate along with reasonable and adaptive liquidity” in the new year. On the very first day of 2020, the Central Bank issued the favorable package of cutting the reserve requirement ratio, and a series of counter-cyclical macroeconomic policies are expected to be launched in the future. The stable monetary policy provides a sound policy environment for the development of domestic economy and banking financial institutions.

As China’s largest municipality, the most developed metropolitan area in Western China and the largest central port city in the upper reaches of the Yangtze River, Chongqing enjoyed great location advantages. At the beginning of the year, the Central Committee for Financial and Economic Affairs made a major decision to promote the construction of an economic circle covering the western cities of Chengdu and Chongqing, opening a new chapter for the cooperative development of Chengdu and Chongqing. At the same time, the long-term development of Chongqing will benefit from the successive approval of a number of major projects, including the new land-sea corridor in Western China, the pilot zone for innovation and development of the digital economy and the Chongqing-Kunming high-speed railway. Benefiting from the implementation of various regional policies, financial institutions in the region will also obtain new development opportunities.

2020 is a critical year for the Group to consolidate its sound positions. Adhering to the general work guideline of making progress while ensuring stability, the Group will continue to adopt new development concepts. With the supply-side structural reform as the main line as well as reforms and opening up as the driver, the Group will advance stable growth, promote reforms, adjust structure, prevent risks and consolidate foundation in a unified manner. It will seek a dynamic balance among multiple goals to promote high-quality development more intensively.

# Significant Events

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## **Related Party Transactions**

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

## **Material Litigation and Arbitration**

The Group had a total of 39 outstanding legal claims of RMB276 million as at December 31, 2019 (December 31, 2018: 27 outstanding legal claims for RMB285.54 million). After consulting legal professionals, the management believes that at the current stage these legal proceedings and arbitrations would 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**

During the Reporting Period, the Group did not conduct any major asset purchases, sales or mergers.

## **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, 2018		Changes during the Reporting Period			As at December 31, 2019 <sup>(1)</sup>	
	Number	Percentage	Issue of new shares	Others	Sub-total	Number	Percentage
1. Shareholding of Domestic Shares legal persons	1,490,785,032	47.67%	–	N/A	N/A	1,488,207,305	47.59%
Of which: Shareholding of state-owned legal persons	1,034,153,537	33.07%	–	N/A	N/A	1,024,466,664	32.76%
Shareholding of private legal persons	456,631,495	14.60%	–	N/A	N/A	463,740,641	14.83%
2. Shareholding of Domestic Shares natural persons	57,248,961	1.83%	–	N/A	N/A	56,548,385	1.81%
Of which: Shareholding of employee natural persons	35,271,593	1.13%	–	N/A	N/A	35,210,499	1.13%
Shareholding of natural persons other than employees	21,977,368	0.70%	–	N/A	N/A	21,337,886	0.68%
3. Shareholding of shareholders for Domestic Shares without affirmed ownership <sup>(2)</sup>	–	–	–	N/A	N/A	3,278,303	0.10%
4. H Shares	1,579,020,812	50.50%	–	–	–	1,579,020,812	50.50%
<b>Total</b>	<b>3,127,054,805</b>	<b>100.00%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,127,054,805</b>	<b>100.00%</b>

### Notes:

- (1) The Bank has been taking reference to the register of members provided by the China Securities Depository and Clearing Co., Ltd., the custody institution for Domestic Shares, in calculation and presentation of the Bank's shareholding structure since its 2019 interim report, and the number of Domestic Shares held by the shareholders in each category and the shareholding percentage thereof would be the same if calculated on the same basis as the previous period.
- (2) Shareholding of shareholders for Domestic Shares without affirmed ownership refers to Domestic Shares held by shareholders whose identity could not be confirmed due to reasons such as inability to be contacted or inability to provide information for ownership affirmation.

## Change in Share Capital and Shareholders

### (1) 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
Chongqing Yufu Assets Management Group Co., Ltd. <sup>(1)</sup>	State-owned	407,929,748	13.05%
Chongqing Road & Bridge Co., Ltd. <sup>(2)</sup>	Private	171,339,698	5.48%
Chongqing Land Group	State-owned	139,838,675	4.47%
Chongqing Water Conservancy Investment Group Co., Ltd. <sup>(3)</sup>	State-owned	139,838,675	4.47%
Lifan Industry (Group) Co., Ltd.	Private	129,564,932	4.14%
Peking University Founder Group Co., Ltd.	State-owned	94,506,878	3.02%
Chongqing South Group Limited	Private	68,602,362	2.19%
Chongqing Transport and Travel Investment Group Limited	State-owned	37,456,522	1.20%
Chongqing Expressway Co., Ltd.	State-owned	29,942,325	0.96%
Minsheng Industrial (Group) Co., Ltd.	State-owned	24,191,310	0.77%
<b>Total</b>		<b>1,243,211,125</b>	<b>39.75%</b>

Notes:

- (1) Chongqing Yufu Assets Management Group Co., Ltd. directly held 407,929,748 Domestic Shares and held 54,250,000 H Shares through its subsidiary Chongqing Yufu (HongKong) Limited. Southwest Securities Company, Ltd. and Chongqing Hotel Co., Ltd. in aggregate held 5,486,112 Domestic Shares and acted in concert with Yufu. Yufu, together with persons acting in concert with it, held an aggregate of 467,665,860 Shares, representing 14.96% of the Bank's total share capital.
- (2) Chongqing Road & Bridge Co., Ltd. directly held 171,339,698 Domestic Shares, and Chongqing International Trust Co., Ltd., acting in concert with Chongqing Road & Bridge Co., Ltd., held 195,102 Domestic Shares. Chongqing Road & Bridge Co., Ltd., together with persons acting in concert with it, held an aggregate of 171,534,800 Domestic Shares, representing 5.49% of the Bank's total share capital.
- (3) Chongqing Water Conservancy Investment Group Co., Ltd. directly held 139,838,675 Domestic Shares, and Chongqing Water Asset Management Co., Ltd., acting in concert with Chongqing Water Conservancy Investment Group Co., Ltd., held 10,068,631 Domestic Shares. Chongqing Water Conservancy Investment Group Co., Ltd., together with persons acting in concert with it, held an aggregate of 149,907,306 Domestic Shares, representing 4.79% of the Bank's total share capital.

## Change in Share Capital and Shareholders

### (2) Particulars of Pledged Domestic Shares of the Bank

Name of shareholder	Total number of shares held	Shareholding percentage (%)	Number of shares pledged <sup>(1)</sup>	Percentage of number of shares pledged to total shares held (%)
Lifan Industry (Group) Co., Ltd.	129,564,932	4.14	129,564,932	100.00
Chongqing South Group Limited	68,602,362	2.19	68,600,000	99.99
Chongqing Sincere Holding (Group) Co., Ltd.	4,877,587	0.16	4,877,587	100.00
Chongqing Hubang Industry (Group) Co., Ltd.	4,052,290	0.13	4,052,290	100.00
Chongqing Jingtong Industry (Group) Co., Ltd.	2,926,552	0.09	2,926,552	100.00
Haikou Xinyuan Industrial Development Co., Ltd.	2,281,734	0.07	2,281,734	100.00
Chongqing Rongjie Property Management Co., Ltd.	1,655,158	0.05	1,655,158	100.00
Hainan Venture Capital Management Co., Ltd.	1,488,054	0.05	1,488,054	100.00
Zhang Jialun	595,064	0.02	595,064	100.00
<b>Total</b>	<b>216,043,733</b>	<b>6.90</b>	<b>216,041,371</b>	<b>–</b>

Note: (1) As of December 31, 2019, the total number of pledged Domestic Shares amounted to 216,041,371, of which 129,564,932 were under judicial freeze, representing 4.14% of the Bank's total share capital.

## Change in Share Capital and Shareholders

### (3) Interests and Short Positions of Substantial Shareholders and Other Persons

As at December 31, 2019, 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:

*Unit: share*

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of H Shares held</b>	<b>Percentage of the total number of H Shares of the Bank (%)</b>	<b>Percentage of the total share capital of the Bank (%)</b>
Dah Sing Bank, Limited <sup>(1)</sup>	Beneficial owner	458,574,853 (long position)	29.04	14.66
Dah Sing Banking Group Limited <sup>(1)</sup>	Interest of a controlled corporation	458,574,853 (long position)	29.04	14.66
Dah Sing Financial Holdings Limited <sup>(1)</sup>	Interest of a controlled corporation	458,574,853 (long position)	29.04	14.66
HSBC International Trustee Limited <sup>(5)</sup>	Interest of a trustee	458,574,853 (long position)	29.04	14.66
David Shou-Yeh WONG <sup>(1)</sup>	Settlor of a discretionary trust/interest of the beneficiary of a trust	458,574,853 (long position)	29.04	14.66
Christine Yen WONG <sup>(1)</sup>	Interest of spouse	458,574,853 (long position)	29.04	14.66
Harold Tsu-Hing WONG <sup>(1)</sup>	Deemed interest	458,574,853 (long position)	29.04	14.66
SAIC Motor HK Investment Limited <sup>(2)</sup>	Beneficial owner	240,463,650 (long position)	15.23	7.69
SAIC Motor Corporation Limited <sup>(2)</sup>	Interest of a controlled corporation	240,463,650 (long position)	15.23	7.69
Lifan International (Holdings) Limited <sup>(3)</sup>	Beneficial owner	165,254,000 (long position)	10.47	5.28
		122,500,000 (short position)	7.75	3.91
Chongqing Lifan Industry (Group) Import and Export Co., Ltd. <sup>(3)</sup>	Interest of a controlled corporation	165,254,000 (long position)	10.47	5.28
		122,500,000 (short position)	7.75	3.91

## Change in Share Capital and Shareholders

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of H Shares held</b>	<b>Percentage of the total number of H Shares of the Bank (%)</b>	<b>Percentage of the total share capital of the Bank (%)</b>
Lifan Industry (Group) Co., Ltd. <sup>(3)</sup>	Interest of a controlled corporation	165,254,000 (long position)	10.47	5.28
		122,500,000 (short position)	7.75	3.91
Chongqing Lifan Holdings Co., Ltd. <sup>(3)</sup>	Interest of a controlled corporation	165,254,000 (long position)	10.47	5.28
		122,500,000 (short position)	7.75	3.91
Chongqing Huiyang Holdings Co., Ltd. <sup>(3)</sup>	Interest of a controlled corporation	165,254,000 (long position)	10.47	5.28
		122,500,000 (short position)	7.75	3.91
YIN Mingshan <sup>(3)</sup>	Interest of a controlled corporation	165,254,000 (long position)	10.47	5.28
		122,500,000 (short position)	7.75	3.91
CHEN Qiaofeng <sup>(3)</sup>	Interest of spouse	165,254,000 (long position)	10.47	5.28
		122,500,000 (short position)	7.75	3.91
Funde Sino Life Insurance Co., Ltd. <sup>(4)</sup>	Beneficial owner	150,000,000 (long position)	9.50	4.80
	Interest of a controlled corporation	67,570,150 (long position)	4.28	2.16
Chongqing Beiheng Investment & Development Limited	Beneficial owner	84,823,500 (long position)	5.37	2.71
Fund Resources Investment Holding Group Company Limited <sup>(4)</sup>	Beneficial owner	67,570,150 (long position)	4.28	2.16

## Change in Share Capital and Shareholders

### Notes:

- (1) *Dah Sing Bank, Limited held 458,574,853 H Shares of the Bank. Dah Sing Bank, Limited is wholly owned by Dah Sing Banking Group Limited, which is in turn owned as to approximately 74.37% by Dah Sing Financial Holdings Limited. Mr. David Shou-Yeh WONG is the beneficial owner of approximately 42.96% 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, Ms. Christine Yen WONG and Mr. Harold Tsu-Hing 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 Industry (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, 2019, Lifan International (Holdings) Limited held 165,254,000 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 Industry (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 39.49% 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).*

### **(4) 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 462,179,748 Shares, 458,574,853 Shares, 294,818,932 Shares, 240,463,650 Shares, 217,570,150 Shares and 171,339,698 Shares of the Bank respectively, representing 14.78%, 14.66%, 9.43%, 7.69%, 6.96% and 5.48% of the Bank's total share capital respectively, and are substantial shareholders (as defined under the SFO). 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 (“**Offshore Preference Shares**”) on December 20, 2017 (see table below for details). The Offshore Preference Shares issued were listed on the Hong Kong Stock Exchange on December 21, 2017.

The Offshore Preference Shares will have a par value of RMB100 each and will be issued as fully paid-up capital in U.S. dollars so that the total issuance price of the Offshore Preference Shares will be U.S.\$20 each. The Offshore Preference Shares will be issued in registered form and issued and transferable only in minimum amounts of U.S.\$200,000 (or 10,000 Offshore Preference Shares) and integral multiples of U.S.\$1,000 (or 50 Offshore Preference Shares) in excess thereof. The preference shares shall have no less than 6 qualified placees 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 was 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

#### 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 one.

<i>Unit: share</i>					
Name of Shareholder of Preference Shares	Nature of shareholder	Increase or decrease during the Reporting Period	Number of shares held at the end of Period	Shareholding	Number of shares pledged or frozen
The Bank of New York Depository (Nominees) Limited	Offshore legal person	—	37,500,000	100.00%	Unknown

## Change in Share Capital and Shareholders

Notes:

- (1) All shares held by the above shareholder are unconditional shares of the Bank.
- (2) The shareholding of preferred shareholders is based on the information contained in the register of preferred shareholders of the Bank.
- (3) As the issuance is a non-public offer, the information contained in the register of preferred shareholders refers to the proxies of allocated persons.
- (4) The Bank is not aware that there are any relationships or concerted actions among the above preferred shareholders and ordinary shareholders.
- (5) Shareholding means the proportion of offshore preference shares held by preferred shareholders to the total number of offshore preference shares.

### Dividend Distribution of Preference Shares

According to the resolution and authorization of shareholders' meeting, the Bank considered and approved the Resolution on Proposal of Dividend Distribution of Offshore Preference Shares at the Board meeting dated October 30, 2019. The Bank paid dividends in cash to shareholders of Offshore Preference Shares once a year. Non-cumulative dividend payment method was adopted for Offshore Preference Shares, and shareholders of Offshore Preference Shares shall not participate in the distribution of residual profits with the ordinary shareholders after distribution according to the agreed dividend rate.

In accordance with the relevant laws and regulations, the Bank shall withhold and pay income tax at a rate of 10% when distributing dividends on Offshore Preference Shares. The relevant taxes and fees shall be borne by the Bank, and listed into dividends of Offshore Preference Shares. According to the issuance terms of Offshore Preference Shares, as at December 20, 2019, the Bank distributed US\$45,000,000 of dividends of Offshore Preference Shares, among which: US\$40,500,000 was actually paid to shareholders of Offshore Preference Shares, and income tax of US\$4,500,000 was withheld.

The following table sets forth the Bank's recent distribution of dividends of preference shares:

Type of Offshore Preference Shares	2019	
	Dividend rate	Total dividends (tax inclusive)
Offshore Preference Shares	5.4%	US\$45,000,000

The above dividend distribution plan has been implemented. For details, please refer to the announcement published on the website of the Hong Kong Stock Exchange and the website of the Bank.

### Redemption or Conversion of Preference Shares

During the Reporting Period, there was no redemption or conversion of preference shares issued by the Bank.

## Change in Share Capital and Shareholders

### Restoration of Voting Rights of Preference Shares

During the Reporting Period, there was no restoration of voting rights of preference shares issued by the Bank.

### Accounting Policy Adopted for Preference Shares and its Reasons

Pursuant to the requirements of International Financial Reporting Standard 9 – Financial Instruments and International Accounting Standard 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the terms of the preference shares issued by the Bank and outstanding conform to the accounting requirements for equity instruments, and are accounted for as equity instruments.

# Directors, Supervisors and Senior Management

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

### 9.1.1 Directors

Name	Position	Gender	Age
LIN Jun	Secretary to the Party Committee, Chairman and Executive Director	Female	56
RAN Hailing	Deputy Secretary of the Party Committee, President and Executive Director	Male	56
LIU Jianhua	Member of the Party Committee, Vice President and Executive Director	Male	54
WONG Wah Sing	Executive Director, Chief Risk Officer and Chief Anti-money Laundering Officer	Male	59
WONG Hon Hing	Vice Chairman and Non-executive Director	Male	67
DENG Yong	Non-executive Director	Male	60
YANG Yusong	Non-executive Director	Male	47
TANG Xiaodong	Non-executive Director	Male	50
WU Heng	Non-executive Director	Male	43
LIU Ying	Non-executive Director	Female	45
LIU Xing	Independent Non-executive Director	Male	63
WANG Rong	Independent Non-executive Director	Male	64
ZOU Hong	Independent Non-executive Director	Male	50
FUNG Don Hau	Independent Non-executive Director	Male	67
JIN Jingyu	Independent Non-executive Director	Male	54

## Directors, Supervisors and Senior Management

### 9.1.2 Supervisors

Name	Position	Gender	Age
YANG Xiaotao	Member of the Party Committee, Chairperson of the Board of Supervisors and Employee Supervisor	Male	56
HUANG Changsheng	Deputy Secretary of the Party Committee and Employee Supervisor	Male	56
YIN Jun	Employee Supervisor	Male	40
WU Ping	Employee Supervisor	Male	52
ZENG Xiangming	Shareholder Supervisor	Male	45
QI Jun	Shareholder Supervisor	Male	41
CHEN Zhong	External Supervisor	Male	63
PENG Daihui	External Supervisor	Male	65
HOU Guoyue	External Supervisor	Male	45

### 9.1.3 Senior Management

Name	Position	Gender	Age
RAN Hailing	Deputy Secretary of the Party Committee, President and Executive Director	Male	56
SUI Jun	Member of the Party Committee and Vice President	Male	52
LIU Jianhua	Member of the Party Committee, Vice President and Executive Director	Male	54
YANG Shiyin	Member of the Party Committee and Vice President	Female	54
ZHOU Guohua	Member of the Party Committee and Vice President	Male	54
PENG Yanxi	Member of the Party Committee, Vice President and Secretary to the Board	Female	43
HUANG Ning	Member of the Party Committee and Vice President	Male	45
WONG Wah Sing	Executive Director, Chief Risk Officer and Chief Anti-money Laundering Officer	Male	59

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

#### 9.2.1 Changes in Directors

On April 17, 2019, the Bank received the Approval of the Qualification of WU Heng (Yu Yin Bao Jian Fu [2019] No.139) printed and distributed by the Chongqing CBIRC, which approved the qualification of Mr. WU Heng to act as a non-executive Director of the Bank. The term of office of Mr. WU Heng as the non-executive Director is from the date of such approval (being April 12, 2019) to the expiry date of the term of office for the Fifth Session of the Board of the Bank.

On June 20, 2019, the Board has considered and approved the proposed appointment of Dr. ZOU Hong as an independent non-executive Director of the Bank. On August 30, 2019, the first extraordinary general meeting of 2019 of the Bank considered and approved the proposed appointment, and such appointment was subject to the approval by the Chongqing CBIRC.

With the expiry of the term of appointment of Directors of the Bank in the Fifth Session of the Board and, among members of the Fifth Session of the Board, Ms. LV Wei, Mr. LI He, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu retired and shall not stand for re-election as Directors of the Sixth Session of the Board. On October 25, 2019, the Board approved the proposed re-election of Ms. LIN Jun, Mr. RAN Hailing, Mr. LIU Jianhua and Mr. WONG Wah Sing as executive Directors, the proposed re-election of Mr. WONG Hon Hing, Mr. DENG Yong, Mr. YANG Yusong, Mr. TANG Xiaodong and Mr. WU Heng and the proposed appointment of Ms. LIU Ying as non-executive Directors, the proposed re-election of Dr. ZOU Hong and the proposed appointment of Mr. YUAN Xiaobin, Dr. LIU Xing, Dr. FUNG Don Hau and Mr. WANG Rong as independent non-executive Directors of the Sixth Session of the Board. The above-mentioned re-election and appointment were considered and approved at the

second extraordinary general meeting of 2019 of the Bank held on December 9, 2019, and the qualification of directorship of Dr. ZOU Hong, Ms. LIU Ying, Mr. YUAN Xiaobin, Dr. LIU Xing, Dr. FUNG Don Hau and Mr. WANG Rong was subject to the approval by the Chongqing CBIRC. Prior to the approval of the qualifications of the newly appointed Directors, Mr. LI He, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu would continue to perform their duties as independent non-executive Directors.

On December 9, 2019, the Board elected Ms. LIN Jun, an executive Director, as the chairman of the Sixth Session of the Board, and Mr. WONG Hon Hing, a non-executive Director, as the vice-chairman of the Sixth Session of the Board, and the terms of office shall be the same as the Sixth Session of the Board.

On March 6, 2020, the Bank received the Approval of the Qualification of LIU Ying, LIU Xing and WANG Rong (Yu Yin Bao Jian Fu [2020] No. 23) from the Chongqing CBIRC, approving the qualification of Ms. LIU Ying for serving as a non-executive Director of the Bank, and Dr. LIU Xing and Mr. WANG Rong for serving as independent non-executive Directors of the Bank. The term of office of Ms. LIU Ying as a non-executive Director of the Bank, and each of Dr. LIU Xing and Mr. WANG Rong as an independent non-executive Director of the Bank became effective from the date of such approval (being March 3, 2020), and shall end upon the expiry of the Sixth Session of the Board. With the effectiveness of the directorship of Dr. LIU Xing and Mr. WANG Rong, each of Mr. LI He and Mr. WANG Pengguo ceased to perform his duties as an independent non-executive Director of the Bank from March 3, 2020. Mr. Kong Xiangbin and Dr. JIN Jingyu would continue to perform their duties as independent non-executive Directors of the Bank prior to the approval of directorship qualification of Dr. ZOU Hong, Mr. YUAN Xiaobin and Dr. FUNG Don Hau.

## Directors, Supervisors and Senior Management

On April 2, 2020, the Bank received the Approval of the Qualification of ZOU Hong (Yu Yin Bao Jian Fu [2020] No. 32) and the Approval of the Qualification of FUNG Don Hau (Yu Yin Bao Jian Fu [2020] No. 31) from the Chongqing CBIRC, approving the qualification of Dr. ZOU Hong and Dr. FUNG Don Hau for serving as independent non-executive Directors of the Bank. The term of office of each of Dr. ZOU Hong and Dr. FUNG Don Hau as an independent non-executive Director of the Bank commenced from the date of such approval (being March 30, 2020), and shall end upon the expiry of the Sixth Session of the Board. With the effectiveness of the directorship of Dr. ZOU Hong and Dr. FUNG Don from March 30, 2020, Mr. KONG Xiangbin ceased to perform his duties as an independent non-executive director of the Bank. Dr. JIN Jingyu will continue to perform his duties as an independent non-executive Director of the Bank prior to the approval of directorship qualification of Mr. YUAN Xiaobin.

During the Reporting Period, the Bank was not fully in compliance with Rule 3.10A of the Listing Rules, which stipulates that the independent non-executive directors shall represent one-third of the board of directors. Since the qualification of directorship of Dr. ZOU Hong and Dr. FUNG Don Hau became effective on March 30, 2020, independent non-executive Directors of the Bank represents one-third of the Board, and therefore the Bank has complied with the requirement of Rule 3.10A of the Listing Rules as of the Latest Practicable Date.

### 9.2.2 Changes in Supervisors

On May 23, 2019, the Bank convened the employee representatives' meeting, at which Mr. YIN Jun was elected as an employee Supervisor of the Fifth Session of the Board of Supervisors of the Bank. The term of office of Mr. YIN Jun is from May 23, 2019 to the expiry date of the term of office for the Fifth Session of the Board of Supervisors.

On July 5, 2019, the Board of Supervisors received a written resignation signed on June 18, 2019 from Mr. CHEN Yan, resigning from his position of shareholder Supervisor of the Bank due to personal health reason, taking effect on the date of the resignation.

On July 8, 2019, the Bank received a resolution submitted by the Board of Supervisors on the proposed appointment of Mr. ZENG Xiangming as shareholder Supervisor. On August 30, 2019, the first extraordinary general meeting of 2019 of the Bank considered and approved the proposed appointment. Mr. ZENG Xiangming has been appointed as a shareholder Supervisor, with effect from August 30, 2019.

With the expiry of the term of appointment of Supervisors of the Bank in the Fifth Session of the Board of Supervisors of the Bank and, among members of the Fifth Session of the Board of Supervisors, Mr. ZHOU Xiaohong, Mr. YIN Xianglong and Mr. WU Bing retired and shall not stand for re-election as Supervisors of the Sixth Session the Board of Supervisors. The Board of Supervisors approved on October 25, 2019 the proposed re-election of Mr. PENG Daihui, Mr. CHEN Zhong and the proposed appointment of Mr. HOU Guoyue as external Supervisors, the proposed re-election of Mr. ZENG Xiangming and the proposed appointment of Mr. QI Jun as shareholder Supervisors of the Sixth Session of the Board of Supervisors. The above-mentioned re-election and appointment were considered and approved at the second extraordinary general meeting of 2019 of the Bank held on December 9, 2019. The above-mentioned shareholder Supervisors and external Supervisors shall serve for a term of three years from December 9, 2019 to the expiry date of the term of office for the Sixth Session of the Board of Supervisors of the Bank.

## Directors, Supervisors and Senior Management

On November 4, 2019, the employee representatives' meeting of the Bank re-elected Mr. YANG Xiaotao, Mr. HUANG Changsheng and Mr. YIN Jun as the employee Supervisors for the Sixth Session of the Board of Supervisors, and elected Mr. WU Ping as an employee Supervisor for the Sixth Session of the Board of Supervisors. The term of office of Supervisors of the Sixth Session of the Board of Supervisors shall commence on November 4, 2019 and end upon expiry of the term of office of the Sixth Session of the Board of Supervisors.

On December 9, 2019, the Board of Supervisors has elected Mr. YANG Xiaotao, an employee Supervisor, as chairman of the Sixth Session of the Board of Supervisors with a term same as the term of office of the Sixth Session of the Board of Supervisors.

### Changes in Senior Management

On December 9, 2019, the Board resolved to appoint Mr. RAN Hailing as the president of the Bank, with a term same as the term of office of the Sixth Session of the Board.

## Biographies of Directors, Supervisors and Senior Management

### 1. Biographies of Directors

#### **LIN Jun (林軍)**

*Secretary to the Party Committee, Chairman and Executive Director*

Ms. LIN Jun has been the Secretary to the Party Committee of the Bank since June 2017 and the chairman and an executive Director of the Bank since March 2018. Ms. LIN is also the chairman of the Strategic Committee, a member of each of the Remuneration and Appraisal Committee and Nomination 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 officer, deputy chief, senior staff, 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 party secretary and deputy director (leading roles of departments or equivalents) 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.

#### **RAN Hailing (冉海陵)**

*Deputy Secretary of the Party Committee, President and Executive Director*

Mr. RAN Hailing has been an executive Director of the Bank since February 2011, the president of the Bank since April 2013 and the Deputy Secretary of the Party Committee of the Bank since December 2013. Mr. RAN is also the chairman of the Information Technology Guidance Committee, and a member of each of the Strategic Committee and the Risk Management Committee of the Bank.

Mr. RAN joined the Bank in March 2003 and served as a member of the Party Committee and vice president of the Bank. Before joining the Bank, Mr. RAN worked as assistant to the president of Southwest Securities Company Limited (西南證券有限公司) from December 2002 to March 2003, Party secretary and vice general manager 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, Party committee member and deputy director of Chongqing Fuling Canned Food Plant (重慶涪陵地區罐頭食品廠) from March 1992 to March 1993,

## Directors, Supervisors and Senior Management

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.

### **LIU Jianhua (劉建華)**

*Member of the Party Committee, Vice President and Executive Director*

Mr. LIU Jianhua has been a member of Party Committee since February 2013, the vice president since October 2014 and an executive Director of the Bank since August 2016. Mr. LIU is also a member of each of the Consumer Protection Committee, the Information Technology Guidance Committee and the Connected Transactions Control Committee of the Bank.

Mr. LIU joined the Bank in December 1996. He had served as deputy manager and manager of Shangqingsi sub-branch of the Bank, 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 for retail banking business of the Bank. He is currently responsible for management and development of small and micro enterprise banking business, Sannong banking business, retail banking business and credit card business 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 and the Savings Office of Chongqing Post Office (重慶市郵政局) from December 1984 to June 1993.

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 Chongqing of the 3<sup>rd</sup> Session” in the evaluation by Chongqing Municipality People’s Government.

### **WONG Wah Sing (黃華盛)**

*Executive Director, Chief Risk Officer and Chief Anti-money Laundering Officer*

Mr. WONG Wah Sing has been an executive Director and the chief risk officer of the Bank since September 2016 and the chief anti-money laundering officer of the Bank since December 2019. Mr. WONG is also a member of each of the Information Technology Guidance 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.

## Directors, Supervisors and Senior Management

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.

### **WONG Hon Hing (黃漢興)**

*Vice Chairman and Non-executive Director*

Mr. WONG Hon Hing, nominated by Dah Sing Bank, a Shareholder of the Bank, has been the vice chairman and non-executive Director of the Bank since July 2007. Mr. WONG is also the chairman of each of the Risk Management Committee and the Consumer Protection Committee, and a member of the Strategic Committee of the Bank.

Mr. WONG joined Dah Sing Bank in 1977 and currently serves as 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 Insurance Company (1976) Ltd. (大新保險(1976)有限公司) 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, the managing director and chief executive officer of Dah Sing Banking Group Limited (listed on the Hong Kong Stock Exchange, stock code: 2356), the holding company of Dah Sing Bank. He is also the managing director and chief executive officer of Dah Sing Financial Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 0440).

Mr. WONG obtained a higher diploma in business studies from the Hong Kong Polytechnic College (now known as Hong Kong Polytechnic University) in October 1977. Mr. WONG is also 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.

### **DENG Yong (鄧勇)**

*Non-executive Directors*

Mr. DENG Yong, nominated by Yufu, a Shareholder of the Bank, has been a non-executive Director of the Bank since February 2013. Mr. DENG is also a member of each of the Audit Committee and Risk Management 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 as a director, the assistant to president and the general manager of the financial asset department of Southwest Securities Company Limited from November 2008 to April 2012, the assistant to president and general manager of the planning and finance department of Southwest Securities Company Limited from August 2008 to November 2008, the assistant to general manager of Yufu from March 2004 to August 2008 (during July 2005, he also served as the manager of finance department), the deputy general manager of the Chongqing Hanwei Road Securities Branch of China Galaxy Securities Co., Ltd. from October 2000 to March 2004, the deputy general manager of the Chongqing Hanwei Road Securities Trading Branch of China Cinda Trust and Investment Co., Ltd. from November 1997 to October 2000, a clerk of Chongqing Securities Business Department of China Cinda Trust and Investment Co., Ltd. from July 1996 to November 1997, a clerk and associate chief officer of China Construction Bank Chongqing Trust and Investment Company (中國建設銀行重慶信託投資公司) from September 1992 to July 1996,

## Directors, Supervisors and Senior Management

a clerk and associate chief officer of Chongqing Branch of China Construction Bank from July 1988 to September 1992, and a teacher of Chongqing No. 31 Middle School from December 1982 to September 1986.

Mr. DENG served as a director of Chongqing Chuanyi Automation Co., Ltd. (a listed company on the Shanghai Stock Exchange, stock code: 603100) since April 28, 2013 to December 21, 2018, as well as a non-executive director of Chongqing Machinery & Electric Co., Ltd. (a listed company on the Hong Kong Stock Exchange, stock code: 2722) from April 10, 2013 to December 27, 2018.

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. Mr. DENG is a senior economist.

### **YANG Yusong (楊雨松)**

#### *Non-executive Directors*

Mr. YANG Yusong, nominated by Yufu, a Shareholder of the Bank, has served as a non-executive Director of the Bank since December 2018. Mr. YANG is also a member of the Strategic Committee of the Bank.

Mr. YANG has been serving as member of the Party committee and deputy general manager of Yufu from January 2016 to now. Mr. YANG served as an employee director of Yufu from June 2015 to December 2019 (during the period from January 2016 to July 2016, he also served as the head of financial business department). Mr. YANG served as the assistant manager, deputy manager and manager of the investment department, head of the investment management department, head of industrial business department and head of financial business department of Yufu from April 2006 to January 2016, the deputy manager of the finance department, the manager of the investment

department and assistant general manager of Chongqing Gangjiu Co., Ltd. from October 2003 to April 2006, general manager of Guiyang Hequn Road Office of Huaxia Securities Co., Ltd. from May 2002 to October 2003, the deputy general manager of Chongqing Linjiang Road Office of Huaxia Securities Co., Ltd. from March 2000 to May 2002, the deputy manager of investment banking of Chongqing branch of Huaxia Securities Co., Ltd. from October 1993 to March 2000, and a staff of the finance department of Chongqing Municipal Federation of Trade Unions from September 1992 to October 1993.

Mr. YANG graduated from Chongqing Industry Management College with an associate's degree of accounting in 1992, and from Chongqing University with a master's degree of technological economy and management in 1999. Mr. YANG is a senior economist.

### **TANG Xiaodong (湯曉東)**

#### *Non-executive Directors*

Mr. TANG Xiaodong, nominated by Lifan Industrial (Group) Co., Ltd., a Shareholder of the Bank, has been a non-executive Director of the Bank since December 2018.

Mr. TANG currently serves as the president of Chongqing Lifan Holdings Co. Ltd., a director of Lifan Industry (Group) Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601777), a director of Chongqing Lifan Finance Co., Ltd., a director of Lifan Financial Leasing (Shanghai) Co., Ltd., a director of Chengdu Mobo Network Technology Co., Ltd., a director of Shanghai Zhongke Lifan Electric Vehicle Co., Ltd. and a director of Hiboridd (Chongqing) Automotive Power Control System Co., Ltd.. Mr. TANG had served as the representative of the Chongqing Commodity Exchange from April 1994 to May 1997. He had served as the department head of Investment Securities Department of Lifan Industrial (Group) Co., Ltd. from January 2000 to December

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2003, the general manager of Guangdong Nanjin Futures Brokerage Co., Ltd. from February 2002 to May 2004, the general manager of Bulgarian LEVEE Electric Co., Ltd. from June 2004 to January 2007, and the secretary of the board of directors of Lifan Industrial (Group) Co., Ltd. from February 2007 to October 2017.

Mr. TANG has obtained bachelor degree in economic management from the Logistics College of the People's Liberation Army in June 2014.

### **WU Heng (吳珩)**

#### *Non-executive Directors*

Mr. WU Heng, nominated by SAIC Motor Corporation Limited, a Shareholder of the Bank, has been a non-executive Director of the Bank since April 2019. Mr. WU is also a member of the Remuneration and Appraisal Committee and Nomination Committee of the Bank.

Mr. WU currently serves as a general manager of the financial affairs department of SAIC Motor Corporation Limited, and concurrently as a general manager of SAIC Motor Financial Holding Management Co., Ltd.. Mr. WU served successively as a deputy manager and a manager of the planning and finance department as well as a manager of fixed income department of Shanghai Automotive Group Finance Company, Ltd. from March 2000 to March 2005. Mr. WU served successively as a division head, assistant to executive controller and concurrently a manager of the financial accounting division of the finance department of SAIC Motor Corporation Limited from March 2005 to April 2009, the chief financial officer of Huayu Automotive Systems Co., Ltd. (a listed company on the Shanghai Stock Exchange, stock code: 600741) from April 2009 to May 2015, during which he concurrently served as a director and general manager of Huayu Automotive Systems (Shanghai) Co., Ltd. from May 2014 to May 2015.

Mr. WU obtained a bachelor's degree in economics from the department of business administration of Shanghai University of Finance and Economics in June 1997, and a master's degree in management from the department of accounting of Shanghai University of Finance and Economics in January 2000. Mr. WU is a senior accountant.

### **LIU Ying (劉影)**

#### *Non-executive Directors*

Ms. LIU Ying, nominated by Chongqing Road & Bridge Co., Ltd., a Shareholder of the Bank, has been a non-executive Director of the Bank since March 2020. Ms. LIU is also a member of each of the Audit Committee and Consumer Protection Committee of the Bank.

Ms. LIU is currently the president of the general financial management department of Chongqing International Trust Inc. (重慶國際信托股份有限公司), director of Hefei Science & Technology Rural Commercial Bank Company Limited (合肥科技農村商業銀行), Yimin Asset Management Co., Ltd. (益民基金管理有限公司) and Chongqing Three Gorges Asset Management Co., Ltd. (重慶三峽資產管理有限公司). Ms. LIU served successively as deputy business manager, business manager, deputy general manager and general manager of planning and finance department of Chongqing International Trust Inc. from August 2002 to April 2018.

Ms. LIU is a shareholder director of Chongqing Road & Bridge Co., Ltd. (重慶路橋股份有限公司) (a listed company on the Shanghai Stock Exchange, stock code: 600106).

Ms. LIU obtained a bachelor's degree of economics from Dongbei University of Finance & Economics in July 1995. She is a senior accountant and certified public accountant.

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### **LIU Xing (劉星)**

#### *Independent Non-executive Directors*

Dr. LIU Xing has been an independent non-executive Director of the Bank since March 2020. Dr. LIU is also the chairman of each of the Audit Committee and the Connected Transactions Control Committee, and a member of each of the Remuneration and Appraisal Committee and the Nomination Committee of the Bank.

Dr. LIU is currently a professor and doctoral supervisor at the School of Economics and Business Administration of Chongqing University. Dr. LIU served as head of the Accounting Department of the School of Economics and Business Administration of Chongqing University from June 1993 to August 1998, dean of the School of Economics and Business Administration of Chongqing University from February 2005 to July 2017, and Chinese director of Chongqing University – Wharton Joint Financial Research Center from May 2012 to May 2018. He served as the president of Educational Panel of China Accounting Society from July 2013 to June 2015. He has been a director of Finance and Accounting Research Center of Chongqing University since June 2012, expert of the review panel of the National Social Science Fund Project since November 2013, expert of the review panel of the National Natural Science Foundation Project since July 2014, and the deputy director of the Overseas Academic Exchange Committee of the Accounting Society of China since September 2017. Dr. LIU was a member of the seventh business administration discipline review panel of the Academic Degrees Committee of the State Council, member of the fifth steering committee for education of business administration degree of the Ministry of Education and the member of fourth steering committee for education of business administration degree (accounting) of Ministry of Education.

Dr. LIU is currently an independent director of Chongqing New Dazheng Property Group Co., Ltd. (重慶新大正物業集團股份有限公司), which is a listed company on the SME Board of Shenzhen Stock Exchange (Stock Code: 002968).

Dr. LIU graduated from Chongqing University in July 1983 with a bachelor's degree in engineering, graduated from Xi'an Jiaotong University in July 1990 with a master's degree in management, and graduated from Chongqing University in July 1997 with a doctorate degree in management. Dr. LIU is a non-practicing certified public accountant and an expert entitled to the special allowances awarded by the State Council.

### **WANG Rong (王榮)**

#### *Independent Non-executive Directors*

Mr. WANG Rong has been an independent non-executive Director of the Bank since March 2020. Mr. WANG is also a member of each of the Remuneration and Appraisal Committee, Nomination Committee, Connected Transactions Control Committee and Risk Management Committee of the Bank.

Mr. Wang served in the army before August 1994. He served as leader of the Discipline Inspection Commission in the Jiulongpo Branch of Chongqing Branch of the Agricultural Bank of China from August 1994 to October 1996. From October 1996 to March 2004, he served as director general and director of Jiulongpo Credit Cooperatives in Chongqing. From March 2004 to June 2008, he served as party committee member and deputy director of Association of Rural Credit Cooperatives in Chongqing. From June 2008 to April 2015, he served as party committee member and vice president of Chongqing Rural Commercial Bank Co., Ltd. From April 2015 to April 2016, he served as first-level senior manager of Chongqing Rural Commercial Bank Co., Ltd.

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Mr. Wang graduated from Chongqing Municipal Party School with a bachelor's degree in finance in December 1998. Mr. WANG is a senior economist.

### **ZOU Hong (鄒宏)**

#### *Independent Non-executive Directors*

Dr. ZOU Hong has been an independent non-executive Director of the Bank since March 2020. Dr. ZOU is also a member of each of the Information Technology Guidance Committee and Connected Transactions Control Committee of the Bank.

Dr. ZOU currently serves as a professor of finance at the Faculty of Business and Economics of the University of Hong Kong. Dr. ZOU worked in Chengdu Municipal People's Government Statistics Bureau from August 1991 to July 1995, and the investment banking department of Chengdu Securities Co., Ltd. (now known as Sinolink Securities Co., Ltd.) from May 1998 to January 2000. He was a lecturer of finance in the Department of Accounting and Finance at Cardiff University Business School, the United Kingdom from August 2002 to July 2003. From August 2003 to July 2007, he served as an assistant professor in the department of finance and insurance at Lingnan University in Hong Kong. From August 2007 to July 2013, he worked as an associate professor in the department of economics and finance at City University of Hong Kong. From August 2013 to February 2020, he is an associate professor of finance at the Faculty of Business and Economics of the University of Hong Kong. From March 2020 to now, he is a professor of finance at the Faculty of Business and Economics of the University of Hong Kong.

Dr. ZOU obtained a bachelor's degree in statistics from the School of Management of Fudan University in July 1991, a master's degree in currency banking from Southwestern University of

Finance and Economics in June 1998, and a Ph.D. degree in Finance from the European Business Management School of the University of Wales (Swansea) in July 2003.

### **FUNG Don Hau (馮敦孝)**

#### *Independent Non-executive Directors*

Dr. FUNG Don Hau has been an independent non-executive Director of the Bank since March 2020. Dr. FUNG is also a member of each of the Audit Committee, Strategic Committee, Information Technology Guidance Committee and Risk Management Committee of the Bank.

Dr. FUNG is currently a senior advisor of China Banking Association, a senior advisor of The Hong Kong Institute of Bankers, an adjunct professor of China Banking and Insurance Regulatory Commission and a contact research fellow of Asian Financial Think Tank under Asian Financial Cooperation Association. Dr. FUNG now also serves as an independent director of Changan Bank. Dr. FUNG served as the manager of the Banking Supervision Department and the Office of the Exchange Fund in the former Banking Supervision Division of the Hong Kong Government from October 1978 to March 1993, and served as senior manager of the former Banking Supervision Department and External Department of the Hong Kong Monetary Authority from March 1993 to December 2012 (during which he was seconded by the Hong Kong Monetary Authority to Bank of England responsible for the banking supervision work from November 1994 to December 1995), and as chairman (2006-2008) of the Advisory Group for Bank Supervisors of Financial Regulators Training Initiative under the former Asia Pacific Economic Cooperation from January 2006 to January 2008 and as member (2008-2012) of the Advisory Group for Bank Supervisors of Financial Regulators Training Initiative under the former Asia Pacific Economic Cooperation. In addition,

## Directors, Supervisors and Senior Management

he also served as adjunct professor of the College of Business and adjunct professor of the College of Economics and Finance of City University of Hong Kong from September 2005 to August 2019.

Dr. FUNG graduated from The Hong Kong Polytechnic University with an advanced diploma in banking in November 1983. He obtained the professional diploma and membership of the Chartered Institute of Bankers in London, United Kingdom in December 1984. He graduated from the Department of Economics and Finance of City University of Hong Kong with a master's degree in banking in November 2004. He graduated from Bulacan State University in Philippines with a Ph.D. in business administration in November 2011.

### **JIN Jingyu (靳景玉)**

#### *Independent Non-executive Directors*

Dr. JIN Jingyu has been an independent non-executive Director of the Bank since April 2014. Dr. JIN is also the chairman of each of the Remuneration and Appraisal Committee and Nomination Committee and a member of each of the Audit 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. (西南合成製藥股份公司) (now known as PKU HealthCare Corp., Ltd. (北大醫藥股份有限公司)), 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 1<sup>st</sup> 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 served as 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) from June 2015 to July 2017, and is currently an independent non-executive director of Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 2722).

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 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

#### **YANG Xiaotao (楊小濤)**

*Member of the Party Committee, Chairperson of the Board of Supervisors and Employee Supervisor*

Mr. YANG Xiaotao has joined the Bank since March 2015 and served as a party committee member, chairperson of the Board of Supervisors and employee Supervisor 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 credit officer and chief accountant at Huolu Office, director at Xiangkou Office, chief of industrial and commercial credit section, vice president, party committee secretary and president of the sub-branch. He served as party committee member, vice president and union chairman at Chongqing Fuling Branch of Agricultural Bank of China from August 1998 to July 2002. He was deputy chief of the Corporate Division of Chongqing branch of Agricultural Bank of China from July 2002 to July 2003, and served as party committee secretary and chairman of Chongqing Changshou District Rural Credit Cooperative Union from July 2003 to November 2006. He was a party committee member and deputy director of Chongqing Rural Credit Cooperative Union from November 2006 to June 2008, and party committee member and vice president of Chongqing Rural Commercial Bank Co., Ltd. from June 2008 to February 2015.

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

#### **HUANG Changsheng (黃常勝)**

*Deputy Secretary of the Party Committee and Employee Supervisor*

Mr. HUANG Changsheng has been the deputy secretary of the party committee, an employee Supervisor and chairman of the labor union of the Bank since April 2013. Mr. HUANG joined the Bank in September 1996. 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, secretary of the party committee and president of Guiyang Branch of the Bank and secretary of the commission for discipline inspection of Bank of Chongqing.

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 September 1996.

Mr. HUANG obtained an Executive Master of Business Administration degree from Chongqing University in December 2012. Mr. HUANG is an economist and a senior political engineer.

## Directors, Supervisors and Senior Management

### **YIN Jun (尹軍)**

#### *Employee Supervisor*

Mr. YIN Jun has been an employee Supervisor of the Bank since May 2019. Mr. Yin joined the Bank in February 2016 and currently serves in the discipline inspection and supervision group of Bank of Chongqing under the Chongqing Commission for Discipline Inspection and Chongqing Supervisory Commission. Prior to that, Mr. Yin served as the Assistant to the Director of the Party Group Work and Supervision Office, Assistant to the Director of the Discipline Inspection and Supervision Department, and Deputy Director, Deputy Director (presiding) and Director of the Discipline Inspection and Supervision Department of the Bank. Prior to joining the Bank, Mr. Yin served as a member of the Secretary of the Office of the Standing Committee of Jiangbei District People's Congress in Chongqing, a member, deputy director and director of the Fourth Inspection Team of the Chongqing Municipal Committee, a director of the Fifth Discipline Inspection and Supervision Office of the Chongqing Municipal Commission for Discipline Inspection, and a deputy director of the Fifth Discipline Inspection and Supervision Office of the Chongqing Municipal Commission for Discipline Inspection.

Mr. Yin obtained a bachelor's degree in international economic law from Southwest University of Political Science and Law in July 2002, and a master's degree in regional economics from Chongqing Party School in July 2007.

### **WU Ping (吳平)**

#### *Employee Supervisor*

Mr. WU Ping has been an employee Supervisor of the Bank since November 2019. Mr. Wu is currently the secretary of the party committee and the president of the Liangjiang Branch of the Bank. He served successively as the director of the office and assistant to general manager of the credit card department of Chongqing branch, and president assistant and the secretary member of the party committee of Jiulongpo sub-branch of Agricultural Bank of China from November 1992 to May 2003, and the assistant to the director of office of personal finance of Chongqing branch and the president assistant of Yuzhong sub-branch of Huaxia Bank from June 2003 to April 2004, the deputy general manager of the personal banking department and the president of the Lianglukou sub-branch of Chongqing Commercial Bank from May 2004 to December 2007, and the deputy general manager and general manager of the business department of head office of the Bank from January 2008 to December 2018.

Mr. Wu obtained a bachelor's degree of science from Nanjing Aeronautics Institute (currently the Nanjing University of Aeronautics and Astronautics) in July 1989, and obtained an Executive Master of Business Administration degree from Chongqing University in 2012. Mr. Wu is an economist.

## Directors, Supervisors and Senior Management

### **ZENG Xiangming (曾祥鳴)**

#### *Shareholder Supervisors*

Mr. ZENG Xiangming, nominated by Chongqing Land Group, a Shareholder of the Bank, has been a shareholder Supervisor of the Bank since August 2019.

Mr. ZENG currently serves as the deputy general manager of Chongqing Real Estate Equity Investment Fund Management Co., Ltd. Prior to that, from July 1997 to November 2011, Mr. ZENG served in the Chongqing Branch of the People's Bank of China as the officer of the Foreign Exchange Management Department, the deputy director of the export verification and cancellation section of current account of Chongqing business management department of the People's Bank of China, the deputy director of the International Balance of Payments Department, deputy director of the Foreign Capital Debt Section of the Capital Project Management Office, director of the Foreign Investment Management Section of the Capital Project Management Office, director of the Capital Flow Monitoring Section of the Capital Project Management Office, and the deputy director of the Capital Project Management Office. From November 2011 to December 2013, he served as the deputy director of the Financial Markets Department of the Chongqing Financial Work Office; in December 2013, he served as the compliance manager of the Chongqing Branch of Standard Chartered Bank; since January 2014, he has been serving as the deputy general manager of Chongqing Real Estate Equity Investment Fund Management Co., Ltd.

Mr. ZENG obtained a bachelor's degree in international finance from Zhejiang University in June 1997 and a master's degree in business administration from Chongqing University in June 2004.

### **QI Jun (漆軍)**

#### *Shareholder Supervisors*

Mr. QI Jun, jointly nominated by Chongqing Beiheng Investment and Development Co., Ltd. and Chongqing Chuanyi Automation Co., Ltd., Shareholders of the Bank, has been a shareholder Supervisor of the Bank since December 2019.

Mr. QI is currently the deputy manager of the financial department of Chongqing Liang Jiang New Area Industrial Development Group Co., Ltd. (重慶兩江新區產業發展集團有限公司). He served as the accountant manager of Chongqing Zhongke Construction Group Co., Ltd. (重慶中科建設集團有限公司) from March 2011 to July 2012, investment accountant of Chongqing Xinghong Education Investment Co., Ltd. (重慶星宏教育投資有限公司) from August 2012 to April 2015, the deputy manager of the audit department of Chongqing Guangtai Investment Group Co., Ltd. (重慶廣泰投資集團有限公司) from May 2015 to December 2016, and since January 2017, he has been serving as the deputy manager of the financial department of Chongqing Liang Jiang New Area Industrial Development Group Co., Ltd. (重慶兩江新區產業發展集團有限公司), as well as the supervisor of Chongqing Beiheng Investment and Development Co., Ltd. (重慶北恒投資發展有限公司), Chongqing Gaoke Group Co., Ltd. (重慶高科集團有限公司), Chongqing Jutai Minsheng Investment and Development Co., Ltd. (重慶聚泰民生投資發展有限公司) and Chongqing Shale Gas Industry Investment Fund Co., Ltd. (重慶頁岩氣產業投資基金有限責任公司).

Mr. Qi obtained a bachelor's degree of infrastructure finance from Military Economics Academy of The Chinese People's Liberation Army in June 2002. He is a senior accountant, auditor and Grade I constructor.

## Directors, Supervisors and Senior Management

### **CHEN Zhong (陳重)**

#### *External Supervisors*

Mr. CHEN Zhong has been an external Supervisor of the Bank since June 2016.

Mr. CHEN has been the deputy chairman of board of directors of Brighstone Investment and Management Co., Ltd. since May 2019, and served as the chairman of board of directors of New China Fund Management Co., Ltd from April 2008 to April 2019. Prior to that, Mr. CHEN served as deputy director and director of the research division of China Enterprise Management Association, director and vice president of China Commerce Association, deputy secretary general of Chongqing Municipal People's Government, and standing deputy president of China Commerce Association.

Mr. CHEN graduated from Jilin University with a bachelor's degree of economics in August 1979, and a master's degree of economics in March 1985. He graduated from Peking University with a doctoral degree of economics in June 2000.

### **PENG Daihui (彭代輝)**

#### *External Supervisors*

Mr. PENG Daihui has been an external Supervisor of the Bank since May 2018.

Mr. PENG successively served as the special member and the deputy chairman of the Ethnic and Religious Affairs Commission of Chongqing Municipal Political Consultative Conference from January 2008 to December 2017. Mr. PENG worked as director of asset liability management department, and vice president and party committee member of Chongqing branch of Agricultural Bank of China from February 2000 to November 2014. Mr. PENG served successively as office deputy director and section chief of agricultural credit section in Nanchong Central Sub-branch, president and party committee secretary of Yuechi sub-branch, vice president and party member of Fuling branch, president and

secretary of party committee of Fuling branch of Agricultural Bank of China from January 1984 to January 2000. He served as cashier, accountant and director of Leshan Credit Cooperatives and Yihe Credit Cooperatives in Wusheng County from December 1976 to December 1983. He also served as adjunct professor of School of Civil and Commercial Law, Southwest University of Political Science and Law from January 2007 to December 2010.

Mr. PENG graduated from an undergraduate program, majoring in economics and management, through Correspondence School of Sichuan Provincial Communist Party School in December 1996. He graduated from a postgraduate program in market economics from Chinese Academy of Social Sciences in September 2000. Mr. PENG is a senior economist.

### **HOU Guoyue (侯國躍)**

#### *External Supervisors*

Mr. HOU Guoyue has been an external Supervisor of the Bank since December 2019.

Mr. HOU currently is a professor and doctoral supervisor of the Civil and Commercial Law School of Southwest University of Political Science and Law, a research scholar of the Supreme People's Court (2019-2020) and a director of China Health Law Society and Chongqing Construction (中國衛生法學會) and Real Estate Law Research Board (重慶市建築房地產法研究會). Mr. HOU has served successively as a lecturer, associate professor and professor of Southwest University of Political Science and Law since 2003. He served as part-time lawyer of Xinli Law Office in Chongqing (重慶欣力律師事務所) from January 2001 to April 2006 and part-time lawyer of Z&Z Attorneys At Law in Chongqing (重慶志和智律師事務所) from April 2006 to May 2014. He has been a part-time lawyer of K&H Law Firm in Chongqing (重慶坤源衡泰律師事務所) since May 2014.

Mr. HOU graduated from Chongqing University with a bachelor's degree in engineering in 1996, obtained a master of law degree in civil and commercial law from Southwest University of Political Science and Law in July 2002 and a doctor of law degree in civil and commercial law from Southwest University of Political Science and Law in July 2006.

### 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.

#### **SUI Jun** (隋軍)

*Member of the Party Committee and Vice President*

Mr. SUI Jun has joined the Bank and been a member of the Party Committee of the Bank since April 2016 and the Vice President of the Bank since June 2017. Mr. SUI currently is responsible for asset preservation, information technology, Internet finance, the office work and other business management and development.

Prior to joining the Bank, Mr. SUI was the secretary to the Party committee and president 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 of head office, vice president of head office, a member of the Party committee, the secretary to the board of directors and executive director. Mr. SUI was the secretary to the Party committee and director-general of Jiangjin Rural Credit Cooperatives Union of Chongqing from July 2004 to August 2008. Mr. Sui held several positions at China Construction Bank Nanchong branch from September 1994 to July 2004, including deputy general manager and general manager of the sales department.

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.

#### **YANG Shiyin** (楊世銀)

*Member of the Party Committee and Vice President*

Ms. YANG Shiyin has been a member of the Party Committee since February 2013 and the Vice President of the Bank since October 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 corporate business officer of the Bank from January 2011 to August 2014, responsible for the corporate, trade finance, real estate finance and other businesses of the Bank. 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 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.

## Directors, Supervisors and Senior Management

### **ZHOU Guohua (周國華)**

*Member of the Party Committee and Vice President*

Mr. ZHOU Guohua has been a member of the party committee of the Bank since February 2013 and the Vice President of the Bank since October 2014. 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 green financial businesses of the Bank.

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 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.

### **PENG Yanxi (彭彥曦)**

*Member of the Party Committee, Vice President and Secretary to the Board*

Ms. PENG Yanxi has joined the Bank and been a member of the party committee since October 2015, the vice president since March 2016 and the secretary to the Board of Bank since August 2018. Ms. PENG is currently responsible for the management and development of the related work such as the office of the Board, corporate culture

and public relations, the Financial Research Institute, institutional development and settlement operations.

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 October 2015. Prior to that, Ms. PENG served successively as an officer in the human resources and education division, deputy division chief of retail banking department and deputy director of the office of Chongqing Rural Credit Cooperative Union from January 2003 to August 2008, during which from January 2006 to July 2006, she served as a part-time deputy general manager of retail business department of Chongqing Branch of China Merchants Bank. 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.

### **HUANG Ning (黃寧)**

*Member of the Party Committee and Vice President*

Mr. HUANG Ning has been a member of the party committee of the Bank since October 2014 and the vice president of the Bank since March 2016. Mr. HUANG is currently responsible for the management and development of the financial market business, the asset management business, and the administrative and security work.

## Directors, Supervisors and Senior Management

Mr. HUANG Ning joined the Bank in July 1997 and had successively held various positions, including accountant and client manager of the business department of Daxigou Sub-branch, client manager and assistant to the director of the credit management department, deputy director and director of the general office, director of the general office, manager of the Great Hall Sub-branch, member of the organization department of the CPC party committee and general manager of human resources department of the Bank.

Mr. HUANG obtained an Executive Master of Business Administration degree from Chongqing University in December 2014.

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

For details of emolument of Directors, Supervisors and the five highest paid individuals of the Bank, please see note 14 and note 12 to the financial statements respectively. According to relevant requirements of SAIC Motor Corporation Limited on part-time jobs of leaders, and as confirmed by Mr. WU Heng, he will not receive any remuneration for acting as a non-executive Director of the Bank. Also, there is no arrangement in which other Directors of the Bank 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 meetings.

The remuneration policy of non-employee Supervisors is subject to the consideration and approval at the general meetings. 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
	2019
500,001-1,000,000	1
1,000,001-1,500,000	7
<b>Total</b>	<b>8</b>

# Corporate Governance Report

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

In order to adhere to high standards of corporate governance, the Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Listing Rules, and set up the Board of Directors, the Board of Supervisors and experienced senior management with dedication, professionalism and accountability. Members of the Board of Directors and the Board of Supervisors of the Bank are elected by the Shareholders at the general meetings, except for employee Supervisors.

Save as disclosed in the section headed "Directors, Supervisors and Senior Management – Changes in Directors, Supervisors and Senior Management – Changes in Directors", 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.

The Bank is committed to maintaining high standards of corporate governance and will continue to strengthen its corporate governance standards to ensure compliance with the Code and meet the expectations of shareholders and potential investors.

## General Meeting

### Information of General Meetings

During the Reporting Period, the Bank held one annual general meeting, one domestic Shareholders' class meeting, one H Shareholders' class meeting and two extraordinary general meetings, details of which are set out below:

On May 24, 2019, the Bank held the 2018 Annual General Meeting, the first domestic shareholders' class meeting of 2019 and the first H shareholders' class meeting of 2019, respectively. The 2018 Annual General Meeting mainly considered and approved the 8 ordinary resolutions, including (1) the report of the Board of Directors of the Bank for 2018, (2) the report of the Board of Supervisors of the Bank for 2018, (3) the annual report of the Bank for 2018, (4) the financial budget proposal of the Bank for 2019, (5) the final financial accounts of the Bank for 2018, (6) the profit distribution plan of the Bank for 2018, (7) the re-appointment of external auditors of the Bank for 2019, and (8) the amendments to three-year dividend plan after the A Share Offering, and 3 special resolutions, including (1) the extension of validity period of the resolution relating to proposed initial public offering of A shares and the authorization to the board of directors of the Bank, (2) the amendments to the price stabilization plan for the A Shares after the A Share Offering and (3) the amendments to the authorization of the Shareholders' meeting to the Board of the Bank.

The first Shareholders' class meeting was divided into H Shareholders' class meeting and domestic Shareholders' class meeting, each of which considered and approved 2 special resolutions, including (1) the extension of validity period of the resolution relating to proposed initial public offering of A shares and the authorization to the board of directors of the Bank and (2) the amendments to the price stabilization plan for the A Shares after the A Share Offering.

On August 30, 2019, the Bank held the first extraordinary general meeting of 2019 to consider and approve 2 ordinary resolutions, including (1) the proposed appointment of Dr. ZOU Hong as an independent non-executive Director of the Bank and (2) the proposed appointment of Mr. ZENG Xiangming as a shareholder Supervisor of the Bank.

On December 9, 2019, the Bank held the second extraordinary general meeting of 2019 to consider and approve 2 ordinary resolutions, including (1) the proposed re-election and appointment of directors for the Sixth Session of the Board (including the re-election of Ms. LIN Jun, Mr. RAN Hailing, Mr. LIU Jianhua and Mr. WONG Wah Sing as executive Directors of the Bank, the re-election of Mr. WONG Hon Hing, Mr. DENG Yong, Mr. YANG Yusong, Mr. TANG Xiaodong and Mr. WU Heng as non-executive Directors of the Bank, the appointment of Ms. LIU Ying as a non-executive Director of the Bank, the re-election of Dr. ZOU Hong as an independent non-executive Director of the Bank, the appointment of Mr. YUAN Xiaobin, Mr. LIU Xing, Dr. FUNG Don Hau and Mr. WANG Rong as independent non-executive Directors of the Bank), (2) the proposed re-election and appointment of Supervisors for the Sixth Session of the Board of Supervisors (other than employee Supervisors) (including the re-election of Mr. PENG Daihui, Mr. CHEN Zhong and the appointment of Mr. HOU Guoyue as external Supervisors of the Bank, the re-election of Mr. ZENG Xiangming and the appointment of Mr. QI Jun as shareholder Supervisors of the Bank), and one special resolution, which is the amendments to the Articles of Association of Bank of Chongqing Co., Ltd. and the draft Articles of Association of Bank of Chongqing Co., Ltd. which shall be applicable and effective upon A Share Listing.

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 2018 profit distribution plan, the re-appointment of external auditors for the year of 2019 and the amendments to the Articles of Association.

### **Composition of the Board**

As of the Latest Practicable Date, the Board of the Bank comprised a total of 15 Directors, including 4 executive Directors, namely, Ms. LIN Jun (Chairman), Mr. RAN Hailing (President), Mr. LIU Jianhua and Mr. WONG Wah Sing; 6 non-executive Directors, namely, Mr. WONG Hon Hing (Vice Chairman), Mr. DENG Yong, Mr. YANG Yusong, Mr. TANG Xiaodong, Mr. WU Heng and Ms. LIU Ying; and 5 independent non-executive Directors, namely, Dr. LIU Xing, Mr. WANG Rong, Dr. ZOU Hong, Dr. FUNG Don Hau 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. Meanwhile, 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 Special Committees. Details of such committees are set out in this report.

## Corporate Governance 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 – Changes in Directors” 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 correspondence meeting. 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 minutes are circulated to all attending directors for review after the meeting. Directors that have attended the meetings will provide comments for modification after receiving the minutes, and sign for confirmation. The minutes will be circulated by the secretary to the Board to all directors as soon as it is finalised. The minutes of Board meetings are kept by the secretary to the Board of Directors 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.

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 as well as strategic planning, corporate governance, foreign investment management, connected transaction management, equity management, investor relations management information disclosure 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.

### 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 by the shareholders’ general meetings;
- (III) deciding on operational plans, investment proposals and development strategy of the Bank;
- (IV) formulating the proposed annual preliminary and final financial budgets of the Bank;
- (V) formulating profit distribution plans and plans for recovery of losses of the Bank;

- (VI) formulating proposals for increase in, or reduction of the Bank's registered capital, issuance of bonds or other securities and listing plans;
  - (VII) formulating proposals for major acquisitions, share purchase, 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 material connected transactions of the Bank within the authorities authorized by the general meeting;
  - (IX) examining and approving any financial guarantee to be provided by the Bank when the total amount of external financing guarantees of the Bank is greater than 10% but less than or equal to 30% of the Bank's latest audited total assets;
  - (X) deciding on establishment, dissolution and merger of the Bank's internal management departments and branches. The Board may delegate the rights of setting up, dismantling and merging the internal management organs of the Bank to the Strategic Committee of the Bank;
  - (XI) appointing or removing the president and the secretary to the Board; appointing or removing vice presidents, the chief financial officer, the chief executive officer and other senior management based on the recommendations of the president, and deciding on matters relating to their emoluments and their rewards and punishments;
  - (XII) supervising the senior management's performance of their duties to ensure that senior management are effectively fulfilling their management responsibilities;
  - (XIII) establishing the Bank's basic management system, and conducting regular evaluations to improve corporate governance of the Bank;
  - (XIV) formulating the Bank's policies on risk management and internal control;
  - (XV) formulating proposals for any amendments to the Articles of Association of the Bank;
  - (XVI) managing 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 the shareholders' general meetings;
  - (XVIII) reviewing 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;
  - (XX) making decisions on matters relating to external donations;
  - (XXI) 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.

# Corporate Governance Report

## 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 correspondence meeting.

During the Reporting Period, the Board convened 17 meetings in total (including 10 correspondence meetings and 7 on-site meetings), at which 93 proposals were considered and approved. Subject matters of such meetings mainly include amendments to relevant corporate governance documents, financial reports, profit distribution and nomination of Director candidates. In addition, in accordance with requirements under Rule A.2.7 of Appendix 14 to the Listing Rules, the Chairman of the Board and the independent non-executive Directors of the Bank held a meeting without other Directors present.

Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held during the Reporting Period (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:

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
<i>Executive Directors</i>										
LIN Jun	17/0/17				10/0/10					3/0/3
RAN Hailing	17/0/17				10/0/10	7/0/7		3/0/3		3/0/3
LIU Jianhua	16/1/17					6/0/6	10/0/10	3/0/3	4/0/4	2/0/3
WONG Wah Sing	17/0/17					6/0/6		3/0/3	4/0/4	3/0/3
<i>Non-executive Directors</i>										
WONG Hon Hing	17/0/17				10/0/10	1/0/1			4/0/4	2/0/3
DENG Yong	13/4/17	10/0/10				1/0/1				0/0/3
YANG Yusong	13/4/17				1/0/1					0/0/3
LV Wei	15/0/15	10/0/10	4/0/4	5/0/5					4/0/4	3/0/3
TANG Xiaodong	17/0/17		4/0/4	5/0/5	9/0/9					1/0/3
WU Heng	14/0/14		1/0/1							1/0/3
<i>Independent non-executive Directors</i>										
LI He	15/2/17	10/0/10			10/0/10	7/0/7	10/0/10			2/0/3
KONG Xiangbin	17/0/17		5/0/5	5/0/5			10/0/10	3/0/3	4/0/4	2/0/3
WANG Pengguo	16/1/17	10/0/10	5/0/5	5/0/5		7/0/7	10/0/10			3/0/3
JIN Jingyu	17/0/17	10/0/10	5/0/5	5/0/5			10/0/10	3/0/3		3/0/3

- Notes:
1. For details of changes in Directors, please refer to "Changes in Directors" above.
  2. Attendance in person includes participation by way of on-site attendance as well as electronic means such as telephone and online video conference.
  3. Ms. LV Wei retired on December 9, 2019.

### 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, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

On December 17, 2018, the Chongqing CBIRC approved the qualification of Mr. Yang Yusong and Mr. Tang Xiaodong as the Bank's non-executive Directors. In view of the fact that the qualification of Dr. SONG Min as an independent non-executive director of the Bank had not yet been approved by the Chongqing CBIRC, the Bank was not in compliance with Rule 3.10A of the Listing Rules which stipulates that the number of independent non-executive directors is at least one-third of the board of directors.

On March 30, 2020, the Chongqing CBIRC approved the qualification of Dr. ZOU Hong and Dr. FUNG Don Hau for serving as independent non-executive Directors of the Bank. The term of office of each of Dr. ZOU Hong and Dr. FUNG Don Hau as an independent non-executive Director of the Bank commenced from the date of such approval, and will end upon the expiry of the Sixth Session of the Board. Since the qualification of directorship of Dr. ZOU Hong and Dr. FUNG Don Hau became effective from March 30, 2020, independent non-executive Directors of the Bank represent one-third of the Board, and therefore the Bank complies with the requirement of Rule 3.10A of the Listing Rules.

The independent non-executive Directors of the Bank do not have any business or financial interests, or 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.

### Directors' Responsibility for Preparation of Financial Statements

The Directors have acknowledged their responsibility for preparing the financial statements of the Bank for the year ended December 31, 2019.

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, 2019, 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.

## Corporate Governance Report

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, the Directors of the Bank, participated in trainings regarding Internet economy, digital finance and the sustainable development of finance. 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 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;
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: Strategic Committee, Audit Committee, Remuneration and Appraisal Committee, Nomination Committee, Risk Management Committee, Information Technology Guidance Committee, Connected Transactions Control 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) Strategic Committee

As of the Latest Practicable Date, the Bank's Strategic Committee consisted of 5 Directors, including Ms. LIN Jun as chairman; Mr. RAN Hailing, Mr. WONG Hon Hing, Mr. YANG Yusong and Mr. FUNG Don Hau 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;
2. to review the mid- to long-term development strategy of the Bank, including but not limited to:
  - (1) to review the mid- to long-term strategic objectives of the Bank;
  - (2) to review the model of the Bank's operation, development direction and business structure;
  - (3) to review the plan of establishment and dissolution and merger of the Bank's internal organizational structure;
  - (4) to review the optimization plans of establishment, elimination, dissolution and merger and relocation of branches and independent accounting sub-branches within Chongqing; and
  - (5) to review the mid- to long-term business development plans of the branches of the Bank;
3. to review and adjust the annual business plan submitted by the management, and put forward suggestions or opinions;
4. to review the relevant systems and implementation plans of the Bank's foreign investment, mergers and acquisitions, examine major investments, for example, fixed assets investments and equity investments, and put forward suggestions or opinions;
5. to oversee and inspect the implementation of the Bank's strategic planning, annual business plans and investment schemes;
6. to study the major matters which have influence on the development of the Bank and make recommendations;
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 10 meetings in total to report and consider 39 matters including the proposal on the management strategy of assets and liabilities for 2019, the proposal on the development plan of outlets for 2019, and the proposal on the post-assessment plan of investment projects for 2019.

## Corporate Governance Report

### (II) *Audit Committee*

As at the Latest Practicable Date, the Bank's Audit Committee consisted of 5 Directors, including Dr. LIU Xing as chairman, and Mr. DENG Yong, Ms. LIU Ying, Dr. FUNG Don Hau and Dr. JIN Jingyu 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 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 operation and development and information technology and the overall risks that may arise;
  2. to provide guidance to and carry out special audits on risk management, connected transactions management, compliance management, financial management, treasury management, remuneration management, information technology management and other aspects;
  3. duties with respect to external auditors:
    - (1) to make recommendations to the Board on appointment and removal of the external auditors (including handling of any issues on resignation or dismissal of such auditors), and give review opinions on the qualification, expenses and terms of engagement of the proposed 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;
  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. 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;
- (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;
  - (5) to ensure that the Board will provide a timely response to the issues raised in the letter in respect of the auditing issued by the external auditor to the management;

- (4) the going concern assumptions and any qualified opinions;
- (5) compliance with accounting standards;
- (6) compliance with the Listing Rules and other legal or regulatory requirements in relation to financial reporting;

With regard to the aforesaid duties, the Audit Committee shall liaise with the Board and senior 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 relationship 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;
7. to propose to the Board 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;

8. to examine the internal audit regulations such as internal audit rules, mid- to long-term audit plans and annual work plans, and monitor their implementation;
9. to regularly examine the Bank's internal audit work and assess the working procedures and effectiveness of the internal audit department;
10. duties 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;

## Corporate Governance Report

- (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;
11. 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;
12. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's Shares are listed and as delegated by the Board.

During the Reporting Period, the Audit Committee held a total of 10 meetings, at which 26 matters were reported and considered including the 2018 financial statements and notes, 2018 profit distribution plan and Annual Results Announcement of 2018. Meanwhile, the Audit Committee held 2 meeting with the auditors in accordance with the newly amended code provisions of the Code.

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

As of the Latest Practicable Date, the Bank's Remuneration and Appraisal Committee consisted of 5 Directors, including Dr. JIN Jingyu as chairman, Ms. LIN Jun, Mr. WU Heng, Dr. LIU Xing and Mr. WANG Rong as members, with a majority of the members being independent non-executive Directors. The establishment of the Remuneration and Appraisal Committee is in compliance with Rule 3.25 of the Listing Rules.

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;
4. to make recommendations to the Board on the remuneration of non-executive Directors;
5. to propose employment conditions elsewhere in the Bank to be determined by the Board considering salaries paid by comparable companies, time commitment and responsibilities;
6. to review compensation payable to executive Directors and senior management for any loss or termination of office or appointment;
7. to review compensation arrangements relating to dismissal or removal of Directors for misconduct;

8. to review duty performance of the Directors and senior management and the performance assessment on them;
9. to review the Bank's policy, structure and procedure for all remuneration of Directors and senior management;
10. to supervise the execution of and make recommendations to amend the Bank's remuneration system;
11. to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his own remuneration; and
12. 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 Remuneration and Appraisal Committee held 5 meetings in total, at which 8 proposals were considered on the matters including the proposal on the Working Rules of the Remuneration and Appraisal Committee of the Board of Directors, the proposal on the distribution plan of incentive income for members of the leadership of Bank of Chongqing for the term of 2015-2017, and the proposal on the assessment of completion of 2018 operating performance.

#### *(IV) Nomination Committee*

As of the Latest Practicable Date, the Bank's Nomination Committee consisted of 5 Directors, including Dr. JIN Jingyu as chairman, Ms. LIN Jun, Mr. WU Heng, Dr. LIU Xing and Mr. WANG Rong as members, with a majority of the members being independent non-executive Directors. The

establishment of the Nomination Committee is in compliance with paragraph A5 of the Code set out in Appendix 14 to the Listing Rules.

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 review criteria and procedures for selection of Directors and senior management members, and make specific recommendations to the Board;
3. to search for qualified candidates for Director and senior management posts;
4. to conduct preliminary 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;
7. to perform 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 Nomination Committee held 5 meetings in total, and considered 9 proposals including the proposal on the recommendation of Mr. ZOU Hong as the nominee for an independent non-executive Director of the Bank, the proposal on issues relating to candidates for the re-election of the Board of Directors and the proposal on the change of chief anti-money laundering officer.

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 15 Directors, including 2 female and 3 person who are ordinarily resident in Hong Kong. The Board is diverse in terms of gender, nationality, professional background and skills of its members.

### *(V) Risk Management Committee*

As of the Latest Practicable Date, the Bank's Risk Management Committee consisted of 5 Directors, including Mr. WONG Hon Hing as chairman, and Mr. RAN Hailing, Mr. DENG Yong, Mr. WANG Rong and Mr. FUNG Don Hau as members.

The primary duties of the Risk Management Committee include:

1. business strategies and plans:
  - (1) to consider the Bank's risk strategy, preferences, and tolerance, and make recommendations and suggestions to the Board;
  - (2) to consider or make recommendations on the risk management function division of the Board and senior management, and report to the Board for approval;
  - (3) to consider the Bank's risk limit management framework and the limit, and report to the Board for approval;
  - (4) to consider the Bank's overall policy of risk management, and report to the Board for approval;
  - (5) to consider the Bank's overall policy of compliance management, and report to the Board for approval;
  - (6) to consider the Bank's overall policy of security work and anti-money laundering work, and report to the Board for approval;
  - (7) to consider and approve the risk organization structure and its function, and report to the Board for approval;
  - (8) to consider and approve the Bank's risk management standard, important risk measurement methods and tools;
  - (9) to consider and approve the risk class policy, including credit risk, operational risk and market risk;

### 2. operation and implementation:

- (1) to consider the power of the president delegated by the Board and risk-taking activities that go beyond the scope of authority of the management, and report to the Board for approval;
- (2) to receive and consider the report of the Bank's management on the implementation of risk policy, put forward suggestions and measures for improvement and report the result to the Board;
- (3) to receive and consider the risk monitoring report, compliance risk report, asset and liability management analysis report of the Bank, put forward suggestions and measures for improvement and report the result to the Board;
- (4) to receive and consider security work report of the Bank, put forward suggestions and measures for improvement and report the result to the Board;
- (5) to receive and consider the anti-money laundering work report, put forward suggestions and measures for improvement and report the result to the Board;

### 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 consider 28 matters including the 2018 risk monitoring report, and the proposal on 2019 risk management strategy.

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

As of the Latest Practicable Date, the Bank's Connected Transactions Control Committee consisted of 5 Directors, including Dr. LIU Xing as chairman, and Mr. LIU Jianhua, Mr. WANG Rong, Dr. ZOU Hong, Dr. JIN Jingyu as members.

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;

## Corporate Governance Report

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;
5. to collect, sort and confirm the list and information of the Bank's connected parties;
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 10 meetings in total, at which 21 proposals involving connected transactions were reported and considered, including changes in the list of connected persons.

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

As of the Latest Practicable Date, the Bank's Information Technology Guidance Committee consisted of 5 Directors, including Mr. RAN Hailing as chairman, and Mr. LIU Jianhua, Mr. WONG Wah Sing, Dr. ZOU Hong and Dr. FUNG Don Hau as members.

The primary duties of the Information Technology Guidance Committee include:

1. to examine 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 formulate 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 receive the reports of relevant business lines or departments on information technology situation, put forward improvement measures or suggestions and monitor their implementation;
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 3 meetings in total, at which 5 matters were reported and considered including the 2018 information technology work report.

### *(VIII) Consumer Protection Committee*

As of the Latest Practicable Date, the Bank's Consumer Protection Committee consisted of 4 Directors, including Mr. WONG Hon Hing as chairman, Mr. LIU Jianhua, Mr. WONG Wah Sing, and Ms. LIU Ying as members.

The primary duties of the Consumer Protection Committee include:

1. to formulate the Bank's strategic planning of consumer protection, review 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;
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 listen to the reports of relevant business lines or departments on consumer protection work, put forward improvement measures or suggestions and monitor their implementation;
7. to exercise other duties as delegated by the Board.

During the Reporting Period, the Consumer Protection Committee held 4 meetings in total, at which 11 matters were reported and considered including the 2018 Consumer Protection Work Report of Bank of Chongqing.

### **Board of Supervisors**

#### **Composition of the Board of Supervisors**

As of the Latest Practicable Date, the Board of Supervisors comprised a total of 9 Supervisors, among which 4 were employee Supervisors, namely, Mr. YANG Xiaotao, Mr. HUANG Changsheng Mr. YIN Jun and Mr. WU Ping; 2 were shareholder Supervisors, namely, Mr. ZENG Xiangming and Mr. QI Jun; 3 were external Supervisors, namely, Mr. CHEN Zhong, Mr. PENG Daihui and Mr. HOU Guoyue.

#### **Chairperson of the Board of Supervisors**

On 24 March, 2015, Mr. YANG Xiaotao was elected as Chairperson of the Fifth Session of the Board of Supervisors of the Bank by the Board of Supervisors, with effect from the same date. On December 9, 2019, Mr. YANG Xiaotao was elected as Chairperson of the Sixth Session of the Board of Supervisors of the Bank by the Board of Supervisors, with effect from the same date.

# Corporate Governance Report

## Changes in Supervisors

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

## Meetings of the Board of Supervisors

In 2019, the Board of Supervisors held a total of 8 meetings, at which 22 proposals and informative reports were considered. Subject matters include main tasks of the Board of Supervisors, annual report, annual financial statements, dividend distribution plan, review 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:

<b>Members of the Board of Supervisors</b>	<b>Attendance in person/by proxy/required (number of times)</b>
YANG Xiaotao	8/0/8
HUANG Changsheng	8/0/8
CHEN Zhong	7/1/8
PENG Daihui	8/0/8
HOU Guoyue	1/0/1
YIN Xianglong	6/1/7
ZENG Xiangming	3/0/3
QI Jun	1/0/1
WU Bing	6/1/7
CHEN Yan	2/0/3
YIN Jun	5/0/5
WU Ping	1/0/1
ZHOU Xiaohong	7/0/7

## 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.

## Supervision and Nomination Committee

As of December 31, 2019, the Bank’s Supervision and Nomination Committee consisted of 5 Supervisors, including Mr. PENG Daihui (external Supervisor) as chairman, Mr. HUANG Changsheng (employee Supervisor), Mr. HOU Guoyue (external Supervisor), Mr. QI Jun (shareholder Supervisors) and Mr. YIN Jun (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 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; to be responsible for the outgoing audit of directors and the senior management;
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.

During the Reporting Period, the Supervision and Nomination Committee held 5 meetings and reviewed 5 proposals, including the qualifications of appointing supervisors and the inspection plan.

### 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 requirements of 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;
- (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);

## Corporate Governance Report

- (VIII) to authorize senior management members and executive officers of the internal functional departments and branches to engage in operation activities;
- (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 in PRC, the Board, and the Board of Supervisors immediately;
- (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 non-inter-bank self-operated business, inter-bank self-operated business, intermediary business, acquisition of fixed assets, commodity and service purchase, disposal of assets, write-off of assets, transfer of assets, mortgage of assets, external financing guarantee, related party transactions, donations to external bodies, mobilization and use of funds and establishment of departments, 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.

The Chairman of the Bank is the legal representative of the Bank and responsible for overall strategic planning of the Bank and presiding over the Board, to ensure that the Board works effectively and timely considers all significant matters. The President of the Bank 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 above Code and 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 137 to 143.

The Bank has engaged PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP respectively as the international and domestic auditors of the Bank for 2019. 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, 2019 were RMB4.276 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 special 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 internal control rules, including the Basic Rules on Internal Control of Enterprises jointly promulgated by five ministries and commissions including the Ministry of Finance, and the Internal Control Guidelines for Commercial Banks issued by CBRC, the Board established an internal control system covering the Bank's various business processes and operations as well as each department and position. They define the five components of the internal control system, namely internal environment; risk assessment; internal activities; information and communication; and internal supervision. They especially provide internal control requirements for controls with focuses on credit, capital, deposits and bank card business as well as accounting management, financial activities and information system.

The Board will continue to promote the construction of internal control, facilitate the continuous improvement and perfection of internal control, and pursue long-term, sustainable and steady operation and development. As at December 31, 2019, the Board conducted a review of the Bank's internal control system according to the Basic Rules on Internal Control of Enterprises and the Internal Control Guidelines for Commercial Banks. The review covered all significant controls of the Bank, including financial, operational and compliance controls and risk controls. The Board believes that there were no significant defects in the Bank's design or implementation of internal control.

### Company Secretary

During the Reporting Period, the joint company secretaries of the Bank were Mr. WONG Wah Sing, an executive Director of the Bank and Ms. HO Wing Tsz Wendy, an executive director of Tricor Services Limited, an external service provider. Mr. Wong Wah Sing was the chief contact person for the external company secretary. Each of them complied with the requirements under Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the Reporting Period. Mr. WONG Wah Sing retired as a joint company secretary of the Bank with effect from March 21, 2020, but he would continue to be the chief contact person for the external company secretary.

### Information Disclosure

#### *Effective Communication with Shareholders*

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

### 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 total number of the Bank's Shares with voting rights 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 web sites of the Hong Kong Stock Exchange and the Bank for details).

#### *Proposals at General Meetings*

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

Shareholders may refer to the "Methods and Procedures for Nominating Candidates for Directors" as set out in Article 87 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, Jiangbei District, Chongqing, the PRC

Tel: +86 (23) 6379 9024

Fax: +86 (23) 6379 9024

E-mail: [ir@cqcbank.com](mailto: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 Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank (<http://www.cqcbank.com>).

### 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, Jiangbei District, Chongqing,  
the PRC  
Tel: +86 (23) 6336 7417  
Fax: +86 (23) 6379 2238

### Additional Information

The Bank holds a financial licence number B0206H250000001 approved by the regulatory authority of the banking industry of the PRC and was authorised by the Administration for Market Regulation of Chongqing to obtain a corporate legal person business licence with a unified social credit code 91500000202869177Y. The Bank is not an authorized institution within the meaning of the Hong Kong Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

# Report of the Board of Directors

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The Board is pleased to present the report of the Board of Directors together with the audited financial statements of the Bank for the year ended December 31, 2019.

## Principal Activities

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

## Business Review

Please refer to the subsection of “6.3 Business Overview” in the section headed “Management Discussions and Analysis” in this annual report.

## Major Risks and Uncertainties

Please refer to the subsection of “6.5 Risk Management” in the section of “Management Discussions and Analysis” in this annual report.

## Prospects for the Future Development of Banking Business

Please refer to the subsection of “6.7 Environment and Outlook” in the section headed “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 2019, 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. 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 2019 pursuant to the national laws and regulatory requirements and prepared annual report for the year of 2019. No major event having significant influence on the Bank has occurred after completion of annual financial review.

## Report of the Board of Directors

### Profits and Dividends

The Bank's revenue for the year ended December 31, 2019 and the Bank's financial position as at the same date are set out in the section headed "Financial Statements" of this annual report.

A final dividend of RMB0.154 per share (tax inclusive) for the year ended December 31, 2018 ("**2018 Final Dividend**"), amounting to a total dividend of RMB481,566,439.97 (tax inclusive) based on the profit and number of shares issued for the year ended December 31, 2018, was distributed by the Bank to all Shareholders of the Bank upon consideration and approval at the 2018 annual general meeting held on May 24, 2019. The 2018 Final Dividend was distributed to holders of H Shares and domestic shares on July 19, 2019.

The Board of the Bank has proposed a final dividend of RMB0.236 per share (tax inclusive) for the year ended December 31, 2019 ("**2019 Final Dividend**"), amounting to an aggregate amount of RMB737,984,933.98 (tax inclusive) to all shareholders of the Bank. The dividend distribution proposal will be submitted to the 2019 annual general meeting for approval. If the proposal is approved at the 2019 annual general meeting, the dividend will be distributed to holders of domestic shares and holders of H Shares whose names appear on the register of members on May 24, 2020. The proposed dividend will be denominated in RMB. Dividends to

holders of domestic shares shall be paid in RMB, and dividends to holders of H Shares shall be paid in Hong Kong dollars. The exchange rate of RMB to HK\$ to be adopted shall be the average middle rates of the five business days preceding the date of declaration of such dividends by the Bank at the 2019 annual general meeting (being May 13, 2020, inclusive) as announced by the PBOC. The register of members of the Bank will be closed from Tuesday, May 19, 2020 to Sunday, May 24, 2020 (both days inclusive), during which period no transfer of domestic shares or H Shares will be registered. In order to be entitled to the dividend payment, holders of H shares of the Bank who have not registered the related transfer documents are required to lodge the transfer documents together with the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on Monday, May 18, 2020.

The Board of the Bank proposed to distribute the 2019 Final Dividend on Friday, May 29, 2020. If there are any expected changes to the dividend payment date, an announcement will be published.

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

(All amounts expressed in millions of RMB except percentages, unless otherwise stated)	2018	2017	2016
Cash dividend (tax inclusive)	481.57	368.99	909.97
As a percentage of profit for the year	13%	10%	26%

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

### Annual General Meeting of 2019 and Closure of Register of Members

The Bank's 2019 annual general meeting will be held on Wednesday, May 13, 2020. In order to determine the holders of H Shares who are eligible to attend and vote at the 2019 annual general meeting, the register of members of the Bank will be closed from Friday, April 10, 2020 to Wednesday, May 13, 2020 (both days inclusive), and during such period no transfer of shares will be registered. Holders of H Shares of the Bank who wish to attend and vote at the 2019 annual general meeting must lodge all transfer documents accompanied by the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, April 9, 2020.

### Change in the Reserves

Details of the changes in the reserves of the Bank for the year ended December 31, 2019 are set out in the “Consolidated Statements of Changes in Equity” to the “Financial Statements” and the note “Other Reserves” to the “Financial Statements” 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, 2019 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, 2019 amounted to approximately RMB10.11 million.

### Property and Equipment

Details of the changes in property and equipment of the Bank for the year ended December 31, 2019 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, 2019 are set out in “Change in Share Capital and Shareholders” of this annual report.

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

During the year ended December 31, 2019, 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 raising new shares to non-specific investors, placing or distributing new shares to its existing shareholders, transferring capital reserve into share capital or by any other ways permitted by laws, administrative regulations and relevant regulatory authorities.

### Share Capital

Details of the change in share capital of the Bank during the Reporting Period are set out in the “Change in Share Capital and Shareholders” and 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, 2019, the interests of the Directors, the Supervisors and the chief executives of the Bank and their associates in the shares, underlying shares and

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

#### Domestic Shares

Name	Capacity	Number of shares held	Percentage of the total share capital of the Bank (%)
RAN Hailing	Beneficial owner	45,374	0.00145
LIU Jianhua	Beneficial owner	167,975	0.00537
YANG Yusong	Beneficial owner	1,033	0.00003
HUANG Changsheng	Beneficial owner	123,451	0.00395
	Interest of spouse	60,647	0.00194
WU Ping	Beneficial owner	65,625	0.00210

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, 2019.

### 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, 2019 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, 2019 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 43 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.

### 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 Hong Kong Stock Exchange.

## Report of the Board of Directors

### **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 names appear on the register of H shareholders on May 24, 2020.

#### **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 2019, respectively.

PricewaterhouseCoopers has audited the Bank's financial report for 2019 prepared according to the international financial reporting standards and issued an auditor report with no qualified opinions.

# Report of the Board of Supervisors

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In 2019, pursuant to the Company Law of the PRC, 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 Association, the Board of Supervisors deeply implemented the spirits of the 19th National Congress of the CPC and the Fourth Plenary Session of the 19th CPC Central Committee, and always focused on important business and risks in line with the problem-oriented principle. 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, enhancing risk management and control as well as promoting high-quality development of the Bank.

## Report on Major Tasks

During the Reporting Period, 13 meetings were held by the Board of Supervisors and the Supervision and Nomination Committee, at which an aggregate of 27 supervision matters, briefings and reports were received and considered, including, among others, Proposals and Reports on Inspection, Assessment Report on Performance of Supervisors, Financial Budget and Final Account, and Profit Distribution Plan. Supervisors attended 3 shareholders' meetings, and were presented a total of 56 meetings of the Board and special committees under it to ensure that the resolutions and meeting procedures were in compliance with laws and regulations.

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

**Strengthened supervision over key businesses and risks, and performed solid and comprehensive inspections on projects.** During the Reporting Period, the Board of Supervisors conducted an aggregate of 3 comprehensive inspections on projects across the Bank, including the centralized supervision and inspection of the Bank for 2018, special inspection on collateral management and special inspection on the disposal of non-performing assets. Through inspections, the Board of Supervisors identified 14 vulnerabilities and hidden risks involving management of employee behavior, system construction and implementation, data governance, management of account writing-off and collection of non-performing assets.

## Report of the Board of Supervisors

**Strengthened interim supervision, and promptly identified major problems and hidden risks.** During the Reporting Period, the Board of Supervisors continued to strengthen interim supervision, alerting the Board of Directors and senior management any problems identified during supervision in a timely matter for rectification deployment. In 2019, the Board of Supervisors formed 4 special reports of daily supervision in respect of major risks and identified problems in the Xingyi Wanfeng Village Bank, management of outsourcing risks and collection of non-performing assets. The Board of Supervisors issued 6 Reminder Letters on 6 separate occasions, which respectively reminded the illegal issuance of fake mortgage loans by Xingyi Wanfeng Village Bank which was established by the Bank, the insufficient working hours of non-employee directors of the Bank, defects in the outsourcing risk control mechanism, further improvement in the regulations on meetings of special committees of the Board of Directors, unresolved issues relating to purchased offices with Xingyi Wanfeng Village Bank and potential risks of installment business of “An Ju Fen (安居分)” credit card. The Board of Directors and senior management attached great significance in these issues and deployed rectifications in a timely manner.

**Strengthened the follow-up evaluation of execution of rectifications and improved the effectiveness of supervision.** During the Reporting Period, the Board of Supervisors conducted follow-up reviews in respect of the rectification of 22 problems revealed in the previous year and in 2019. The Board of Supervisors also visited the offices of the Board of Directors, the human resources department, the risk management department, the internal audit department, the Internet finance department, the real estate finance department and Pengshui Sub-branch. The Board of Supervisors verified the rectification measures and implementation status one by one, and issued 3 evaluation opinions. All these 22 issues have been rectified, effectively promoting the Bank to eliminate loopholes and hidden risks.

### **Took the lead in collaborative supervision across the Bank and improved the overall quality and efficiency of supervision.**

During the Reporting Period, the Board of Supervisors actively played a leading role in organizing the joint leadership group meetings on a quarterly basis, gathering supervision information from all pipelines, deploying targeted supervision and inspection programs across the Bank and promoting the effective operation of collaborative system. Firstly, the Board of Supervisors organized special self-examinations at 54 operating institutions in a separate manner in respect of violations in credit authorization, so as to figure out problems and separate new and old violations. It clarified that for any concealing or unreporting problems or any reoccurring problems after the self-examination, the head bank will severely hold the person in charge of the unit for accountability and condone no one. Secondly, the Board of Supervisors conduct further screening on the fund transactions between some branch heads with customers identified in self-examinations of employee across the Bank, and three clues to problems were transferred the Discipline Inspection and Supervision Group of Bank of Chongqing under the Chongqing Municipal Discipline Inspection and Supervision Commission.

### **Continued to carry out performance supervision and implement performance assessment.**

During the Reporting Period, the Board of Supervisors continued to carry out performance supervision on the Board, senior

management and their members. Firstly, the Board of Supervisors performed a general evaluation on the Board of Directors, senior management on their performance in 2018, and individually evaluated the Chairman, the President and the person in charge of finance. Secondly, the Board of Supervisors performed individual evaluation on the Board of Directors with quantitative and qualitative indicators through self-evaluation, peer evaluation and the evaluation from the Board of Supervisors. Thirdly, the Board of Supervisors performed an off-office evaluation on the resigned director Yang Jun. Fourthly, the Board of Supervisors established standardized personal performance files of the directors, supervisors and senior management members which will be updated on a quarterly basis.

In 2019, the Board of Supervisors continued self-improvement to acquire better capability for performance. Through attending the 15th Joint Conference of Chairman of Supervisors of Urban Commercial Banks from Beijing, Tianjin, Shanghai and Chongqing, and on-site communication with Bank of Changzhi, the Bank enhanced the communication with other commercial banks, and learned 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 and enhanced efficiency of supervision through constant learning and research.

## Report of the Board of Supervisors

### **Independent Opinions on Relevant Matters 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 adjustments on development strategy in a timely manner. They placed emphasis on corporate governance, risk prevention and control, capital management, compensation management, consolidated management, internal control and compliance management. In accordance with regulatory requirements, the Board of Directors regularly listened to business performance reports, profitability analysis reports, risk monitoring reports, asset and liability management analysis reports, anti-money laundering work reports, case prevention reports, compliance management reports, internal audit work report and consumer rights protection work. Based on market changes and the Bank's actual situation, the Board of Directors timely adjusted development strategies, gave full play to a scientific decision-making, effectively promoted the reform of a risk management structure of Bank of Chongqing, and put into effect the capital management, internal control and compliance management, anti-money laundering work and consumer rights protection, making fruitful achievements in promotion of A Share

Offering, supply-side structural reform, facilitation of strategic transformation, laying a solid foundation for high-quality 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. The Directors of the Bank performed their duties carefully, responsibly and diligently. In accordance with the Performance evaluation methods for Directors of the Board by Supervisors of Bank of Chongqing Co., Ltd., the Board of Supervisors conducted an assessment for the performance of the Directors, and all of the evaluation results were "excellent".

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 its original mission, the Bank supported the high-quality development of the real economy. We conscientiously implemented supervisory opinions, and focused on key links such as management of credit risk, standards of online businesses, internal control and employee behavior thus consolidating our stable and sound operation. Driven by products, marketing promotion, linkage between supply and loans and pipelines, the Bank accelerated business development and improved the supply of assets, achieving improvement in both scale and incomes. The Bank optimized the assessment and incentive, and adjusted assessment policies to give full play to the leading role of assessment and realize precise guidance and effective control. With continuous promotion of optimizing functions of departments and offices, transforming the direction of credit supply and

applying intelligent transformation using big data, the Bank generated new drives for high-quality development from reform and transformations. In order to strengthen risk prevention and control and stabilize the development basis, the Bank continued to enhance the recovery of non-performing assets, promoted the unified functions of post-loan management, thus continuing to improve the authorization system, and fostering a culture of compliance. The Bank actively responded to adverse external environment and firmly adhered to the bottom line of liquidity risk, further improving its liquidity management and control as well as emergency response capabilities for liquidity. The Bank consciously implemented regulatory requirements relating to anti-money laundering and consumer rights protection, thus further improving its rating in anti-money laundering regulation and obtaining the assessment rating as the first-class bank in terms of consumer rights protection. The Bank adopted two-pronged approaches to promote the optimization of assets, liabilities and income structure, effectively enhancing the quality and efficiency of Bank of Chongqing.

### 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.

### Financial Report

The 2019 financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

### Acquisition and Disposal of Assets

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

### Related Party Transactions

During the Reporting Period, the Bank further regulated the management of related party transactions, and the Board of Supervisors was not aware of any acts detrimental to the interests of the Bank in related party transactions.

### 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.

### Social Responsibility

During the Reporting Period, the Bank earnestly undertook social responsibilities. The Board of Supervisors had no objection to the 2019 Social Responsibility Report of the Bank

# Internal Control

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The Board is the decision-making authority which establishes and implements an adequate and effective internal control system, responsible for ensuring the monitoring and assessment of the senior management on the adequacy and effectiveness of internal control system. The Board of Supervisors is responsible for supervising the Board and the senior management and optimizing internal control system, 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 environment, risk assessment, internal activities, information and communication and internal supervision. 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 and the Internal Control Guidelines for Commercial Banks, the Board has assessed the internal control system, covering all the major controls including financial control, operation control, compliance control and risk control. After assessment, the Board considers that during the period from January 1, 2019 to December 31, 2019, it was not aware of any material defect in the Bank's design or implementation of its internal control.

# Independent Auditor's Report

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English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

**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 consolidated financial statements of Bank of Chongqing Co., Ltd. (the 'Bank') and its subsidiary (the 'Group') set out on pages 144 to 298, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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
- 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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

# Independent Auditor's Report

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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:

- Measurement of expected credit losses for loans and advances to customers and investment securities measured at amortised cost
- Consolidation assessment of structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Measurement of expected credit losses ('ECL') for loans and advances to customers and investment securities measured at amortised cost</b></p> <p>Refer to Notes 3.1.4, 4(e), 21(c) and 22 to the consolidated financial statements.</p> <p>As at 31 December 2019, the Group's gross loans and advances to customers amounted to RMB247,349 million, and loss allowances of RMB8,722 million for those measured at amortised cost and RMB39 million for those measured at fair value through other comprehensive income were recognised in the Bank's consolidated statement of financial position; investment securities measured at amortised cost amounted to RMB97,810 million, for which a loss allowance of RMB1,402 million was recognised.</p> <p>The balances of loss allowances for loans and advances to customers and for investment securities measured at amortised cost represented the management's best estimates at the balance sheet date of expected credit losses under expected credit losses models ('ECL models') in International Financial Reporting Standard 9: Financial Instruments ('IFRS 9').</p> <p>The Group assessed whether the credit risk of loans and advances to customers and investment securities measured at amortised cost have increased significantly since their initial recognition, and applied a three-stage impairment model to calculate their ECL. For corporate loans, personal loans and investment securities measured at amortised cost, the management assessed loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates.</p>	<p>We evaluated and tested the design and operational effectiveness of the internal controls relating to the measurement of expected credit losses for loans and advances to customers and investment securities measured at amortised cost, primarily including:</p> <ol style="list-style-type: none"><li>(1) Management over ECL models, including the selection, approval and application of modelling methodology;</li><li>(2) Internal controls relating to significant management judgments and assumptions, including the review and approval of portfolio segmentation, model selections, parameters estimation, significant increase in credit risk, judgement for defaults or impairment of credit, and review and approval of forward looking measurement;</li><li>(3) Internal controls over the accuracy and completeness of key inputs used by the models;</li><li>(4) Internal controls over the information systems for model-based measurement.</li></ol> <p>The substantive procedures we performed, primarily including:</p> <p>We reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the portfolio segmentation, models selection, key parameters estimation, significant judgements and assumptions in relation to the models. We examined the operation for model measurement on selected samples, to test whether or not the measurement models reflected the modelling methodologies documented by the management.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Measurement of expected credit losses for loans and advances to customers and investment securities measured at amortised cost (Continued)</b></p>	
<p>The measurement models of expected credit losses involved significant management judgments and assumptions, primarily including the following:</p> <ol style="list-style-type: none"> <li>(1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;</li> <li>(2) Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;</li> <li>(3) The application of economic indicators, economic scenarios and weightings for forward-looking measurement.</li> </ol>	<p>We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired loans.</p> <p>For forward-looking measurement, we reviewed the management's model analysis of their selection of economic indicators; economic scenarios and weightings employed, assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis on economic indicators, economic scenarios and weightings.</p>
<p>The Group established controls for the measurement of expected credit losses.</p>	<p>We examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness.</p>
<p>For measuring expected credit losses, the Group adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the loss allowance for the loans and advances to customers and investment securities measured at amortised cost involved significant amounts. In view of these reasons, we identified this as a key audit matter.</p>	<p>For loans and advances to customers and investment securities measured at amortised cost in stage 3, we examined, on a sampling basis, the results from comparison between loss allowance calculated using the forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates and that calculated under ECL models.</p>
	<p>Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of expected credit losses for loans and advances to customers and investment securities measured at amortised cost, the models, key parameters, significant judgements and assumptions adopted by management and the measurement results were considered acceptable.</p>

# Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Consolidation assessment of structured entities</b>	
<p>Refer to Notes 4(c), 22 and 37 to the consolidated financial statements.</p>	<p>Our procedures in relation to management's assessment on the consolidation of structured entities included:</p>
<p>The Group managed and invested in a number of structured entities. As at 31 December 2019, the net book value of consolidated structured entities invested by the Group was RMB5,308 million, the balance of unconsolidated structured entities managed by the Group was RMB49,894 million and the net book value of unconsolidated structured entities invested by the Group was RMB80,669 million.</p>	<p>We reviewed related internal control policies, understood and tested the internal control in relation to management's assessment on the consolidation of structured entities;</p>
<p>We focused on this area because the amounts were significant and assessment of whether to consolidate these structured entities involved significant judgements, including its power over the structured entities, its variable returns from the structured entities, and its ability to affect the variable returns.</p>	<p>We examined management's evaluation of the control over those structured entities on selected samples. The following procedures were performed:</p> <ul style="list-style-type: none"><li data-bbox="813 873 1444 965">• We read the contract terms, analysed the business structure and evaluated whether the Group had power over the structured entities;</li><li data-bbox="813 1002 1444 1282">• We reviewed the contract terms related to variable returns of the structured entities, including commission fee, custodian fee and management fee related to the Group's compensation in the investment contracts, yield of underlying assets of the structured entities and returns to the investors. Based on the terms above, we recalculated the magnitude and variability of returns to the Group from these structured entities;</li><li data-bbox="813 1319 1444 1509">• We assessed whether the Group acted as principal or agent based on our analysis of the Group's power, its variable returns generated from the structured entities, and its ability to affect the returns, and compared our assessment result with management's assessment result.</li></ul>
	<p>Based on the work undertaken, we found that the evidence obtained supported the assessment made by management in relation to the consolidation of structured entities.</p>

### Other Information

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

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

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

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

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

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

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

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

### 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.

## Independent Auditor's Report

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Zee, Ho Sum.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 27 March 2020

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

	Note	For the year ended 31 December	
		2019	2018
Interest income		21,892,641	19,322,772
Interest expense		(13,053,512)	(12,447,126)
<b>Net interest income</b>	6	<b>8,839,129</b>	6,875,646
Fee and commission income		1,363,684	1,453,712
Fee and commission expense		(106,091)	(111,790)
<b>Net fee and commission income</b>	7	<b>1,257,593</b>	1,341,922
Net trading gains	8	248,103	467,771
Net gains on investment securities	9	1,381,023	1,869,777
Other operating income	10	65,189	74,968
<b>Operating income</b>		<b>11,791,037</b>	10,630,084
Operating expenses	11	(2,768,419)	(2,571,121)
Impairment losses	13	(3,613,581)	(3,436,768)
<b>Operating profit</b>		<b>5,409,037</b>	4,622,195
Share of profit of associates	23	163,250	220,427
<b>Profit before income tax</b>		<b>5,572,287</b>	4,842,622
Income tax	15	(1,250,830)	(1,020,527)
<b>Net profit for the year</b>		<b>4,321,457</b>	3,822,095
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Net gains on debt investments at fair value through other comprehensive income		576,713	447,375
Less: Relevant income tax impact		(144,178)	(111,844)
<b>Subtotal</b>		<b>432,535</b>	335,531

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

	Note	For the year ended 31 December	
		2019	2018
<i>Items that will not be reclassified to profit or loss:</i>			
Net gains on equity investments designated at fair value through other comprehensive income		68,400	200,000
Less: Relevant income tax impact		(17,100)	(50,000)
<b>Subtotal</b>		<b>51,300</b>	150,000
Remeasurement of retirement losses		(997)	(4,111)
Less: Related income tax impact		249	1,028
<b>Subtotal</b>		<b>(748)</b>	(3,083)
<b>Total other comprehensive income, net of tax</b>	40	<b>483,087</b>	482,448
<b>Total comprehensive income for the year</b>		<b>4,804,544</b>	4,304,543
<b>Net profit attributable to:</b>			
Shareholders of the Bank		4,207,488	3,769,847
Non-controlling interests		113,969	52,248
		<b>4,321,457</b>	3,822,095
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Bank		4,690,575	4,252,295
Non-controlling interests		113,969	52,248
		<b>4,804,544</b>	4,304,543
<b>Earnings per share attributable to the shareholders of the Bank</b> <b>(expressed in RMB per share)</b>			
Basic and diluted	16	1.25	1.11

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

# Consolidated Statement of Financial Position

As at 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December	
		2019	2018
<b>ASSETS</b>			
Cash and balances with central bank	17	32,033,098	33,216,841
Due from other banks and financial institutions	18	61,276,742	57,915,079
Financial assets at fair value through profit or loss ('FVPL')	19	26,977,016	27,421,858
Loans and advances to customers	21	238,626,834	205,923,212
Investment securities	22		
– Fair value through other comprehensive income ('FVOCI')		36,094,078	34,687,167
– Amortised cost		96,407,351	82,523,309
Investment in associates	23	1,801,573	1,638,323
Property, plant and equipment	24	3,070,011	3,023,292
Deferred tax assets	30	2,479,531	1,890,680
Other assets	25	2,465,630	2,129,212
<b>Total assets</b>		<b>501,231,864</b>	450,368,973
<b>LIABILITIES</b>			
Due to other banks and financial institutions	26	70,149,225	57,089,939
Financial liabilities at fair value through profit or loss	20	3,602	657
Customer deposits	27	281,048,911	256,394,193
Current tax liabilities		503,815	548,673
Debt securities issued	28	105,386,006	96,982,613
Other liabilities	29	5,526,636	4,741,325
<b>Total liabilities</b>		<b>462,618,195</b>	415,757,400
<b>EQUITY</b>			
Share capital	32	3,127,055	3,127,055
Preference shares	33	4,909,307	4,909,307
Capital surplus	34	4,680,638	4,680,638
Other reserves	35	9,298,770	8,289,192
Retained earnings		14,933,659	12,044,820
<b>Equity attributable to shareholders of the Bank</b>		<b>36,949,429</b>	33,051,012
Non-controlling interests		1,664,240	1,560,561
<b>Total equity</b>		<b>38,613,669</b>	34,611,573
<b>Total liabilities and equity</b>		<b>501,231,864</b>	450,368,973

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 27 March 2020.

**LIN JUN**  
CHAIRMAN

**RAN HAILING**  
PRESIDENT

**YANG SHIYIN**  
VICE PRESIDENT

**YANG KUN**  
HEAD OF FINANCE  
DEPARTMENT

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

	Equity attributable to shareholders of the Bank									Total
	Share capital	Preference shares	Capital surplus	Surplus reserve	General reserve	Revaluation reserve for FVOCI	Remeasurement of retirement benefits	Retained earnings	Non-controlling interests	
	(Note 32)	(Note 33)	(Note 34)	(Note 35)	(Note 35)	(Note 35)	(Note 35)			
<b>Balance at 31 December 2017</b>	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
Changes on initial application of IFRS 9	-	-	-	-	-	144,764	-	(1,618,490)	(3)	(1,473,729)
<b>Restated balance at 1 January 2018</b>	3,127,055	4,909,307	4,680,638	2,245,019	4,747,365	(208,558)	(1,414)	9,978,458	1,508,313	30,986,183
Net profit for the year	-	-	-	-	-	-	-	3,769,847	52,248	3,822,095
Other comprehensive income	-	-	-	-	-	485,531	(3,083)	-	-	482,448
<b>Total comprehensive income</b>	-	-	-	-	-	485,531	(3,083)	3,769,847	52,248	4,304,543
Dividends to ordinary shares (Note 36)	-	-	-	-	-	-	-	(368,992)	-	(368,992)
Dividends to preference shares (Note 36)	-	-	-	-	-	-	-	(310,161)	-	(310,161)
Transfer to other reserves	-	-	-	371,547	652,785	-	-	(1,024,332)	-	-
<b>Balance at 31 December 2018</b>	3,127,055	4,909,307	4,680,638	2,616,566	5,400,150	276,973	(4,497)	12,044,820	1,560,561	34,611,573
<b>Balance at 31 December 2018</b>	3,127,055	4,909,307	4,680,638	2,616,566	5,400,150	276,973	(4,497)	12,044,820	1,560,561	34,611,573
Net profit for the year	-	-	-	-	-	-	-	4,207,488	113,969	4,321,457
Other comprehensive income	-	-	-	-	-	483,835	(748)	-	-	483,087
<b>Total comprehensive income</b>	-	-	-	-	-	483,835	(748)	4,207,488	113,969	4,804,544
Dividends to ordinary shares (Note 36)	-	-	-	-	-	-	-	(481,566)	(10,290)	(491,856)
Dividends to preference shares (Note 36)	-	-	-	-	-	-	-	(310,592)	-	(310,592)
Transfer to other reserves	-	-	-	409,956	116,535	-	-	(526,491)	-	-
<b>Balance at 31 December 2019</b>	3,127,055	4,909,307	4,680,638	3,026,522	5,516,685	760,808	(5,245)	14,933,659	1,664,240	38,613,669

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

	For the year ended 31 December	
	2019	2018
<b>Cash flows from operating activities:</b>		
Profit before income tax	5,572,287	4,842,622
Adjustments:		
Depreciation and amortisation	273,497	207,368
Impairment losses on loans	3,273,343	3,582,048
Provision for/(reversal of) impairment losses on other assets	340,238	(145,280)
Net gains on disposal of property, plant and equipment and foreclosed assets	(14,519)	(27,271)
Gains on changes in fair value	(213,228)	(222,556)
Net gains arising from financial investments	(1,368,597)	(1,870,657)
Share of profit of associates	(163,250)	(220,427)
Interest income arising from investment securities	(6,630,622)	(5,590,107)
Interest expense arising from financing activities	3,557,599	3,958,241
Net increase in operating assets:		
Net decrease in restricted deposit balances with central bank	1,360,186	6,759,410
Net decrease/(increase) in due from and placements to banks and other financial institutions	2,274,760	(1,667,823)
Net increase in financial assets held under resale agreements	(10,146,762)	(21,659,841)
Net increase in loans and advances to customers	(36,019,010)	(37,733,552)
Net increase in other operating assets	(1,382,094)	(69,129)
Net increase in operating liabilities:		
Net increase in borrowings from central bank	9,215,453	1,487,846
Net increase/(decrease) in due to and placements from banks and other financial institutions	994,434	(4,755,851)
Net increase in financial assets sold under repurchase agreements	2,849,399	4,586,692
Net increase in customer deposits	24,654,718	17,689,515
Net increase/(decrease) in other operating liabilities	906,260	(2,411,446)
Income tax paid	(2,045,817)	(903,113)
<b>Net cash outflows from operating activities</b>	<b>(2,711,725)</b>	<b>(34,163,311)</b>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

	For the year ended 31 December	
	2019	2018
<b>Cash flows from investing activities:</b>		
Dividends received	5,866	880
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	46,703	71,895
Purchase of property, plant and equipment, intangible assets and other long-term assets	(371,392)	(411,145)
Proceeds from sale and redemption of investments	137,916,174	259,306,810
Purchase of investment securities	(143,234,523)	(234,661,484)
<b>Net cash (outflows)/inflows from investing activities</b>	<b>(5,637,172)</b>	<b>24,306,956</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of debt securities and inter-bank certificates of deposit	108,756,671	143,403,934
Cash paid to redeem debt securities and inter-bank certificates of deposit issued	(103,180,000)	(138,990,000)
Cash paid for lease liabilities	(50,103)	N/A
Interest paid in relation to financing activities	(726,577)	(497,400)
Dividends paid to shareholders	(804,213)	(670,109)
<b>Net cash inflows from financing activities</b>	<b>3,995,778</b>	<b>3,246,425</b>
<b>Impact from exchange rate changes on cash and cash equivalents</b>	<b>44,726</b>	<b>452,025</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,308,393)</b>	<b>(6,157,905)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>14,267,072</b>	<b>20,424,977</b>
<b>Cash and cash equivalents at the end of the year (Note 41)</b>	<b>9,958,679</b>	<b>14,267,072</b>

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)

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## 1 GENERAL INFORMATION

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

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

As at 31 December 2019, the Bank operated its business through 142 sub-branches including a business department at its headquarter, 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 approved by the respective regulators.

These consolidated financial statements were authorised for issuance by the Bank's Board of Directors on 27 March 2020.

## 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 of Hong Kong Limited and the Hong Kong *Companies Ordinance* (Cap.622).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, 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

For the year ended 31 December 2019 (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 2019 on, the Group has adopted the following amendments to IFRSs, which were applicable for the Group's financial year beginning on 1 January 2019 and the relevant impact is set out below:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation and Modifications of Financial Liabilities
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRSs 2015 – 2017 cycle
IFRIC 23	Uncertainty over Income Tax
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement

##### *IFRS 16 Leases*

IFRS 16 was officially issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The new standard improves the identification, breakdown and merger of leases and requires lessees to recognise leases in balance sheet. For lessees, substantially all the leases should be recognised in balance sheet as the classification of operating leases and financial leases has been removed. According to new standard, the entity is required to recognise the right-of-use assets and leasing liabilities, and exemptions are applicable to short-term and low-value leases only. Meanwhile, the new standard also improves the accounting treatments of the lessee on subsequent measurement and leasing changes. The new standard causes no undergone substantial changes to the accounting of lessors.

The Group adopted the standard on 1 January 2019 and used the simple transition method stated in the standard without restating the comparative amount of the last year of the first adoption. On the first day of implementation, the Group measured the lease liabilities on the basis of the present value of the remaining lease payment at the interest rate of the lessee's incremental borrowing as at that day, assumed that the right-of-use assets should be equal to lease liabilities and made necessary adjustments based upon pre-paid lease payments accordingly. For short-term and low-value leases, the Group is subject to exemptions.

Disclosures relating to the impact of the adoption of IFRS 16 on the Group are listed in Note 2.1(a). Further details of the specific IFRS 16 accounting policies applied in the current year (and IAS 17 accounting policies applied during the comparison period) are listed in Note 2.19.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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 (Continued)*

###### *Amendments to IFRS 9*

On 12 October 2017, the IASB issued amendments to IFRS 9 – Prepayment Features with Negative Compensation and Modifications of Financial Liabilities. These amendments permit more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets. These amendments also clarify the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the de-recognition of the financial liability.

###### *Amendments to IAS 28*

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28.

###### *Annual Improvements to IFRS Standards 2015 -2017 Cycle*

The Annual Improvements to IFRS Standards 2015 -2017 Cycle include a number of amendments to various IFRSs, including the amendments to IFRS 3 – Business Combinations, the amendments to IFRS 11 – Joint Arrangements, the amendments to IAS 12 – Income Taxes, the amendments to IAS 23 – Borrowing Costs.

###### *Interpretation 23 Uncertainty over Income Tax Treatments*

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.

###### *Amendments to IAS 19*

On 7 February 2018, the IASB issued amendments to the guidance in IAS 19 – Employee Benefits, in connection with accounting for plan amendments, curtailments and settlements. The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change, and any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling. The entities should separately recognise any changes in the asset ceiling through other comprehensive income.

Except the above-mentioned impacts of IFRS 16, the adoption of the new IFRSs and amendments to IFRSs above does not have a material impact on the Group's operating results, financial position or other comprehensive income.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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 (Continued)

##### *Changes in significant accounting policies*

The major impact of adopting IFRS 16 on the financial statements is as follows:

Consolidated statement of financial position:

1 January 2019	Before restated	Restated Amount	After Restated
Other assets	2,129,212	124,257	2,253,469
Other liabilities	4,741,325	124,257	4,865,582

The restated amount of other assets was RMB124,257 thousand, including RMB137,275 thousand of right-of-use assets and RMB13,018 thousand of prepaid rental.

As at 1 January 2019, the Group applied a single discount rate for lease contracts with reasonably similar characteristics to measure lease liabilities and the weighted average interest rate of incremental borrowing was 3.92%.

As at 1 January 2019, the Group recognised lease liabilities in relation to leases which had previously been classified as the future minimum lease payments under the principles of IAS 17 Leases. Reconciliation is as below:

	The Group
Operating future minimum lease payments disclosed as at 31 December 2018	148,079
Less: the commitment of short-term leases	(572)
the commitment of low-value leases	(156)
The minimum operating lease payments discounted at the lessees' incremental borrowing rate	147,351
The present value of the minimum operating lease payments discounted at the lessees' incremental borrowing rate	124,257
Lease liability recognised as at 1 January 2019 (including current lease liabilities which will mature within one year)	124,257

As at 31 December 2018, the fact of renewal options was not included in the future minimum lease payments disclosed by the Group. When recognising the lease liabilities on the first day of implementation, for the leases certain to exercise renewal options, the Group included the lease payments for the renewal period into the measurement of leasing liabilities.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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 applicable IFRSs issued but not yet effective*

		<b>Effective for annual period beginning on or after</b>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework for Financial Reporting	Conceptual Framework for Financial Reporting	1 January 2020

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

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

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

##### *Amendments to IAS 1 and IAS 8*

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of ‘primary users of general purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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 applicable IFRSs issued but not yet effective (Continued)*

###### *Amendments to IFRS 3*

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

###### *Revised Conceptual Framework for Financial Reporting*

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The adoption of the above new standards and amendments issued but not yet effective is not expected to have a material effect on the Group's operating results, financial position or other comprehensive income.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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 statement of comprehensive income from the date the Group obtains 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

## 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

### 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.

### 2.4 Derivative financial instruments

Derivative financial instruments include, but are not limited to, interest rate derivative and currency 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 recognised 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 recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

Some derivatives are embedded in hybrid contracts. If a hybrid contract contains a host that is an asset within the scope of IFRS 9, the embedded derivative is classified and measured together with the host. If a hybrid contract contains a host that is not an asset within the scope of IFRS 9, an embedded derivative shall be separated from the host and accounted for as a derivative if, and only if:

- (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
- (ii) separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (iii) the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.

For the above assets, the Group may bifurcate the embedded derivative and measured it at fair value through profit or loss, or designate the entire hybrid instrument to be measured at fair value through profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.5 Financial assets

##### (a) *Measurement methods*

###### *Amortised cost and effective interest rate*

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

##### (b) *Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- 1) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- 2) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the ECL allowance).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.5 Financial assets (Continued)

##### *(c) Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade-date, on which the Group commits to purchasing or selling the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL allowance is recognised into profit or loss for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as set out below:

- 1) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised into profit or loss.
- 2) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.5 Financial assets (Continued)

##### *(d) Classification and subsequent measurement*

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

##### *(1) Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government bonds and corporate bonds.

Classification and subsequent measurement of debt instruments depend on: (i) the Group's business model for managing the asset; and (ii) the cash flow characteristics of the asset.

##### *(i) Business model*

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.5 Financial assets (Continued)

##### *(d) Classification and subsequent measurement (Continued)*

##### *(1) Debt instruments (Continued)*

##### *(ii) SPPI*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

##### *(i) Amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured from these financial assets is included in 'Interest income' using the effective interest rate method.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.5 Financial assets (Continued)

##### *(d) Classification and subsequent measurement (Continued)*

###### *(1) Debt instruments (Continued)*

###### (ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gains on investment securities'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

###### (iii) Fair value through profit or loss (FVPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated comprehensive income statement within 'Net gains on investment securities' and 'Net trading income' in the period in which it arises.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.5 Financial assets (Continued)

##### *(d) Classification and subsequent measurement (Continued)*

###### *(2) Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, changes in fair value are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the consolidated statement of comprehensive income.

###### *(e) Modification of loan contracts*

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in;
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.5 Financial assets (Continued)

##### *(e) Modification of loan contracts (Continued)*

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

##### *(f) Derecognition other than on a modification*

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- 1) has no obligation to make payments unless it collects equivalent amounts from the assets;
- 2) is prohibited from selling or pledging the assets; and
- 3) has an obligation to remit any cash it collects from the assets without material delay.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.5 Financial assets (Continued)

##### (f) *Derecognition other than on a modification (Continued)*

Collateral (bonds or notes) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership, and the Group has retained control of the transferred assets, the Group applies continuing involvement approach. Under this approach, the Group continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Group. The net carrying amount of the transferred asset and associated liability is: (a) the amortised cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortised cost; or (b) equal to the fair value of the rights and obligations retained by the Group, if the transferred asset is measured at fair value.

#### 2.6 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For specific information on the above judgement and estimation, please refer to Note 3.1.4.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.7 Financial liabilities

##### (a) *Classification and subsequent measurement*

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; when continuing involvement approach applies, refer to Note 2.5(f).
- Financial guarantee contracts and loan commitments.

##### (b) *Derecognition*

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.8 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of :

- The amount of the loss allowance (calculated as described in Note 3.1.4); and
- The premium received on initial recognition less accumulative amortisation recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in Note 3.1.4). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as provisions.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.9 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.

#### 2.10 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. For the interest recognition method of POCI financial assets, please refer to Note 2.5.

#### 2.11 Fee and commission income

For the performance obligation implemented at a certain point of time, the Group recognises revenue when the customer obtains control of the service. For the performance obligation implemented during a certain period, the Group recognises the income according to the progress of the performance during the period.

#### 2.12 Dividend distribution

Common stock cash dividends are recognised as liabilities in the current period of the approval of the general meeting. Preferred stock cash dividends are recognised as liabilities in the current period of the approval of the Board.

#### 2.13 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 during the agreement period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.14 Property, plant and equipment

The Group's property, plant and equipment mainly comprise buildings, motor vehicles, electronic equipment, office equipment, assets under operating leases – containers, 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, office equipment and operating leasing assets – container are as follows:

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%
Operating leasing assets – motor vehicles: container	8 years	30.0%	8.75%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.14 Property, plant and equipment (Continued)

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, cost of 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.

#### 2.15 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 to profit or loss for the current period.

#### 2.16 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 kinds of 'right-of-use assets' and amortised using the straight-line method over their authorised useful lives.

#### 2.17 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.18 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, annual depreciation rate (annual amortisation rate) and estimated residual value rate of investment properties are as follows:

Type of assets	Estimated useful lives (years)	Estimated residual value rate	Annual depreciation rate
Buildings	30 years	3.0%	3.23%

When an investment property is transferred to an owner-occupied property, 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

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.19 Leases

*The following accounting policy related to leases is applicable for 2019*

Lease refers to a contract in which the lessor transfers the right of use of the assets to the lessee for a certain period of time to obtain the consideration.

#### *The Group as Lessee*

The Group recognises the right-of-use asset on the start date of the lease term and recognises the lease liability at the present value of the remaining lease payments. The lease payments include fixed payments and payments to be made in the case that it is reasonably determined that the purchase option will be exercised or the lease option will be terminated.

The Group's right-to-use assets include buildings, office equipment, electronic equipment and land use rights. The right-of-use asset is initially measured at cost, which includes the initial measurement of the lease liability, the lease payments already paid on or before the lease start date, the initial direct costs etc, and deducts any lease incentives. The asset is depreciated over the remaining useful life of the leased asset if Group could reasonably determine the ownership of the leased asset at the expiration of the lease term; if it is not possible to reasonably determine whether the ownership of the leased asset can be obtained at the expiration of the lease term, the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. When the recoverable value is lower than the book value of the right-of-use asset, the Group reduces its book value to the recoverable value.

As for the short-term leases with a lease term less than 12 months and low-value asset leases with a lower value of individual assets, the Group will not recognise the right-of-use assets and lease liabilities, and the relevant rental expenses are recognised in profit or loss on the straight-line basis for each period of the lease term or in the related assets costs.

#### *The Group as Lessor*

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.

##### (i) Operating lease

When the Group leases out its own buildings and properties, equipments and motor vehicles, the rental income arising from operating leases is recognised on the straight-line basis over the lease term.

##### (ii) Finance lease

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, which is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return. Impairment losses on lease receivables are accounted for in accordance with the accounting policies as financial instruments impairment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.19 Leases (Continued)

*The following accounting policy related to leases is applicable for 2018*

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, amortising over the term of the lease using the effective interest method and recognised in profit or loss. 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 recognised over the lease term.

#### 2.20 Cash and cash equivalents

For the purposes of the consolidated 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.

#### 2.21 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 cannot 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 provisions.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably measured.

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.

#### 2.23 Current and deferred income taxes

The tax expense for the year 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 financial assets at amortised cost, and unrealised gains/losses of financial assets at FVOCI.

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.

#### 2.24 Share capital

Share capital of equity comprises ordinary shares issued.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 2.25 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 as they occur. Current service cost and net interest on the net defined benefit liability (asset) is recognised in profit and loss.

After 1 January 2010, employees 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.

#### 2.26 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. 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 2 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 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

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT

#### Overview

The Group's business activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Assuming 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 and interest 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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 management

###### (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, repayment 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 asset preservation department, internet finance department and personal banking department, etc. 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

For the year ended 31 December 2019 (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 management (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 3.1.5(c) for specific guidelines on collateral and guarantee.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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 subscription, distribution, buying, selling 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, selling 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 the financial market department and the asset and liability management department, and conduct risk prevention measures based on guidance. 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

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.3 Credit risk assessment

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD').

Aiming to the exposure of corporate client risk, the Group uses internal credit risk gradings to reflect its assessment of the PD of individual counterparties, while using various internal rating models to various categories of counterparty. Borrower and loan specific information collected at the time of application (such as key financial ratios, turnover and industry type of corporate borrowers) is fed into this rating model. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model. The rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

Aiming to bond investment and interbank business, the Group uses external credit risk gradings to reflect its probability of default of individual counterparties, which is the prediction base of future PD. The Group's external rating system comprises 18 non-default grades and 1 default grade. External rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

In order to assess the exposure of individual risk, the Group uses historical data to estimate the historical default data, which is the prediction base of future PD, under various overdue period and aging. After the date of initial recognition, the payment behaviour of the borrower, such as previous delinquency history, is monitored on a periodic basis. This score is mapped to a PD.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.3 Credit risk assessment (Continued)

The internal rating system of the Group includes 15 non default levels (AAA+ to C) and 1 default grades (D). The main scale table matches the default probability of a specific range for each rating category and stays stable for a certain period of time. The Group conducts annual verification and recalibration of the rating method to enable it to reflect all actual observable default situations.

The main scale of the Group's internal ratings is shown below.

Rating number	PD Minimum	PD Maximum (inclusive)	Rating	Credit risk
1	0.03%	0.05%	AAA+	low
2	0.05%	0.10%	AAA	
3	0.10%	0.47%	AAA-	
4	0.47%	0.63%	AA+	
5	0.63%	0.84%	AA	
6	0.84%	1.13%	AA-	
7	1.13%	1.52%	A+	medium
8	1.52%	2.04%	A	
9	2.04%	2.74%	A-	
10	2.74%	3.67%	BBB	
11	3.67%	6.22%	BB	
12	6.22%	10.54%	B	
13	10.54%	17.87%	CCC	high
14	17.87%	30.28%	CC	
15	30.28%	100.00%	C	
16	100.00%	100.00%	D	

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.4 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 3.1.4(a) for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instruments is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to Note 3.1.4(b) for a description of how the Group determines when a significant increase in credit risk has occurred.
- The provision method of impairment allowance at different stages is as follows: Financial instruments in Stage 1 have their ECL allowance measured at an amount equal to portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL allowance measured based on expected credit losses on a lifetime basis. Please refer to Note 3.1.4(c) for a decryption of inputs, assumptions and estimation techniques used in measuring the ECL allowance.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 3.1.4(d) includes an explanation of how the Group has incorporated this in its ECL models.
- POCI financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.4 Expected credit loss measurement (Continued)

###### (a) Significant increase in credit risk (SICR)

The group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The remaining Lifetime PD at the reporting date of corporate loans and investment securities assessed by internal gradings has increased by over 100%, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised, and default rate is greater than 2%.

To illustrate the application of these thresholds, take for example an enterprise loan which at initial recognition had a Lifetime PD of 1.31%. If at the current reporting date the Lifetime PD is actually 2.74% and this exceeds the expected PD by more than the threshold stated above, then a SICR has occurred.

Based on the assessment of how the PD changes over the lifetime of the instrument before default, the Group has determined the corresponding thresholds for corporate loans and investments assessed by internal gradings.

Qualitative criteria:

- 1) Borrower of loan-related financial instrument on the Watchlist, which is used to monitor credit risk and assessment at the counterparty level is conducted regularly;
- 2) The instrument is classified between Special-mention I to Special-mention III; or
- 3) The credit card is overdue or classified as concerned debt status under internal management.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.4 Expected credit loss measurement (Continued)

###### (a) Significant increase in credit risk (SICR) (Continued)

###### Backstop

A backstop is applied and the financial instrument considered to have experienced a SICR if the borrower is more than 30 days past due on its contractual payments.

Low risk customers (with internal grading of AA above) were considered to have higher credit rating and there will be no comparison between the credit risk on reporting date and that of the first recognition in 2019.

###### (b) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

###### Quantitative criteria:

The borrower is more than 90 days past due on its contractual payments.

- 1) Borrower of loan-related financial instrument on the Monitoring list, which is used to monitor credit risk and assessment at the counterparty level is conducted regularly;
- 2) The instrument is classified between Substandard I to Loss; or
- 3) Credit card is classified as outsourced collection or sued and interest accrual stopped status under internal management.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.4 Expected credit loss measurement (Continued)

##### (b) Definition of default and credit-impaired assets (Continued)

Quantitative criteria: (Continued)

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculation.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.4 Expected credit loss measurement (Continued)

###### (c) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined set out below:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For the definition of default, refer to Note 3.1.4(b).
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by availability of collateral and other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.4 Expected credit loss measurement (Continued)

###### (c) Measuring ECL – Explanation of inputs, assumptions and estimation techniques (Continued)

The 12M and Lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortising products and bullet payment loans, this is based on the contractual repayments owed by the borrower over a 12M or lifetime basis.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a 'credit conversion factor' which allows for the expected drawdown of the remaining limit by the time of default.

The 12M and Lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product types. For secured products, this is primarily based on collateral types.

Forward-looking economic information is also included in determining the 12M and Lifetime PDs, EADs, and LGDs. These assumptions vary by product types. Refer to Note 3.1.4(d) for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how collateral value change etc., are monitored and reviewed regularly.

There have been no significant changes in estimation techniques or significant assumptions made in 2019.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.4 Expected credit loss measurement (Continued)

##### (d) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The key economic variables are listed as below:

	Applicable to exposures	Range	
		As at 31 December	
		2019	2018
GDP: accumulated year on year	on-balance sheet and off-balance sheet corporate business, bond investments, mortgage retail loans, consumer retail loans	5.3%-6.3%	6%-6.7%
CPI: accumulated year on year	on-balance sheet and off-balance sheet corporate business, bond investments, mortgage retail loans, inter-bank business	1.2%-3.9%	1.85%-2.7%
Fixed Asset Investment: accumulated year on year	on-balance sheet and off-balance sheet corporate business, bond investments, inter-bank business	4.0%-6.8%	4.4%-15.2%
M2: accumulated year-on-year	mortgage retail loans, consumer retail loans	7.8%-9.3%	7%-10.2%

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instruments. Expert judgment has also been applied in this process. Forecasts of these economic variables (the 'base/central economic scenario') are provided by the Group on year basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate or a long run average growth rate over a period of years. The impact of these economic variables on the PD has been determined by performing Merton-type model and statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the PD.

The Group also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12M or Lifetime ECLs should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12M ECL (Stage 1), or a probability weighted Lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). As at 31 December 2019, the weights assigned to various economic scenarios were: 'central' 70%, 'upside' 10%, and 'downside' 20% (31 December 2018: 'central' 70%, 'upside' 20%, and 'downside' 10%).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.4 Expected credit loss measurement (Continued)

##### (d) Forward-looking information incorporated in the ECL models (Continued)

The ECL calculated for the above three scenarios and the weighted average ECL of the Group are as follows:

	As at 31 December 2019		
	Loans and advances to corporate entities	Retail loans	Investment securities
Weighted average	7,051,427	1,670,477	1,506,603
Central	7,039,181	1,670,214	1,499,245
Upside	6,769,266	1,661,876	1,354,325
Downside	7,235,367	1,675,698	1,608,497

	As at 31 December 2018		
	Loans and advances to corporate entities	Retail loans	Investment securities
Weighted average	5,351,839	1,155,718	1,562,521
Central	5,359,864	1,157,246	1,567,967
Upside	5,293,304	1,126,334	1,521,134
Downside	5,412,737	1,203,792	1,607,175

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and the chosen scenarios are appropriately representative of the range of possible scenarios.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.4 Expected credit loss measurement (Continued)

##### (d) Forward-looking information incorporated in the ECL models (Continued)

The following table illustrates the change of ECL and provisions in the consolidated statement of financial position, in case that all the financial assets and credit related commitments and financial guarantee in stage 2 are transferred to stage 1:

	As at 31 December 2019
Gross amount of ECL and provisions assuming all the financial assets and credit related commitments and financial guarantee in stage 2 are transferred to stage 1	3,405,045
Gross amount of ECL and provisions in the consolidated statement of financial position	4,047,703
Difference – amount	(642,658)
Difference – percentage	-16%
	As at 31 December 2018
Gross amount of ECL and provisions assuming all the financial assets and credit related commitments and financial guarantee in stage 2 are transferred to stage 1	1,908,977
Gross amount of ECL and provisions in the consolidated statement of financial position	2,403,523
Difference – amount	(494,546)
Difference – percentage	-21%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.5 Credit risk exposure

##### (a) Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 31 December	
	2019 Carrying amount	2018 Carrying amount
<b>On-balance-sheet items</b>		
<b>Balances with central bank (Stage 1)</b>	31,379,806	32,637,748
<b>Due from other banks and financial institutions</b>	61,276,742	57,915,079
Stage 1	61,187,594	57,732,886
Stage 3	–	–
Interest receivable	89,148	182,193
<b>Loans and advances to customers</b>		
– Carried at amortised cost	224,355,314	192,421,831
Stage 1	205,088,559	180,202,989
Stage 2	16,850,929	10,014,627
Stage 3	898,681	982,497
Interest receivable	1,517,145	1,221,718
– FVOCI	14,271,520	13,501,381
Stage 1	14,270,608	13,501,381
Stage 2	912	–
<b>Investment securities – amortised cost</b>	96,407,351	82,523,309
Stage 1	92,157,218	80,141,996
Stage 2	1,929,097	403,699
Stage 3	370,854	381,902
Interest receivable	1,950,182	1,595,712
<b>Investment securities – FVOCI (Stage 1)</b>	35,817,064	34,478,553
<b>Other receivables</b>	667,559	974,933
Stage 1	143,966	970,238
Stage 2	514,142	1,915
Stage 3	9,491	2,780
<b>Prepayments for lease assets (Stage 1)</b>	201,169	–
<b>On-balance-sheet total</b>	464,376,565	414,452,834
<b>Off-balance-sheet total</b>	48,959,137	35,459,110
<b>Total</b>	513,335,702	449,911,944

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.5 Credit risk exposure (Continued)

##### (a) Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

The Group internally ranks the asset risk characteristics based on the quality of the assets. The credit grade of the financial assets used in the expected credit loss is classified as “low risk”, “medium risk” and “high risk” according to internal rating. It is used by the Group for internal credit risk management purposes. “Low risk” means that the assets are of good quality, of which the possibility of future default is low, and it is less affected by external unfavorable factors; “medium risk” refers to the assets with certain solvency, but persistent major instability and poor commercial, financial or economic conditions may reduce its solvency; “high risk” refers to the assets with high risk of default or those meet the definition of default by the Group, and there exist unfavorable factors that have a greater impact on solvency.

The following tables illustrates the maximum credit risk exposure of loans and advances to customers classified by credit grade:

	As at 31 December 2019			
	ECL Stage			Total
	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Credit Rating</b>				
Low Risk	147,024,462	127,800	–	147,152,262
Medium Risk	60,479,276	12,598,929	–	73,078,205
High Risk	–	8,188,565	3,141,041	11,329,606
Gross principal balance	207,503,738	20,915,294	3,141,041	231,560,073
Impairment allowance	(2,415,179)	(4,064,365)	(2,242,360)	(8,721,904)
<b>Total</b>	<b>205,088,559</b>	<b>16,850,929</b>	<b>898,681</b>	<b>222,838,169</b>

	As at 31 December 2018			
	ECL Stage			Total
	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Credit Rating</b>				
Low Risk	121,519,847	178,278	–	121,698,125
Medium Risk	61,087,123	7,159,860	–	68,246,983
High Risk	–	4,881,398	2,881,164	7,762,562
Gross principal balance	182,606,970	12,219,536	2,881,164	197,707,670
Impairment allowance	(2,403,981)	(2,204,909)	(1,898,667)	(6,507,557)
<b>Total</b>	<b>180,202,989</b>	<b>10,014,627</b>	<b>982,497</b>	<b>191,200,113</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.5 Credit risk exposure (Continued)

##### (a) Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

The following tables illustrates the maximum credit risk exposure of financial investment – amortised cost classified by credit grade:

	As at 31 December 2019			
	ECL Stage			
	Stage I 12M ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
<b>Credit Rating</b>				
Low Risk	66,479,207	–	–	66,479,207
Medium Risk	26,531,600	1,640,000	–	28,171,600
High Risk	–	551,644	657,022	1,208,666
Gross principal balance	93,010,807	2,191,644	657,022	95,859,473
Impairment allowance	(853,589)	(262,547)	(286,168)	(1,402,304)
<b>Total</b>	<b>92,157,218</b>	<b>1,929,097</b>	<b>370,854</b>	<b>94,457,169</b>

	As at 31 December 2018			
	ECL Stage			
	Stage I 12M ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
<b>Credit Rating</b>				
Low Risk	48,909,867	–	–	48,909,867
Medium Risk	32,281,313	–	–	32,281,313
High Risk	–	602,237	608,209	1,210,446
Gross principal balance	81,191,180	602,237	608,209	82,401,626
Impairment allowance	(1,049,184)	(198,538)	(226,307)	(1,474,029)
<b>Total</b>	<b>80,141,996</b>	<b>403,699</b>	<b>381,902</b>	<b>80,927,597</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.5 Credit risk exposure (Continued)

##### (b) Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

	Maximum exposure to credit risk	
	As at 31 December	
	2019	2018
<b>Financial assets at FVPL</b>		
Bond investments	1,360,274	1,146,366
Trust investments	5,219,379	5,174,858
Directional assets management plans	10,360,368	10,266,659
Wealth management products purchased from financial institutions	9,618,383	2,357,023
Fund investments	–	8,038,429
<b>Total</b>	<b>26,558,404</b>	26,983,335

##### (c) Collateral and other credit enhancements

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.5 Credit risk exposure (Continued)

##### (c) Collateral and other credit enhancements (Continued)

The value of collaterals at the time of loan origination is determined by risk management department and the amount of the loans granted is subject to loan-to-value ratio limits based on collateral types. The principal types of collateral for corporate loans and individual loans are as follows:

Type of collateral	Maximum loan-to-value ratio
Bank note and bank acceptance bill	90%
Warehouse receipt and accounts receivable	70%
Construction in progress	50%
Publicly traded stocks	60%
Property	70%
Land use rights	70%
Motor vehicles	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 39.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.5 Credit risk exposure (Continued)

##### (c) Collateral and other credit enhancements (Continued)

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below :

As at 31 December 2019	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets (Stage 3)				
Loans and advances to customers				
– Corporate loans	2,246,797	(1,681,872)	564,925	564,830
– Retail loans	894,244	(560,488)	333,756	202,945
Investment securities measured at amortised cost	657,022	(286,168)	370,854	370,854
<b>Total</b>	<b>3,798,063</b>	<b>(2,528,528)</b>	<b>1,269,535</b>	<b>1,138,629</b>

As at 31 December 2018	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets (Stage 3)				
Loans and advances to customers				
– Corporate loans	2,026,277	(1,356,750)	669,527	552,171
– Retail loans	854,887	(541,917)	312,970	231,169
Investment securities measured at amortised cost	608,209	(226,307)	381,902	264,993
<b>Total</b>	<b>3,489,373</b>	<b>(2,124,974)</b>	<b>1,364,399</b>	<b>1,048,333</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.6 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up' (or 'step down') between 12M and Lifetime ECL;
- Additional allowances for new financial instruments recognised for the current year;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs for the current year, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Loans and advances to customers derecognised for the current year and write-offs of allowances related to loans and advances to customers that were written off during the period.

The impact of the above factors on the loss allowance of loans and advances to customers made from the beginning to the end of this year is set out in Note 21(c). The impact of the above factors on the Investment securities measured at FVOCI made from the beginning to the end of this period is set out in Note 22. The impact of the above factors on the Investment securities measured at amortised cost made from the beginning to the end of this period is set out in Note 22.

##### 3.1.7 Write-off policy

The Group writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that show no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is not expected to recover the principal and interest in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off for the year ended 31 December 2019 was RMB1,248,454 thousand (2018: RMB3,850,730 thousand).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.8 Loans and advances to customers

###### (a) 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 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 2019 was RMB2,923,433 thousand (31 December 2018: RMB3,801,766 thousand).

###### (b) Concentration risk analysis for loans and advances to customers (gross) by geographic sectors

	As at 31 December					
	2019			2018		
	Gross amount	%	Non-performing loan ratio	Gross amount	%	Non-performing loan ratio
Chongqing City	197,377,224	79.80	0.88%	164,278,293	77.33	0.86%
Sichuan Province	15,567,383	6.29	6.54%	16,980,357	7.99	3.94%
Guizhou Province	16,672,478	6.74	1.08%	15,600,692	7.34	3.63%
Shaanxi Province	16,214,508	6.56	1.26%	14,349,709	6.76	1.64%
Interest receivable on loans and advances to customers	1,517,145	0.61	N/A	1,221,718	0.58	N/A
<b>Total</b>	<b>247,348,738</b>	<b>100.00</b>	<b>1.27%</b>	<b>212,430,769</b>	<b>100.00</b>	<b>1.36%</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.8 Loans and advances to customers (Continued)

##### (c) The composition of loans and advances to customers by industry or nature

	As at 31 December			
	2019		2018	
	Amount	%	Amount	%
<b>Corporate loans – amortised cost</b>				
Water conservation, environment and public facility administration	35,925,100	23.17	35,482,723	24.91
Leasing and commercial services	21,696,220	13.99	20,446,505	14.36
Manufacturing	19,654,168	12.68	16,634,742	11.68
Construction	15,919,277	10.27	12,182,083	8.55
Real estate	13,712,652	8.84	11,642,543	8.17
Wholesale and retail	13,425,889	8.66	13,462,906	9.45
Electricity, heat, gas and water production and supply	5,094,776	3.29	3,638,130	2.56
Transportation, storage and postal service	3,762,158	2.43	2,422,016	1.70
Agriculture, forestry, animal husbandry and fishery	2,397,875	1.55	1,998,964	1.40
Mining	1,931,622	1.25	2,417,486	1.70
Health and social welfare	1,784,982	1.15	2,135,471	1.50
Scientific research and technology services	1,317,998	0.85	994,808	0.70
Accommodation and catering	1,170,175	0.75	1,150,115	0.81
Financing	765,156	0.49	765,493	0.54
Education	749,455	0.48	631,729	0.44
Information transmission, software and information technology services	700,468	0.45	788,231	0.55
Culture, sports and entertainment	447,429	0.29	383,030	0.27
Household services, repairing and other services	324,810	0.21	1,755,783	1.23
<b>Corporate loans-FVOCI</b>				
Discounted bills	14,271,520	9.20	13,501,381	9.48
<b>Total corporate loans</b>	<b>155,051,730</b>	<b>100.00</b>	<b>142,434,139</b>	<b>100.00</b>
<b>Retail loans – amortised cost</b>				
Personal consumption loans	41,172,219	45.35	31,199,939	45.37
Mortgage loans	26,757,377	29.48	20,606,735	29.96
Personal business loans	16,192,657	17.84	12,243,480	17.80
Credit card advances	6,657,610	7.33	4,724,758	6.87
<b>Total retail loans</b>	<b>90,779,863</b>	<b>100.00</b>	<b>68,774,912</b>	<b>100.00</b>
Interest receivable on loans and advances to customers	1,517,145		1,221,718	
<b>Gross amount of loans and advances to customers</b>	<b>247,348,738</b>		<b>212,430,769</b>	

The economic sector risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.8 Loans and advances to customers (Continued)

##### (d) Analysis for loans and advances to customers (gross) by type of collateral

	As at 31 December	
	2019	2018
Collateralised loans	76,819,536	69,774,637
Guaranteed loans	114,310,120	97,113,789
Pledged loans	22,796,136	22,235,920
Unsecured loans	31,905,801	22,084,705
Interest receivable on loans and advances to customers	1,517,145	1,221,718
<b>Total</b>	<b>247,348,738</b>	<b>212,430,769</b>

##### 3.1.9 Investment securities

As at 31 December 2019 and 2018, RMB bonds are rated by Zhongchengxin International 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 reference to S&P.

The rate of the Group's investment securities made by the independent credit agencies is as follows:

As at 31 December 2019	Financial assets at FVPL	Investment securities at FVOCI	Investment securities at amortised cost	Total
AAA	430,326	3,574,994	149,918	4,155,238
AA- to AA+	277,258	14,759,187	–	15,036,445
A+ and below	50,544	191,624	–	242,168
Unrated <sup>(a)</sup>	25,800,276	16,417,541	94,307,251	136,525,068
Interest receivable	–	873,718	1,950,182	2,823,900
<b>Total :</b>	<b>26,558,404</b>	<b>35,817,064</b>	<b>96,407,351</b>	<b>158,782,819</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.9 Investment securities (Continued)

As at 31 December 2018	Financial assets at FVPL	Investment securities at FVOCI	Investment securities at amortised cost	Total
AAA	226,799	3,110,352	3,279,528	6,616,679
AA- to AA+	614,106	13,836,281	–	14,450,387
A+ and below	50,370	–	–	50,370
Unrated <sup>(a)</sup>	26,092,060	16,692,350	77,648,069	120,432,479
Interest receivable	–	839,570	1,595,712	2,435,282
<b>Total :</b>	<b>26,983,335</b>	<b>34,478,553</b>	<b>82,523,309</b>	<b>143,985,197</b>

(a) These mainly represent debt securities at FVPL, debt securities at FVOCI and debt securities at amortised cost issued by PRC Ministry of Finance, the central bank, policy banks and other oversea financial institutions who are creditworthy issuers in the market, but are not rated by independent rating agencies. In addition, debt securities at FVOCI and debt securities at amortised cost mainly include non-principal-guaranteed wealth management products issued by other banks, and the beneficiary rights of trust schemes and directional asset management plans, whose principal and income are guaranteed or collateralised. As at 31 December 2019, the impairment allowance for debt securities at FVOCI amounted to RMB104,299 thousand and the impairment allowance for debt securities at amortised cost amounted to RMB1,402,304 thousand (31 December 2018: RMB88,492 thousand and RMB1,474,029 thousand).

Trust investments/asset management plans classification by underlying assets are summarised as follows :

	As at 31 December	
	2019	2018
Financial assets at FVPL		
– Credit assets	<b>15,579,747</b>	15,441,517
Financial assets at amortised cost		
– Credit assets	<b>19,240,408</b>	26,164,632
– Bond assets	<b>37,488,000</b>	22,919,000
	<b>56,728,408</b>	49,083,632

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.10 Foreclosed assets

	As at 31 December	
	2019	2018
Business properties	66,012	11,621
Residential properties	–	340
Other	5,112	5,112
<b>Total</b>	<b>71,124</b>	<b>17,073</b>

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.

#### 3.2 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 CBIRC, 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 assets 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.2 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. The 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.

The 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. The 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

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.2 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
<b>As at 31 December 2019</b>							
<b>Assets</b>							
Cash and balances with central bank	31,365,969	-	-	-	-	667,129	32,033,098
Due from other banks and financial institutions	49,560,335	6,752,447	4,874,812	-	-	89,148	61,276,742
Financial assets at FVPL	721,785	2,958,920	20,089,626	1,554,625	1,027,195	624,865	26,977,016
Loans and advances to customers	77,175,157	17,456,850	60,897,053	70,308,456	5,127,350	7,661,968	238,626,834
Investment securities							
– FVOCI	2,604	77,464	3,342,442	25,689,519	5,831,317	1,150,732	36,094,078
– Amortised cost	2,384,053	3,120,546	14,322,319	65,108,405	9,521,846	1,950,182	96,407,351
Other financial assets	-	-	201,170	-	-	1,626,511	1,827,681
<b>Total financial assets</b>	<b>161,209,903</b>	<b>30,366,227</b>	<b>103,727,422</b>	<b>162,661,005</b>	<b>21,507,708</b>	<b>13,770,535</b>	<b>493,242,800</b>
<b>Liabilities</b>							
Due to other banks and financial institutions	(19,282,312)	(7,500,000)	(42,490,000)	(274,782)	(34,743)	(567,388)	(70,149,225)
Financial debt at fair value through profit or loss	-	-	-	-	-	(3,602)	(3,602)
Customer deposits	(94,333,014)	(19,888,782)	(54,477,507)	(104,965,584)	(4,837,564)	(2,546,460)	(281,048,911)
Debt securities issued	(7,475,510)	(16,583,687)	(64,449,637)	(8,994,464)	(7,494,590)	(388,118)	(105,386,006)
Other financial liabilities	(960)	(2,074)	(39,477)	(52,018)	(17,483)	(3,664,754)	(3,776,766)
<b>Total financial liabilities</b>	<b>(121,091,796)</b>	<b>(43,974,543)</b>	<b>(161,456,621)</b>	<b>(114,286,848)</b>	<b>(12,384,380)</b>	<b>(7,170,322)</b>	<b>(460,364,510)</b>
<b>Total interest sensitivity gap</b>	<b>40,118,107</b>	<b>(13,608,316)</b>	<b>(57,729,199)</b>	<b>48,374,157</b>	<b>9,123,328</b>	<b>6,600,213</b>	<b>32,878,290</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.2 Interest rate risk (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
<b>As at 31 December 2018</b>							
<b>Assets</b>							
Cash and balances with central bank	32,621,825	-	-	-	-	595,016	33,216,841
Due from other banks and financial institutions	42,926,826	7,100,008	7,706,052	-	-	182,193	57,915,079
Financial assets at FVPL	12,510	2,340,592	10,163,826	3,546,868	2,733,088	8,624,974	27,421,858
Loans and advances to customers	21,048,062	13,477,101	131,278,212	34,352,427	4,899,131	868,279	205,923,212
Investment securities							
- FVOCI	1,198,537	179,807	4,926,960	19,496,226	7,837,453	1,048,184	34,687,167
- Amortised cost	4,320,220	1,114,148	11,493,042	53,103,467	10,896,720	1,595,712	82,523,309
Other financial assets	-	-	-	-	-	1,775,932	1,775,932
<b>Total financial assets</b>	<b>102,127,980</b>	<b>24,211,656</b>	<b>165,568,092</b>	<b>110,498,988</b>	<b>26,366,392</b>	<b>14,690,290</b>	<b>443,463,398</b>
<b>Liabilities</b>							
Due to other banks and financial institutions	(17,565,634)	(7,265,568)	(31,792,939)	-	(52,326)	(413,472)	(57,089,939)
Financial debt at fair value through profit or loss	-	-	-	-	-	(657)	(657)
Customer deposits	(92,336,786)	(11,850,779)	(60,111,322)	(87,159,126)	(2,711,264)	(2,224,916)	(256,394,193)
Debt securities issued	(4,262,108)	(22,482,064)	(53,273,604)	(9,088,383)	(7,494,209)	(382,245)	(96,982,613)
Other financial liabilities	-	-	-	-	-	(3,417,537)	(3,417,537)
<b>Total financial liabilities</b>	<b>(114,164,528)</b>	<b>(41,598,411)</b>	<b>(145,177,865)</b>	<b>(96,247,509)</b>	<b>(10,257,799)</b>	<b>(6,438,827)</b>	<b>(413,884,939)</b>
<b>Total interest sensitivity gap</b>	<b>(12,036,548)</b>	<b>(17,386,755)</b>	<b>20,390,227</b>	<b>14,251,479</b>	<b>16,108,593</b>	<b>8,251,463</b>	<b>29,578,459</b>

The Group assesses the impact of interest rate changes on net profit and equity through sensitivity analysis. The following table illustrates the interest rate sensitivity analysis result based on the structure of assets and liabilities as at balance sheet date.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.2 Interest rate risk (Continued)

###### Interest rate sensitivity test

The result of the interest rate sensitivity tests set out in the table below is based on the following assumptions: 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 pre-tax impact on the Group's net interest income as at 31 December 2019 and 2018 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	
	2019	2018
+ 100 basis points parallel move in all yield curves	54,578	(183,777)
- 100 basis points parallel move in all yield curves	(54,578)	183,777

The table below illustrates the potential pre-tax impact of a 100 basis point parallel move on the other comprehensive income of the Group.

	Changes of other comprehensive income	
	As at 31 December	
	2019	2018
+ 100 basis points parallel move in all yield curves	(905,702)	(795,375)
- 100 basis points parallel move in all yield curves	945,105	835,318

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For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.3 Foreign exchange risk

The Group's main business is located in China, and its main business is settled in RMB. However, the foreign currency assets and liabilities recognised by the Group and foreign currency transactions in the future still remain exposed to foreign exchange risk. The exchange rate risk is that the foreign exchange exposure level and cash flow of the Group will also be affected by fluctuations in the main foreign exchange rate. The Group's daily management of exchange rate risk is the responsibility of Trade and Finance Department. 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
<b>31 December 2019</b>					
<b>Assets</b>					
Cash and balances with central bank	31,687,707	345,045	164	182	32,033,098
Due from other banks and financial institutions	53,901,606	7,299,054	9,509	66,573	61,276,742
Financial assets at FVPL	26,977,016	-	-	-	26,977,016
Loans and advances to customers	237,651,957	974,877	-	-	238,626,834
Investment securities					
– FVOCI	31,249,252	4,844,826	-	-	36,094,078
– Amortised cost	96,407,351	-	-	-	96,407,351
Other financial assets	1,827,536	96	-	49	1,827,681
<b>Total financial assets</b>	<b>479,702,425</b>	<b>13,463,898</b>	<b>9,673</b>	<b>66,804</b>	<b>493,242,800</b>
<b>Liabilities</b>					
Due to other banks and financial institutions	(69,765,143)	(349,337)	-	(34,745)	(70,149,225)
Financial liabilities at FVPL	(3,602)	-	-	-	(3,602)
Customer deposits	(273,516,887)	(7,505,243)	(32)	(26,749)	(281,048,911)
Debt securities issued	(105,386,006)	-	-	-	(105,386,006)
Other financial liabilities	(3,775,048)	(1,691)	(27)	-	(3,776,766)
<b>Total financial liabilities</b>	<b>(452,446,686)</b>	<b>(7,856,271)</b>	<b>(59)</b>	<b>(61,494)</b>	<b>(460,364,510)</b>
<b>Net position</b>	<b>27,255,739</b>	<b>5,607,627</b>	<b>9,614</b>	<b>5,310</b>	<b>32,878,290</b>
<b>Financial guarantees and credit related commitments</b>	<b>39,848,191</b>	<b>8,680,447</b>	<b>-</b>	<b>838,833</b>	<b>49,367,471</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.3 Foreign exchange risk (Continued)

	RMB	US Dollar	HK Dollar	Others	Total
<b>31 December 2018</b>					
<b>Assets</b>					
Cash and balances with central bank	32,767,657	448,843	160	181	33,216,841
Due from other banks and financial institutions	47,117,151	10,734,214	3,355	60,359	57,915,079
Financial assets at FVPL	27,421,858	–	–	–	27,421,858
Loans and advances to customers	204,674,255	1,248,957	–	–	205,923,212
Investment securities					
– FVOCI	29,616,535	5,070,632	–	–	34,687,167
– Amortised cost	82,523,309	–	–	–	82,523,309
Other financial assets	1,775,784	148	–	–	1,775,932
<b>Total financial assets</b>	<b>425,896,549</b>	<b>17,502,794</b>	<b>3,515</b>	<b>60,540</b>	<b>443,463,398</b>
<b>Liabilities</b>					
Due to other banks and financial institutions	(54,077,315)	(2,960,286)	–	(52,338)	(57,089,939)
Financial liabilities at FVPL	(657)	–	–	–	(657)
Customer deposits	(247,346,047)	(9,047,667)	(92)	(387)	(256,394,193)
Debt securities issued	(96,982,613)	–	–	–	(96,982,613)
Other financial liabilities	(3,320,345)	(97,166)	(26)	–	(3,417,537)
<b>Total financial liabilities</b>	<b>(401,726,977)</b>	<b>(12,105,119)</b>	<b>(118)</b>	<b>(52,725)</b>	<b>(413,884,939)</b>
<b>Net position</b>	<b>24,169,572</b>	<b>5,397,675</b>	<b>3,397</b>	<b>7,815</b>	<b>29,578,459</b>
<b>Financial guarantees and credit related commitments</b>	<b>25,744,083</b>	<b>9,122,582</b>	<b>–</b>	<b>794,057</b>	<b>35,660,722</b>

The Group assesses the impact of foreign exchange rate changes on net profit through sensitivity analysis. The following table illustrates the foreign exchange rate sensitivity analysis result based on the structure of assets and liabilities as at balance sheet date.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.3 Foreign exchange risk (Continued)

###### *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. The analysis is based 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 impact 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	
	2018	2017
+1% upward change of foreign exchange rate	56,226	54,089
- 1% downward change of foreign exchange rate	(56,226)	(54,089)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Liquidity risk

##### 3.3.1 Overview

Liquidity risk is the risk that the 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 drawdowns, 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 2019, 9.5% (31 December 2018: 11%) of the Group's total RMB-denominated and 5% (31 December 2018: 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 related 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, procedures, limits and the contingency plans related to the overall management of the liquid risk management, and implementing the daily operations in liquidity risk management. The Asset and Liability Management Department cooperates with the Financial Market 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. A system is introduced to monitor the liquidity index and exposure, which form a mechanism for 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 weekly meetings for assets and liabilities integration, enhances and improves liquidity risk related policy, and adjusts policies in a timely manner, eventually achieving its goal in liquidity risk management.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Liquidity risk (Continued)

##### 3.3.3 Cash flows of non-derivative financial instruments

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
<b>As at 31 December 2019</b>									
<b>Liabilities</b>									
Due to other banks and financial institution	(121,815)	(19,265,830)	(7,957,655)	(43,627,216)	(302,708)	(34,743)	-	-	(71,309,967)
Customer deposits	(82,343,224)	(12,384,199)	(21,290,746)	(58,804,097)	(116,382,678)	(4,966,095)	-	-	(296,171,039)
Debt securities issued	-	(8,306,567)	(16,788,107)	(66,283,830)	(10,681,193)	(8,209,298)	-	-	(110,268,995)
Other financial liabilities	-	(113,332)	(2,172)	(87,834)	(972,670)	(284,533)	(2,327,324)	-	(3,787,865)
<b>Total financial liabilities</b>	<b>(82,465,039)</b>	<b>(40,069,928)</b>	<b>(46,038,680)</b>	<b>(168,802,977)</b>	<b>(128,339,249)</b>	<b>(13,494,669)</b>	<b>(2,327,324)</b>	<b>-</b>	<b>(481,537,866)</b>
<b>Assets</b>									
Cash and balances with central bank	667,129	5,338,885	-	-	-	-	26,027,084	-	32,033,098
Due from other banks and financial institutions	3,462,676	46,173,034	6,774,061	5,043,508	-	-	-	-	61,453,279
Non-derivative financial assets at FVPL	-	-	1,781,060	8,859,724	6,454,776	16,320,900	418,179	-	33,834,639
Loans and advances to customers	-	14,182,363	13,098,759	73,595,846	126,405,703	54,809,957	-	6,909,047	289,001,675
Investment securities									
- FVOCI	-	2,754	82,589	3,794,614	29,349,106	8,489,949	277,000	-	41,996,012
- Amortised cost	-	1,857,866	3,418,229	17,693,662	75,355,516	11,546,453	-	1,094,940	110,966,666
Other financial assets	-	1,409,348	1,585	225,389	-	229,459	46,955	103,937	2,016,673
<b>Total financial assets</b>	<b>4,129,805</b>	<b>68,964,250</b>	<b>25,156,283</b>	<b>109,212,743</b>	<b>237,565,101</b>	<b>91,396,718</b>	<b>26,769,218</b>	<b>8,107,924</b>	<b>571,302,042</b>
<b>Net liquidity gap</b>	<b>(78,335,234)</b>	<b>28,894,322</b>	<b>(20,882,397)</b>	<b>(59,590,234)</b>	<b>109,225,852</b>	<b>77,902,049</b>	<b>24,441,894</b>	<b>8,107,924</b>	<b>89,764,176</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Liquidity risk (Continued)

##### 3.3.3 Cash flows of non-derivative financial instruments (Continued)

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
<b>As at 31 December 2018</b>									
<b>Liabilities</b>									
Due to other banks and financial institution	(308,302)	(17,313,335)	(7,429,199)	(32,737,252)	(174,782)	(64,519)	-	-	(58,027,389)
Customer deposits	(79,097,544)	(13,530,097)	(12,458,307)	(63,895,087)	(97,829,763)	(3,415,966)	-	-	(270,226,764)
Debt securities issued	-	(4,414,519)	(23,577,211)	(55,971,846)	(11,149,033)	(8,563,886)	-	-	(103,676,495)
Other financial liabilities	-	(334,881)	-	(34,882)	(596,346)	(245,037)	(2,206,391)	-	(3,417,537)
<b>Total financial liabilities</b>	<b>(79,405,846)</b>	<b>(35,592,832)</b>	<b>(43,464,717)</b>	<b>(152,639,067)</b>	<b>(109,749,924)</b>	<b>(12,289,408)</b>	<b>(2,206,391)</b>	<b>-</b>	<b>(435,348,185)</b>
<b>Assets</b>									
Cash and balances with central bank	595,016	5,236,640	-	-	-	-	27,385,185	-	33,216,841
Due from other banks and financial institutions	1,716,006	41,288,949	7,194,425	7,981,650	-	-	-	-	58,181,030
Non-derivative financial assets at FVPL	-	8,054,390	2,595,723	794,592	4,295,182	19,092,614	438,523	-	35,271,024
Loans and advances to customers	-	12,727,935	15,163,572	66,810,343	107,307,640	36,921,772	-	7,722,931	246,654,193
Investment securities									
- FVOCI	-	1,242,691	190,682	5,208,209	22,947,700	11,370,343	208,600	-	41,168,225
- Amortised cost	-	3,043,663	1,298,121	14,743,524	62,551,928	13,183,006	-	1,500,716	96,320,958
Other financial assets	-	1,423,448	-	-	-	229,436	25,933	97,125	1,775,942
<b>Total financial assets</b>	<b>2,311,022</b>	<b>73,017,716</b>	<b>26,442,523</b>	<b>95,538,318</b>	<b>197,102,450</b>	<b>80,797,171</b>	<b>28,058,241</b>	<b>9,320,772</b>	<b>512,588,213</b>
<b>Net liquidity gap</b>	<b>(77,094,824)</b>	<b>37,424,884</b>	<b>(17,022,194)</b>	<b>(57,100,749)</b>	<b>87,352,526</b>	<b>68,507,763</b>	<b>25,851,850</b>	<b>9,320,772</b>	<b>77,240,028</b>

Assets available to meet all of the liabilities include cash, balances with central bank, items in the course of collection and treasury, due from other banks and financial institutions, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, certain debt securities have been pledged for liabilities. The 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.

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For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Liquidity risk (Continued)

##### 3.3.4 Cash flows of derivative financial instruments

As at 31 December 2019, the Group's derivatives that will be settled on a net basis include interest rate swap contracts. The table below analyses the Group's derivative financial instruments that will be settled on a net 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.

##### *Derivatives settled on a net basis*

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
<b>As at 31 December 2019</b>						
Interest rate swap						
Inflow	20	38	376	–	–	434
Outflow	(39)	(128)	(533)	(3,150)	–	(3,850)
<b>Total</b>	<b>(19)</b>	<b>(90)</b>	<b>(157)</b>	<b>(3,150)</b>	<b>–</b>	<b>(3,416)</b>

As at 31 December 2018, the Group's derivatives that will be settled on a net basis include interest rate swap contracts. The table below analyses the Group's derivative financial instruments that will be settled on a net 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.

##### *Derivatives settled on a net basis*

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
<b>As at 31 December 2018</b>						
Interest rate swap						
Outflow	–	–	–	(657)	–	(657)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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
<b>As at 31 December 2019</b>									
<b>Assets</b>									
Cash and balances with central bank	667,129	5,338,885	-	-	-	-	26,027,084	-	32,033,098
Due from other banks and financial institutions	3,462,670	46,130,232	6,728,569	4,955,271	-	-	-	-	61,276,742
Financial assets at FVPL	-	-	1,559,336	8,076,153	2,612,349	14,310,566	418,612	-	26,977,016
Loans and advances to customers	-	13,362,317	10,655,261	63,009,635	106,268,130	40,963,845	-	4,367,646	238,626,834
Investment securities									
– FVOCI	-	2,754	79,618	3,377,849	26,395,024	5,961,833	277,000	-	36,094,078
– Amortised cost	-	1,842,951	3,183,541	14,600,728	66,473,052	9,605,969	-	701,110	96,407,351
Other financial assets	-	1,257,568	-	203,378	-	229,460	36,230	101,045	1,827,681
<b>Total financial assets</b>	<b>4,129,799</b>	<b>67,934,707</b>	<b>22,206,325</b>	<b>94,223,014</b>	<b>201,748,555</b>	<b>71,071,673</b>	<b>26,758,926</b>	<b>5,169,801</b>	<b>493,242,800</b>
<b>Liabilities</b>									
Due to other banks and financial institution	(121,815)	(19,219,337)	(7,516,660)	(42,978,320)	(278,350)	(34,743)	-	-	(70,149,225)
Financial liabilities at FVPL	-	-	-	-	-	-	(3,602)	-	(3,602)
Customer deposits	(82,343,224)	(12,109,877)	(20,361,416)	(55,145,256)	(106,245,533)	(4,843,605)	-	-	(281,048,911)
Debt securities issued	-	(7,863,627)	(16,583,687)	(64,449,637)	(8,994,464)	(7,494,591)	-	-	(105,386,006)
Other financial liabilities	-	(113,326)	(2,074)	(85,892)	(965,304)	(282,846)	(2,327,324)	-	(3,776,766)
<b>Total financial liabilities</b>	<b>(82,465,039)</b>	<b>(39,306,167)</b>	<b>(44,463,837)</b>	<b>(162,659,105)</b>	<b>(116,483,651)</b>	<b>(12,655,785)</b>	<b>(2,330,926)</b>	<b>-</b>	<b>(460,364,510)</b>
<b>Net liquidity gap</b>	<b>(78,335,240)</b>	<b>28,628,540</b>	<b>(22,257,512)</b>	<b>(68,436,091)</b>	<b>85,264,904</b>	<b>58,415,888</b>	<b>24,428,000</b>	<b>5,169,801</b>	<b>32,878,290</b>

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For the year ended 31 December 2019 (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)

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
<b>As at 31 December 2018</b>									
<b>Assets</b>									
Cash and balances with central bank	595,016	5,236,640	-	-	-	-	27,385,185	-	33,216,841
Due from other banks and financial institutions	1,715,995	41,261,831	7,143,741	7,793,512	-	-	-	-	57,915,079
Financial assets at FVPL	-	8,052,876	2,357,023	106,052	328,192	16,139,192	438,523	-	27,421,858
Loans and advances to customers	-	13,016,270	13,206,484	67,814,823	80,144,126	26,865,960	-	4,875,549	205,923,212
Investment securities									
- FVOCI	-	1,240,029	185,466	5,032,275	20,005,337	8,015,460	208,600	-	34,687,167
- Amortised cost	-	3,018,106	1,134,698	11,774,893	54,173,362	11,015,852	-	1,406,398	82,523,309
Other financial assets	-	1,423,448	-	-	-	229,436	25,933	97,115	1,775,932
<b>Total financial assets</b>	<b>2,311,011</b>	<b>73,249,200</b>	<b>24,027,412</b>	<b>92,521,555</b>	<b>154,651,017</b>	<b>62,265,900</b>	<b>28,058,241</b>	<b>6,379,062</b>	<b>443,463,398</b>
<b>Liabilities</b>									
Due to other banks and financial institution	(308,302)	(17,296,840)	(7,375,551)	(31,882,092)	(174,782)	(52,372)	-	-	(57,089,939)
Financial liabilities at FVPL	-	-	-	-	(657)	-	-	-	(657)
Customer deposits	(79,097,544)	(13,421,612)	(12,007,166)	(60,988,190)	(88,164,012)	(2,715,669)	-	-	(256,394,193)
Debt securities issued	-	(4,262,107)	(22,761,756)	(53,376,158)	(9,088,383)	(7,494,209)	-	-	(96,982,613)
Other financial liabilities	-	(334,881)	-	(34,882)	(596,346)	(245,037)	(2,206,391)	-	(3,417,537)
<b>Total financial liabilities</b>	<b>(79,405,846)</b>	<b>(35,315,440)</b>	<b>(42,144,473)</b>	<b>(146,281,322)</b>	<b>(98,024,180)</b>	<b>(10,507,287)</b>	<b>(2,206,391)</b>	<b>-</b>	<b>(413,884,939)</b>
<b>Net liquidity gap</b>	<b>(77,094,835)</b>	<b>37,933,760</b>	<b>(18,117,061)</b>	<b>(53,759,767)</b>	<b>56,626,837</b>	<b>51,758,613</b>	<b>25,851,850</b>	<b>6,379,062</b>	<b>29,578,459</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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 2019	Up to 1 year	1-5 years	Over 5 years	Total
Bank acceptance bill	29,221,132	–	–	29,221,132
Letter of credit	9,086,819	–	–	9,086,819
Letter of guarantee	4,117,566	2,651,013	730	6,769,309
Unused credit card limits	4,265,204	–	–	4,265,204
Irrevocable credit commitments	20,667	4,340	–	25,007
Capital expenditure commitments	118,139	88,442	–	206,581
<b>Total</b>	<b>46,829,527</b>	<b>2,743,795</b>	<b>730</b>	<b>49,574,052</b>

As at 31 December 2018	Up to 1 year	1-5 years	Over 5 years	Total
Bank acceptance bill	18,012,260	–	–	18,012,260
Letter of credit	10,446,455	11,997	–	10,458,452
Letter of guarantee	2,348,795	1,591,155	680	3,940,630
Unused credit card limits	3,169,448	–	–	3,169,448
Irrevocable credit commitments	29,530	50,402	–	79,932
Operating lease commitments	42,079	88,809	17,191	148,079
Capital expenditure commitments	214,525	154,124	–	368,649
<b>Total</b>	<b>34,263,092</b>	<b>1,896,487</b>	<b>17,871</b>	<b>36,177,450</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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)

##### (a) *Financial instruments not measured at fair value (Continued)*

###### *Investment securities*

The fair value of financial investment at amortised cost 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 the aforementioned, 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. Their fair value is measured using a discounted future cash flow model.

##### (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).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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)

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 2019	Level 1	Level 2	Level 3	Total
Loans and advances to customers				
– Discounted bills	–	14,271,520	–	14,271,520
Financial assets at FVPL				
– Debt securities	–	1,360,274	–	1,360,274
– Fund investments	–	–	–	–
– Trust investments	–	–	5,219,379	5,219,379
– Wealth management products purchased from financial institutions	–	–	9,618,383	9,618,383
– Directional asset management plans	–	–	10,360,368	10,360,368
– Equity investment at fair value	418,179	–	–	418,179
– Derivative financial instruments	–	433	–	433
	418,179	1,360,707	25,198,130	26,977,016
Financial investments at FVOCI				
– Debt securities	–	35,817,078	–	35,817,078
– Equity investment	–	–	277,000	277,000
	–	35,817,078	277,000	36,094,078
<b>Total</b>	<b>418,179</b>	<b>51,449,305</b>	<b>25,475,130</b>	<b>77,342,614</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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)

As at 31 December 2018	Level 1	Level 2	Level 3	Total
Loans and advances to customers				
– Discounted bills	–	13,501,381	–	13,501,381
Financial assets at FVPL				
– Debt securities	–	1,146,366	–	1,146,366
– Fund investments	8,038,429	–	–	8,038,429
– Trust investments	–	–	5,174,858	5,174,858
– Wealth management products purchased from financial institutions	–	–	2,357,023	2,357,023
– Directional asset management plans	–	–	10,266,659	10,266,659
– Equity investment at fair value	438,523	–	–	438,523
– Derivative financial instruments	–	–	–	–
	8,476,952	1,146,366	17,798,540	27,421,858
Financial investments at FVOCI				
– Debt securities	–	34,478,567	–	34,478,567
– Equity investment	–	–	208,600	208,600
	–	34,478,567	208,600	34,687,167
<b>Total</b>	8,476,952	49,126,314	18,007,140	75,610,406

The Group takes the date of the event that causes the transfers between hierarchies as the timing of recognising the transfers between hierarchies. There were no significant transfers within the fair value hierarchy of the Group for the year ended 31 December 2019 and 2018.

For financial instruments traded in active markets, the Group determines its fair value with its active market quotation; for financial instruments that are not traded on active markets, the Group uses valuation techniques to determine its fair value. The valuation models used are mainly cash flow discount models and market comparable company models. The input value of valuation technique mainly include risk-free interest rate, benchmark interest rate, exchange rate, credit point difference, lack of liquidity discount and so on.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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)

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:

	Financial assets at FVPL	Financial assets at FVOCI
<b>Balance at 31 December 2018</b>	<b>17,798,540</b>	<b>208,600</b>
Total gains or losses		
– Current profits and losses	<b>239,590</b>	–
– Other comprehensive income	–	<b>68,400</b>
Purchase	<b>9,500,000</b>	–
Settlement	<b>(2,340,000)</b>	–
<b>Balance at 31 December 2019</b>	<b>25,198,130</b>	<b>277,000</b>
Total gains for the year included in profit and loss for financial assets held as at 31 December 2019	<b>309,880</b>	–

	Financial assets at FVPL	Financial assets at FVOCI
<b>Balance at 1 January 2018 (restated)</b>	<b>39,169,120</b>	<b>8,600</b>
Total gains or losses		
– Current profits and losses	(170,364)	–
– Other comprehensive income	–	200,000
Purchase	2,345,000	–
Settlement	(23,545,216)	–
<b>Balance at 31 December 2018</b>	<b>17,798,540</b>	<b>208,600</b>
Total gains for the year included in profit and loss for financial assets held as at 31 December 2018	70,290	–

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For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 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

For the year ended 31 December 2019 (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 *Administrative Measures for the Capital of Commercial Banks (Trial)* are as follows:

	As at 31 December	
	2019	2018
<b>Core capital:</b>		
Share capital	3,127,055	3,127,055
Counted part of capital surplus	5,406,868	4,898,704
Surplus reserve and general risk reserves	8,543,207	8,016,715
Counted part of retained earnings	14,933,659	12,044,820
Capital contribution by non-controlling interests	717,249	592,485
<b>Core Tier 1 Capital deductibles items:</b>		
Full deduction items	(206,559)	(126,862)
Threshold deduction items	–	–
<b>Core Tier 1 Capital, net</b>	<b>32,521,479</b>	28,552,917
<b>Other Tier 1 Capital, net</b>	<b>5,004,940</b>	4,988,305
<b>Tier 2 Capital, net</b>	<b>12,148,050</b>	11,017,205
<b>Net capital</b>	<b>49,674,469</b>	44,558,427
On-balance sheet risk-weighted assets	350,151,257	307,153,940
Off-balance sheet risk-weighted assets	10,847,749	10,518,068
Risk-weighted assets for exposure to counterparty credit risk	439	345
<b>Total credit risk-weighted assets</b>	<b>360,999,445</b>	317,672,353
<b>Total market risk-weighted assets</b>	<b>588,309</b>	555,006
<b>Total operational risk-weighted assets</b>	<b>20,551,480</b>	19,064,920
Total risk-weighted assets before applying capital base	382,139,234	337,292,279
Total risk-weighted assets after applying capital base	382,139,234	337,292,279
<b>Core Tier 1 Capital adequacy ratio</b>	<b>8.51%</b>	8.47%
<b>Tier 1 Capital adequacy ratio</b>	<b>9.82%</b>	9.94%
<b>Capital adequacy ratio</b>	<b>13.00%</b>	13.21%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (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	
	2019	2018
Assets held in investment custody accounts	43,528,324	50,138,561
Entrusted loans	9,088,347	9,337,569

### 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) Derecognition of financial asset

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

#### (b) 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 of practicality, 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.

#### (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) 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 30).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

#### (e) Measurement of the expected credit loss

The measurement of the expected credit loss for financial assets including loans and advances to customers and investment securities measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements to measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 3.1.4.

### 5 SUBSIDIARY

As at 31 December 2019, details of the Bank's subsidiary are set out below:

Name of entity	Date of incorporation	Place of incorporation	Paid-in capital	Proportion of equity interest	Proportion of voting rights	Principal activities
Chongqing Xinyu Financial Leasing Co., Ltd.	23 March 2017	Chongqing, the PRC	3,000,000	51%	51%	Financial leasing

	Assets	Liabilities	Revenue	Net profit
Chongqing Xinyu Financial Leasing Co., Ltd.	18,705,422	15,309,015	604,148	232,590

The subsidiary is a company limited by share.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 6 NET INTEREST INCOME

	2019	2018
<b>Interest income</b>		
Balances with central bank	456,280	524,600
Due from other banks and financial institutions	1,080,125	1,359,910
Loans and advances to customers	13,725,614	11,848,155
Investment securities	6,630,622	5,590,107
	<b>21,892,641</b>	19,322,772
<b>Interest expense</b>		
Due to other banks and financial institutions	(1,691,871)	(2,109,814)
Customer deposits	(7,804,042)	(6,379,071)
Debt securities issued	(3,553,299)	(3,958,241)
Other liabilities	(4,300)	–
	<b>(13,053,512)</b>	(12,447,126)
<b>Net interest income</b>	<b>8,839,129</b>	6,875,646

### 7 NET FEE AND COMMISSION INCOME

	2019	2018
<b>Fee and commission income</b>		
Financial advisory and consulting services	19,320	144,757
Wealth management agency service	661,875	542,435
Custodian service	135,156	252,592
Bank card services	345,677	323,068
Guarantees and credit commitments	115,360	96,923
Settlement and agency services	86,296	93,937
	<b>1,363,684</b>	1,453,712
<b>Fee and commission expense</b>		
Settlement and agency services	(68,105)	(63,024)
Bank card services	(24,468)	(34,221)
Others	(13,518)	(14,545)
	<b>(106,091)</b>	(111,790)
<b>Net fee and commission income</b>	<b>1,257,593</b>	1,341,922

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 8 NET TRADING GAINS

	2019	2018
Foreign exchange gains	106,498	245,215
Bond and fund investments	164,916	270,800
Equity investments	(20,344)	(47,469)
Derivatives	(2,967)	(775)
	<b>248,103</b>	467,771

Net trading gains mainly include net gains/(losses) on foreign exchange, and gains and losses arising from buying and selling of, interest income on and changes in the fair value of financial assets held for trading.

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 gains on foreign exchange arising from foreign currency monetary assets and liabilities were RMB93,117 thousand for the year ended 31 December 2019 (31 December 2018: RMB224,944 thousand of gains on foreign exchange).

### 9 NET GAINS ON INVESTMENT SECURITIES

	2019	2018
Net gains arising from financial assets at FVPL	1,381,023	1,884,335
Net losses arising from derecognition of financial investments at FVOCI	–	(14,558)
	<b>1,381,023</b>	1,869,777

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 10 OTHER OPERATING INCOME

	2019	2018
Government grants <sup>(a)</sup>	37,728	33,619
Gains on sale of property, plant and equipment	8,712	13,583
Gains on sale of held-for-sale assets	5,866	14,096
Rental income <sup>(b)</sup>	5,389	1,033
Dividend income from unlisted FVOCI investments	1,200	880
Compensation on breach of contract	2,025	497
Income from dormant accounts	3	2,824
Other miscellaneous income <sup>(c)</sup>	4,266	8,436
	<b>65,189</b>	<b>74,968</b>

(a) The government grants mainly include enterprise development support bonus, bonus of incremental agricultural loans, bonus for assessment of branches of the Group and other government grants.

(b) The rental income of the Group is generated from leasing its self-owned buildings and motor vehicles.

(c) Other miscellaneous income mainly comprised cashier surplus, penalty and confiscatory income and incomes from writing off other payables that cannot be settled.

### 11 OPERATING EXPENSES

	2019	2018
Staff costs (Note 12)	1,672,798	1,525,596
General and administrative expenses	578,025	554,472
Tax and surcharges	142,450	134,100
Depreciation of property, plant and equipment (Note 24)	168,923	147,539
Amortisation of intangible assets (Note 25(b))	48,701	35,371
Depreciation of right-of-use assets/Amortisation of land use rights (Note 25(e))	46,222	4,672
Depreciation of investment properties (Note 25(d))	119	139
Amortisation of long-term prepaid expenses	9,532	19,647
Rental expenses	7,687	64,980
Professional fees	55,518	51,704
Auditors' remuneration		
– Audit services	4,276	3,858
– Non-audit services	–	472
Donations	10,110	10,070
Others	24,058	18,501
	<b>2,768,419</b>	<b>2,571,121</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 12 STAFF COSTS

	2019	2018
Salaries and bonuses	1,233,972	1,126,679
Pension expenses ( <i>Note 31</i> )	160,570	152,782
Housing benefits and subsidies	94,568	85,136
Labour union and staff education funds	31,150	27,289
Other social security and benefit costs	152,538	133,710
Total ( <i>Note 11</i> )	1,672,798	1,525,596

#### Five highest paid individuals

The emoluments payable to the five highest paid individuals for relevant years are as follows:

	2019	2018
Remunerations, salaries, allowances and benefits	1,677	1,870
Discretionary bonuses	6,880	7,278
Contributions to pension schemes	483	489
	9,040	9,637

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 12 STAFF COSTS (Continued)

#### Five highest paid individuals (Continued)

The emoluments payable to the senior management and individuals fell within the following bands:

	Number of individuals	
	2019	2018
RMB1,500,001 – RMB2,000,000	4	4
RMB2,000,001 – RMB2,500,000	1	1
RMB2,500,001 – RMB3,000,000	–	–
RMB3,000,001 – RMB3,500,000	–	–
RMB3,500,001 – RMB4,000,000	–	–
Above RMB4,000,000	–	–
	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.

### 13 IMPAIRMENT LOSSES

	2019	2018
Loans and advances to customers carried at amortised cost	3,305,780	3,531,882
Loans and advances to customers at FVOCI	(32,437)	50,166
Investment securities – amortised cost	(71,725)	(149,200)
Investment securities – FVOCI	15,807	(81,879)
Loan commitments and financial guarantee contracts	206,722	72,308
Due from other banks and financial institutions	25,500	1,391
Others	163,934	12,100
	3,613,581	3,436,768

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 14 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 2019 are as follows:

Expressed in ten thousands of RMB

Name	Salaries, allowances and benefits (Allowances and official vehicle subsidies, including back pays for previous years)	Prepayment for performance (Pre-assessment of performance of the year)	Discretionary bonuses of previous years (Performance liquidation and tenure stimulation of previous years)	Contribution to pension schemes (Social insurance, housing fund, enterprise annuity and supplementary medical insurance paid by the company)	Remunerations	Total	Notes
<b>Executive directors</b>							
Lin Jun	19.98	17.90	-	9.76	-	47.64	Approved as Chairman of the Board by CBIRC on 9 March 2018, paid since April 2018.
Ran Hailing (President)	20.26	17.90	72.32	9.81	-	120.29	
Liu Jianhua	27.57	14.32	61.80	9.70	-	113.39	
WONG Wah Sing	16.21	14.32	46.54	0.30	-	77.37	

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 14 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

#### (a) Directors' and supervisors' emoluments (Continued)

Name	Salaries, allowances and benefits (Allowances and official vehicle subsidies, including back pays for previous years)	Prepayment for performance (Pre-assessment of performance of the year)	Discretionary bonuses of previous years (Performance liquidation and tenure stimulation of previous years)	Contribution to pension schemes (Social insurance, housing fund, enterprise annuity and supplementary medical insurance paid by the company)	Remunerations	Total	Notes
<b>Non-executive directors</b>							
Deng Yong	-	-	-	-	7.95	7.95	
WONG Hon Hing	-	-	-	-	11.95	11.95	
Lv Wei	-	-	-	-	13.05	13.05	No longer served as Non-executive director since 9 December 2019.
Jin Jingyu	-	-	-	-	20.20	20.20	
Kong Xiangbin	-	-	-	-	20.05	20.05	
Li He	-	-	-	-	19.75	19.75	
Wang Pengguo	-	-	-	-	19.45	19.45	
Tang Xiaodong	-	-	-	-	5.40	5.40	Approved as Non-executive director by CBRIC on 17 December 2018.
Yang Yusong	-	-	-	-	6.45	6.45	Approved as Non-executive director by CBRIC on 17 December 2018.
Wu Heng	-	-	-	-	-	-	Served as Non-executive director since 12 April 2019. According to the requirement of SAIC Group Co., Ltd., the nominating shareholder, no emolument will be paid.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 14 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

#### (a) Directors' and supervisors' emoluments (Continued)

Name	Salaries, allowances and benefits (Allowances and official vehicle subsidies, including back pays for previous years)	Prepayment for performance (Pre- assessment of performance of the year)	Discretionary bonuses of previous years (Performance liquidation and tenure stimulation of previous years)	Contribution to pension schemes (Social insurance, housing fund, enterprise annuity and supplementary medical insurance paid by the company)	Remunerations	Total	Notes
<b>Supervisors</b>							
Yang Xiaotao	25.06	17.90	62.39	9.95	-	115.30	
Huang Changsheng	27.57	14.32	61.75	9.71	-	113.35	
Chen Zhong	-	-	-	-	7.70	7.70	
Peng Daihui	-	-	-	-	10.20	10.20	Served as Supervisor since 25 May 2018.
Yin Xianglong	-	-	-	-	8.50	8.50	No longer served as Supervisor since 9 December 2019.
Hou Guoyue	-	-	-	-	1.11	1.11	Served as Supervisor since 9 December 2019.
Chen Yan	-	-	-	-	1.85	1.85	No longer served as Supervisor since 18 June 2019.
Zeng Xiangming	-	-	-	-	2.53	2.53	Served as Supervisor since 30 August 2019.
Wu Bing	-	-	-	-	6.15	6.15	No longer served as Supervisor since 9 December 2019.
Qi jun	-	-	-	-	0.95	0.95	Served as Supervisor since 9 December 2019.
Zhou Xiaohong	40.12	58.86	69.98	9.75	-	178.71	No longer served as Supervisor since 9 December 2019.
Yin Jun	22.48	32.75	23.44	9.62	-	88.29	Served as Supervisor since 23 May 2019.
Wu Ping	28.93	42.71	73.61	9.75	-	155.00	Served as Supervisor since 9 December 2019.
<b>Total</b>	<b>228.18</b>	<b>230.98</b>	<b>471.83</b>	<b>78.35</b>	<b>163.24</b>	<b>1,172.58</b>	

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 14 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 2018 are as follows:

Expressed in ten thousands of RMB

Name	Salaries, allowances and benefits (Allowances and official vehicle subsidies, including back pays for previous years)	Prepayment for performance (Pre-assessment of performance of the year)	Discretionary bonuses of previous years (Performance liquidation and tenure stimulation of previous years)	Contribution to pension schemes (Social insurance, housing fund, enterprise annuity and supplementary medical insurance paid by the company)	Remunerations	Total	Notes
<b>Executive directors</b>							
Lin Jun	12.57	12.57	-	7.95	-	33.09	Approved as Chairman of the Board by CBIRC on 9 March 2018, paid since April 2018.
Ran Hailing (President)	16.76	16.76	6.39	10.40	-	50.31	
Liu Jianhua	13.41	13.41	7.72	10.32	-	44.86	
WONG Wah Sing	13.41	13.41	16.09	0.40	-	43.31	

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 14 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

#### (a) Directors' and supervisors' emoluments (Continued)

Name	Salaries, allowances and benefits (Allowances and official vehicle subsidies, including back pays for previous years)	Prepayment for performance of the year	Discretionary bonuses of previous years (Performance liquidation and tenure stimulation of previous years)	Contribution to pension schemes (Social insurance, housing fund, enterprise annuity and supplementary medical insurance paid by the company)	Remunerations	Total	Notes
<b>Non-executive directors</b>							
Deng Yong	-	-	-	-	9.45	9.45	
WONG Hon Hing	-	-	-	-	11.20	11.20	
Lv Wei	-	-	-	-	11.25	11.25	
Yang Jun	-	-	-	-	4.50	4.50	No longer served as Non-executive director since 22 August 2018.
Jin Jingyu	-	-	-	-	18.25	18.25	
Kong Xiangbin	-	-	-	-	16.90	16.90	
Li He	-	-	-	-	19.60	19.60	
TO Koon Man	-	-	-	-	4.35	4.35	No longer served as Non-executive director since 25 May 2018.
Wang Pengguo	-	-	-	-	19.00	19.00	
Tang Xiaodong	-	-	-	-	0.30	0.30	Approved as Non-executive director by CBRIC on 17 December 2018.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 14 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

#### (a) Directors' and supervisors' emoluments (Continued)

Name	Salaries, allowances and benefits (Allowances and official vehicle subsidies, including back pays for previous years)	Prepayment for performance (Pre-assessment of performance of the year)	Discretionary bonuses of previous years (Performance liquidation and tenure stimulation of previous years)	Contribution to pension schemes (Social insurance, housing fund, enterprise annuity and supplementary medical insurance paid by the company)	Remunerations	Total	Notes
<b>Supervisors</b>							
Yang Xiaotao	16.76	16.76	25.14	10.40	-	69.06	
Huang Changsheng	13.41	13.41	7.77	10.32	-	44.91	
Chen Zhong	-	-	-	-	8.20	8.20	
Chen Zhengsheng	-	-	-	-	4.71	4.71	No longer served as Supervisor since 25 May 2018.
Peng Daihui	-	-	-	-	6.01	6.01	Served as Supervisor since 25 May 2018.
Yin Xianglong	-	-	-	-	9.00	9.00	
Chen Yan	-	-	-	-	6.10	6.10	
Wu Bing	-	-	-	-	6.20	6.20	
Zhou Xiaohong	38.74	51.52	69.00	9.98	-	169.24	
<b>Total</b>	<b>125.06</b>	<b>137.84</b>	<b>132.11</b>	<b>59.77</b>	<b>155.02</b>	<b>609.80</b>	

The total remuneration packages (including discretionary bonus) for directors and supervisors for the year ended 31 December 2019 have not yet been finalised in accordance with relevant regulations of the relevant authorities in PRC. The amount of the remuneration not provided for is not expected to have any significant impact on the Group's consolidated financial statements for the year ended 31 December 2019.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 14 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

#### (b) Directors' and supervisors' retirement benefits

For the year ended 31 December 2019, no retirement benefits were paid to the directors or supervisors by the defined benefit pension plan operated by the Group (2018: nil).

#### (c) Directors' and supervisors' termination benefits

For the year ended 31 December 2019, no termination benefits were paid to the directors or supervisors by the Group (2018: nil).

#### (d) Consideration provided to third parties for making available directors' and supervisors' services

For the year ended 31 December 2019, no consideration was provided to third parties for making available directors' and supervisor' services by the Group (2018: nil).

#### (e) Information about loans, quasi-loans and other dealings in favour of directors, supervisors and body corporates controlled by such directors and supervisors

For the year ended 31 December 2019, no loan, quasi-loan and other dealing was entered into by the Group, where applicable, in favour of body corporates controlled by 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	Provisions	Term	Interest rate	Security
		at the beginning of the year	at the end of the year	outstanding during the year	due but not been paid	for doubtful/bad debts made			
Liu Jianhua	Executive Director	1,844	1,761	1,844	-	-	18 years, average capital plus interest	4.165%	mortgaged by real estate
Jin Jingyu	Director	500	500	500	-	-	3 years, repay the whole capital at due date and interest on a period basis	4.75%	mortgaged

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 14 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(e) Information about loans, quasi-loans and other dealings in favour of directors, supervisors and body corporates controlled by such directors and supervisors (Continued)

For the year ended 31 December 2018, no loan, quasi-loan and other dealing was entered into by the Group, where applicable, in favour of body corporates controlled by 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 at the beginning of the year	Outstanding at the end of the year	Maximum outstanding during the year	Amounts due but not been paid	Provisions for doubtful/bad debts made	Term	Interest rate	Security
Liu Jianhua	Executive Director	1,924	1,844	1,924	-	-	18 years, average capital plus interest	4.165%	mortgaged by real estate
Jin Jingyu	Director	500	500	500	-	-	3 years, repay the whole capital at due date and interest on a period basis	4.75%	mortgaged
Chen Yan	Supervisor	110	270	300	-	-	12 months, repay the whole capital and interest at due date	5.66%	guaranteed

(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 2019 or at any time during the year (2018: nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 15 INCOME TAX EXPENSE

	2019	2018
Current income tax	2,000,959	1,200,855
Deferred income tax (Note 30)	(750,129)	(180,328)
	<b>1,250,830</b>	1,020,527

Current income tax is calculated at 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% (2018: 25%) to profit before income tax can be reconciled as follows:

	2019	2018
Profit before income tax	5,572,287	4,842,622
Tax calculated at a tax rate of 25%	1,393,072	1,210,656
Tax effect arising from non-taxable income <sup>(a)</sup>	(183,198)	(166,189)
Tax effect of expenses that are not deductible for tax purposes <sup>(b)</sup>	30,761	29,246
Income tax adjustment for prior years	10,195	(53,186)
Income tax expense	<b>1,250,830</b>	1,020,527

(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 the part of certain expenditures, such as entertainment expenses etc. which exceeds the tax deduction limits pursuant to PRC tax Laws.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 16 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.

	2019	2018
Net profit attributable to shareholders of the Bank	4,207,488	3,769,847
Less: Net profit attributable to other equity holders of the Bank	(310,592)	(310,161)
Net profit attributable to ordinary shareholders of the Bank	3,896,896	3,459,686
Weighted average number of ordinary shares issued (in thousand)	3,127,055	3,127,055
Basic and diluted earnings per share (in RMB yuan)	1.25	1.11

The Bank issued non-cumulative preference shares on 20 December 2017 under the terms and conditions as detailed in Note 33. 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 for the year ended 31 December 2019 and therefore the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings per share.

### 17 CASH AND BALANCES WITH CENTRAL BANK

	As at 31 December	
	2019	2018
Cash	653,292	579,093
Mandatory reserve deposits	25,850,540	27,281,612
Surplus reserve deposits with central bank	5,338,885	5,236,640
Fiscal deposits	176,544	103,573
Total	32,019,261	33,200,918
Interest receivable on balances with central bank	13,837	15,923
	32,033,098	33,216,841

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	
	2019	2018
Mandatory reserve rate for deposits denominated in RMB	9.5%	11.0%
Mandatory reserve rate for deposits denominated in foreign currencies	5.0%	5.0%

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

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 18 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2019	2018
Deposits with other banks and financial institutions	5,392,398	7,432,476
Notes purchased under resale agreements	32,980,526	32,894,298
Securities purchased under resale agreements	17,446,400	7,390,900
Placements with other banks and financial institutions	5,399,724	10,021,166
Total	61,219,048	57,738,840
Interest receivable on amounts due from other banks and financial institutions	89,148	182,193
Less: ECL allowance	(31,454)	(5,954)
	61,276,742	57,915,079

In 2019, the Group's due from other banks and financial institutions was in stage 1 except for a new account in stage 3. As at 31 December 2019, the gross principal balance of that stage 3 deposit is RMB25,972 thousand, which is fully accrued ECL allowance. In 2018, the Group's due from other banks and financial institutions was always in stage 1.

### 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
Financial assets at FVPL		
– Listed outside Hong Kong	492,618	574,476
– Unlisted	26,483,965	26,847,382
	26,976,583	27,421,858
Derivative financial instruments ( <i>Note 20</i> )	433	–
	26,977,016	27,421,858

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Unlisted financial assets measured at FVPL are set out below:

	As at 31 December	
	2019	2018
Unlisted financial assets at FVPL		
– Trust investments <sup>(a)</sup>	5,219,379	5,174,858
– Directional asset management plans <sup>(b)</sup>	10,360,368	10,266,659
– Wealth management products purchased from financial institutions	9,618,383	2,357,023
– Fund investments	–	8,038,429
– Commercial banks	683,689	702,578
– Corporations	–	106,052
– Governments	602,146	201,783
	<b>26,483,965</b>	26,847,382

The Group's unlisted commercial bank bonds, corporate bonds and government bonds are traded in the inter-bank bond market in Mainland China.

As at 31 December 2019, there are no the trading securities of the Group pledged to third parties under repurchase agreements (as at 31 December 2018: nil).

Financial assets at fair value through profit or loss by the issuer are set out below:

	As at 31 December	
	2019	2018
Financial assets at FVPL		
– Commercial banks	6,748,327	2,058,258
– Securities companies	10,360,368	10,266,659
– Fund companies	–	8,038,429
– Trust companies	5,219,379	5,174,858
– Corporations	74,439	242,005
– Governments	602,146	201,783
– Policy banks	3,553,745	1,001,343
– Equity investment	418,179	438,523
	<b>238,626,834</b>	27,421,858

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

#### (a) Trust investment

	As at 31 December	
	2019	2018
Trust investments purchased from trust companies		
– Guaranteed by third-party company	5,214,393	5,169,956
– Unsecured	4,986	4,902
	<b>5,219,379</b>	5,174,858

#### (b) Directional asset management plans

	As at 31 December	
	2019	2018
Asset management plans purchased from securities companies		
– Guaranteed by third-party company	10,360,368	10,266,659

### 20 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2019	Notional amount	Fair value	
		Assets	Liabilities
Swap contracts	3,189,653	433	(3,602)

As at 31 December 2018	Notional amount	Fair value	
		Assets	Liabilities
Swap contracts	137,264	–	(657)

### 21 LOANS AND ADVANCES TO CUSTOMERS

	As at 31 December	
	2019	2018
Loans and advances to customers		
– Amortised cost	231,560,073	197,707,670
– FVOCI	14,271,520	13,501,381
Total	<b>245,831,593</b>	211,209,051
Interest receivable on loans and advances to customers	1,517,145	1,221,718
Less: ECL allowance	(8,721,904)	(6,507,557)
	<b>238,626,834</b>	205,923,212

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (a) Loans and advances to customers analysis

	As at 31 December	
	2019	2018
Loans and advances to corporate entities – amortised cost		
– Corporate loans	<b>140,780,210</b>	128,932,758
Loans and advances to corporate entities – FVOCI		
– Discounted bills	<b>14,271,520</b>	13,501,381
Subtotal	<b>155,051,730</b>	142,434,139
Loans and advances to individuals – amortised cost		
– Mortgage loans	<b>26,757,377</b>	20,606,735
– Individual consumption loans	<b>41,172,219</b>	31,199,939
– Credit card advances	<b>6,657,610</b>	4,724,758
– Individual business loans	<b>16,192,657</b>	12,243,480
Subtotal	<b>90,779,863</b>	68,774,912
Total	<b>245,831,593</b>	211,209,051
Interest receivable on loans and advances to customers	<b>1,517,145</b>	1,221,718
Gross amount of loans and advances to customers	<b>247,348,738</b>	212,430,769
Less: Losses on expected credit impairment	<b>(8,721,904)</b>	(6,507,557)
Carrying amount of loans and advances to customers	<b>238,626,834</b>	205,923,212

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (b) Credit quality of loans and advances to customers

	As at 31 December 2019				
	Overdue within 90 days (inclusive)	Overdue for 90 days – 1 year (inclusive)	Overdue for 1-3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	295,492	238,181	54,101	15,683	603,457
Guaranteed loans	1,856,803	377,940	325,922	6,564	2,567,229
Collateralised loans	1,774,694	588,066	841,124	101,783	3,305,667
Pledged loans	126,556	–	149,367	–	275,923
<b>Total</b>	<b>4,053,545</b>	<b>1,204,187</b>	<b>1,370,514</b>	<b>124,030</b>	<b>6,752,276</b>

	As at 31 December 2018				
	Overdue within 90 days (inclusive)	Overdue for 90 days – 1 year (inclusive)	Overdue for 1-3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	278,797	163,017	50,172	8,898	500,884
Guaranteed loans	2,193,873	270,950	284,650	12,445	2,761,918
Collateralised loans	1,707,901	1,004,686	507,102	198,361	3,418,050
Pledged loans	294,308	49,985	147,121	–	491,414
<b>Total</b>	<b>4,474,879</b>	<b>1,488,638</b>	<b>989,045</b>	<b>219,704</b>	<b>7,172,266</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on impairment allowance for loans and advances to customers

(1) *Movements on impairment allowance for loans and advances to customers at amortised cost*

Loans and advances to corporate entities	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
<b>As at 31 December 2018</b>	<b>2,093,609</b>	<b>1,901,480</b>	<b>1,356,750</b>	<b>5,351,839</b>
New financial assets originated or purchased	884,973	–	–	884,973
Remeasurement	(226,939)	2,298,039	930,151	3,001,251
Repayments	(781,996)	(367,474)	(280,151)	(1,429,621)
Write-off	–	–	(825,608)	(825,608)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(360,978)	360,978	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(20,307)	–	20,307	–
<i>Transfer from Stage 2 to Stage 1</i>	74,006	(74,006)	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(411,830)	411,830	–
Recoveries of loans and advances written-off in previous years	–	–	146,317	146,317
Unwind impact of discount	–	–	(77,724)	(77,724)
<b>As at 31 December 2019</b>	<b>1,662,368</b>	<b>3,707,187</b>	<b>1,681,872</b>	<b>7,051,427</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on impairment allowance for loans and advances to customers (Continued)

(1) Movements on impairment allowance for loans and advances to customers at amortised cost (Continued)

Loans and advances to corporate entities	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
As at 1 January 2018 (Restated)	1,633,763	1,899,933	1,312,599	4,846,295
Provision for impairment <sup>(i)</sup>	1,300,754	1,101,636	3,047,745	5,450,135
Reversal of impairment allowances <sup>(ii)</sup>	(697,760)	(842,415)	(316,300)	(1,856,475)
Write-off	–	–	(3,412,771)	(3,412,771)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(78,964)	78,964	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(69,221)	–	69,221	–
<i>Transfer from Stage 2 to Stage 1</i>	5,037	(5,037)	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(466,676)	466,676	–
<i>Transfer from Stage 3 to Stage 2</i>	–	135,075	(135,075)	–
Recoveries of loans and advances written-off in previous years	–	–	198,713	198,713
Unwind impact of discount	–	–	125,942	125,942
As at 31 December 2018	2,093,609	1,901,480	1,356,750	5,351,839

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on impairment allowance for loans and advances to customers (Continued)

(1) Movements on impairment allowance for loans and advances to customers at amortised cost (Continued)

	Stage 1	Stage 2	Stage 3	
<b>Retail loans</b>	<b>12M ECL</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Total</b>
<b>As at 31 December 2018</b>	<b>310,372</b>	<b>303,429</b>	<b>541,917</b>	<b>1,155,718</b>
New financial assets originated or purchased	543,862	–	–	543,862
Remeasurement	47,578	295,034	432,885	775,497
Repayments	(118,084)	(170,613)	(181,485)	(470,182)
Write-off	–	–	(422,846)	(422,846)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(15,358)	15,358	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(34,637)	–	34,637	–
<i>Transfer from Stage 2 to Stage 1</i>	14,930	(14,930)	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(74,269)	74,269	–
<i>Transfer from Stage 3 to Stage 2</i>	–	3,169	(3,169)	–
<i>Transfer from Stage 3 to Stage 1</i>	4,148	–	(4,148)	–
Recoveries of loans and advances written-off in previous years	–	–	101,592	101,592
Unwind impact of discount	–	–	(13,164)	(13,164)
<b>As at 31 December 2019</b>	<b>752,811</b>	<b>357,178</b>	<b>560,488</b>	<b>1,670,477</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on impairment allowance for loans and advances to customers (Continued)

(1) Movements on impairment allowance for loans and advances to customers at amortised cost (Continued)

Retail loans	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
As at 1 January 2018 (Restated)	368,525	264,887	828,629	1,462,041
Provision for impairment <sup>(i)</sup>	215,553	258,630	353,874	828,057
Reversal of impairment allowances <sup>(ii)</sup>	(290,275)	(200,705)	(398,855)	(889,835)
Write-off	–	–	(437,959)	(437,959)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(16,092)	16,092	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(28,784)	–	28,784	–
<i>Transfer from Stage 2 to Stage 1</i>	13,438	(13,438)	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(51,261)	51,261	–
<i>Transfer from Stage 3 to Stage 2</i>	–	29,224	(29,224)	–
<i>Transfer from Stage 3 to Stage 1</i>	48,007	–	(48,007)	–
Recoveries of loans and advances written-off in previous years	–	–	140,290	140,290
Unwind impact of discount	–	–	53,124	53,124
As at 31 December 2018	310,372	303,429	541,917	1,155,718

(i) The ECL movement was caused by origination or purchase as well as changes in PDs/EADs/LGDs and stages as a result of regular update of parameters.

(ii) The ECL movement was caused by derecognition other than write-offs as well as changes in PDs/EADs/LGDs and stages as a result of regular update of parameters.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on impairment allowance for loans and advances to customers (Continued)

(2) *Movements on impairment allowance for loans and advances to customers at FVOCI*

Discounted bills	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
<b>As at 31 December 2018</b>	<b>71,549</b>	–	–	<b>71,549</b>
Provision for impairment	39,112	–	–	39,112
Reversal of impairment allowances	(71,549)	–	–	(71,549)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(1)	1	–	–
<b>As at 31 December 2019</b>	<b>39,111</b>	<b>1</b>	–	<b>39,112</b>

Discounted bills	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
As at 1 January 2018 (Restated)	21,383	–	–	21,383
Provision for impairment	71,549	–	–	71,549
Reversal of impairment allowances	(21,383)	–	–	(21,383)
As at 31 December 2018	71,549	–	–	71,549

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Movements on gross amount (excluding interest receivable) of loans and advances to customers

(1) *Movements on gross amount (excluding interest receivable) of loans and advances to customers at amortised cost*

Loans and advances to corporate entities	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
<b>As at 31 December 2018</b>	<b>115,912,202</b>	<b>10,994,279</b>	<b>2,026,277</b>	<b>128,932,758</b>
New financial assets originated or purchased	59,321,620	–	–	59,321,620
Financial assets matured	(42,364,406)	(3,627,312)	(369,209)	(46,360,927)
Financial assets derecognised other than write-offs	–	–	(287,633)	(287,633)
Write-off	–	–	(825,608)	(825,608)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	<b>(14,457,031)</b>	<b>14,457,031</b>	–	–
<i>Transfer from Stage 1 to Stage 3</i>	<b>(495,522)</b>	–	<b>495,522</b>	–
<i>Transfer from Stage 2 to Stage 1</i>	<b>1,026,665</b>	<b>(1,026,665)</b>	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	<b>(1,207,448)</b>	<b>1,207,448</b>	–
<b>As at 31 December 2019</b>	<b>118,943,528</b>	<b>19,589,885</b>	<b>2,246,797</b>	<b>140,780,210</b>

Loans and advances to corporate entities	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
As at 1 January 2018 (Restated)	97,965,237	8,679,607	3,135,289	109,780,133
New financial assets originated or purchased	65,418,323	–	–	65,418,323
Financial assets matured	(37,919,167)	(3,480,321)	(451,252)	(41,850,740)
Financial assets derecognised other than write-offs	–	–	(1,002,187)	(1,002,187)
Write-off	–	–	(3,412,771)	(3,412,771)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	<b>(3,945,260)</b>	<b>3,945,260</b>	–	–
<i>Transfer from Stage 1 to Stage 3</i>	<b>(804,897)</b>	–	<b>804,897</b>	–
<i>Transfer from Stage 2 to Stage 1</i>	<b>91,000</b>	<b>(91,000)</b>	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	<b>(1,713,018)</b>	<b>1,713,018</b>	–
<i>Transfer from Stage 3 to Stage 2</i>	–	<b>332,500</b>	<b>(332,500)</b>	–
As at 31 December 2018	115,912,202	10,994,279	2,026,277	128,932,758

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Movements on gross amount (excluding interest receivable) of loans and advances to customers (Continued)

(1) *Movements on gross amount (excluding interest receivable) of loans and advances to customers at amortised cost (Continued)*

Retail loans	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
<b>As at 31 December 2018</b>	<b>66,694,768</b>	<b>1,225,257</b>	<b>854,887</b>	<b>68,774,912</b>
New financial assets originated or purchased	59,311,974	–	–	59,311,974
Financial assets matured	(35,694,192)	(914,928)	(275,057)	(36,884,177)
Write-off	–	–	(422,846)	(422,846)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	<i>(1,324,158)</i>	<i>1,324,158</i>	–	–
<i>Transfer from Stage 1 to Stage 3</i>	<i>(521,817)</i>	–	<i>521,817</i>	–
<i>Transfer from Stage 2 to Stage 1</i>	<i>81,310</i>	<i>(81,310)</i>	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	<i>(236,972)</i>	<i>236,972</i>	–
<i>Transfer from Stage 3 to Stage 2</i>	–	<i>9,204</i>	<i>(9,204)</i>	–
<i>Transfer from Stage 3 to Stage 1</i>	<i>12,325</i>	–	<i>(12,325)</i>	–
<b>As at 31 December 2019</b>	<b>88,560,210</b>	<b>1,325,409</b>	<b>894,244</b>	<b>90,779,863</b>

Retail loans	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
As at 1 January 2018 (Restated)	60,180,359	1,007,050	1,436,996	62,624,405
New financial assets originated or purchased	41,237,138	–	–	41,237,138
Financial assets matured	(33,010,457)	(863,861)	(544,102)	(34,418,420)
Financial assets derecognised other than write-offs	–	–	(230,252)	(230,252)
Write-off	–	–	(437,959)	(437,959)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	<i>(1,352,502)</i>	<i>1,352,502</i>	–	–
<i>Transfer from Stage 1 to Stage 3</i>	<i>(504,862)</i>	–	<i>504,862</i>	–
<i>Transfer from Stage 2 to Stage 1</i>	<i>75,323</i>	<i>(75,323)</i>	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	<i>(240,112)</i>	<i>240,112</i>	–
<i>Transfer from Stage 3 to Stage 2</i>	–	<i>45,001</i>	<i>(45,001)</i>	–
<i>Transfer from Stage 3 to Stage 1</i>	<i>69,769</i>	–	<i>(69,769)</i>	–
As at 31 December 2018	66,694,768	1,225,257	854,887	68,774,912

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Movements on gross amount (excluding interest receivable) of loans and advances to customers (Continued)

(2) *Movements on gross amount (excluding interest receivable) of loans and advances to customers at FVOCI*

Discounted bills	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
<b>As at 31 December 2018</b>	<b>13,501,381</b>	–	–	<b>13,501,381</b>
New financial assets originated or purchased	<b>14,063,758</b>	–	–	<b>14,063,758</b>
Proceeds received	<b>(13,501,381)</b>	–	–	<b>(13,501,381)</b>
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	<b>(910)</b>	<b>910</b>	–	–
Fair value measurement	<b>207,760</b>	<b>2</b>	–	<b>207,762</b>
<b>As at 31 December 2019</b>	<b>14,270,608</b>	<b>912</b>	–	<b>14,271,520</b>

Discounted bills	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
As at 1 January 2018 (Restated)	4,802,366	–	–	4,802,366
New financial assets originated or purchased	13,404,806	–	–	13,404,806
Financial assets matured	(4,802,366)	–	–	(4,802,366)
Fair value measurement	96,575	–	–	96,575
As at 31 December 2018	13,501,381	–	–	13,501,381

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 22 INVESTMENT SECURITIES

	As at 31 December	
	2019	2018
<b>Investment securities – FVOCI</b>		
Debt securities – measured at fair value		
– Listed outside Hong Kong	6,189,898	5,243,620
– Listed in Hong Kong	3,948,840	4,176,011
– Unlisted	24,804,608	24,219,352
Total	34,943,346	33,638,983
Interest receivable on financial investments at FVOCI	873,718	839,570
	35,817,064	34,478,553
Equity securities – measured at fair value		
– Unlisted	277,000	208,600
Others	14	14
	36,094,078	34,687,167

Unlisted financial investments measured at FVOCI are set out below:

	As at 31 December	
	2019	2018
Debt securities – measured at fair value (unlisted)		
– Corporate debt	22,611,823	20,527,463
– Policy bank debt	1,082,057	2,090,419
– Commercial bank debt	915,810	1,410,517
– Government debt	194,918	190,953
	24,804,608	24,219,352
Equity securities- measured at fair value (unlisted)		
– Equity investment	277,000	208,600
	25,081,608	24,427,952

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 22 INVESTMENT SECURITIES (Continued)

	As at 31 December	
	2019	2018
<b>Investment securities – amortised cost</b>		
Debt securities – measured at amortised cost		
– Listed outside Hong Kong	<b>11,790,198</b>	12,754,742
– Unlisted	<b>84,069,275</b>	69,646,884
Total	<b>95,859,473</b>	82,401,626
Interest receivable on debt securities at amortised cost	<b>1,950,182</b>	1,595,712
Less: ECL allowance	<b>(1,402,304)</b>	(1,474,029)
	<b>96,407,351</b>	82,523,309

Unlisted financial assets measured at amortised cost are set out below:

	As at 31 December	
	2019	2018
Debt securities – measured at amortised cost (unlisted)		
– Trust investment <sup>(a)</sup>	<b>15,909,408</b>	22,165,632
– Directional asset management plans <sup>(b)</sup>	<b>40,819,000</b>	26,918,000
– Bonds	<b>18,716,867</b>	15,313,226
– Debt financing plans	<b>8,624,000</b>	4,420,000
– Wealth management products purchased from financial institutions	–	315,505
– Others	–	514,521
	<b>84,069,275</b>	69,646,884

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 22 INVESTMENT SECURITIES (Continued)

Movement of impairment allowance for investment securities:

	Investment securities –				
	FVOCI	Investment securities – amortised cost			Total
	Stage 1 12M ECL	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>As at 31 December 2018</b>	<b>88,492</b>	<b>1,049,184</b>	<b>198,538</b>	<b>226,307</b>	<b>1,562,521</b>
New financial assets originated or purchased	28,499	369,078	–	–	397,577
Remeasurement	6,840	(341,184)	231,739	116,642	14,037
Repayments	(19,532)	(190,270)	(178,938)	(78,792)	(467,532)
Transfers:					
<i>Transfer from Stage 1 to Stage 2</i>	–	(30,808)	30,808	–	–
<i>Transfer from Stage 1 to Stage 3</i>	–	(2,411)	–	2,411	–
<i>Transfer from Stage 2 to Stage 3</i>	–	–	(19,600)	19,600	–
<b>As at 31 December 2019</b>	<b>104,299</b>	<b>853,589</b>	<b>262,547</b>	<b>286,168</b>	<b>1,506,603</b>

	Investment securities –				
	FVOCI	Investment securities – amortised cost			Total
	Stage 1 12M ECL	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2018 (Restated)	170,371	936,958	152,169	534,102	1,793,600
Provision for impairment	49,393	442,118	99,729	45,569	636,809
Reversal of impairment allowances	(131,272)	(328,756)	(1,943)	(405,917)	(867,888)
Transfers:					
<i>Transfer from Stage 1 to Stage 2</i>	–	(1,136)	1,136	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	–	(52,553)	52,553	–
As at 31 December 2018	88,492	1,049,184	198,538	226,307	1,562,521

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 22 INVESTMENT SECURITIES (Continued)

Movement on gross amount (excluding interest receivable) of investment securities:

	Investment securities – amortised cost			Total
	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>As at 31 December 2018</b>	<b>81,191,180</b>	<b>602,237</b>	<b>608,209</b>	<b>82,401,626</b>
New financial assets originated or purchased	33,640,316	–	–	33,640,316
Financial assets matured	(19,442,447)	(542,237)	(197,785)	(20,182,469)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(2,191,644)	2,191,644	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(186,598)	–	186,598	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(60,000)	60,000	–
<b>As at 31 December 2019</b>	<b>93,010,807</b>	<b>2,191,644</b>	<b>657,022</b>	<b>95,859,473</b>

	Investment securities – amortised cost			Total
	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2018 (Restated)	80,645,964	817,237	1,811,699	83,274,900
New financial assets originated or purchased	23,410,205	–	–	23,410,205
Proceeds received	(22,753,251)	(55,000)	(1,475,228)	(24,283,479)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(90,000)	90,000	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(21,738)	–	21,738	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(250,000)	250,000	–
As at 31 December 2018	81,191,180	602,237	608,209	82,401,626

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 22 INVESTMENT SECURITIES (Continued)

Investment securities are analysed by issuer as follows:

	As at 31 December	
	2019	2018
<b>Investment securities – FVOCI</b>		
– Corporations	32,729,590	29,926,526
– Policy banks	1,082,057	2,090,419
– Commercial banks	936,781	1,431,085
– Equity investments at fair value	277,000	208,600
– Governments	194,918	190,953
– Others	14	14
Total	35,220,360	33,847,597
Interest receivable on financial investments at FVOCI	873,718	839,570
	36,094,078	34,687,167
<b>Investment securities – amortised cost</b>		
– Trust companies	15,909,408	22,165,632
– Governments	28,776,237	26,183,390
– Securities companies	6,281,000	8,773,521
– Assets management companies	34,538,000	18,659,000
– Corporations	8,654,000	4,450,000
– Policy banks	1,580,828	1,734,578
– Commercial banks	120,000	435,505
Total	95,859,473	82,401,626
Interest receivable on financial investments at amortised cost	1,950,182	1,595,712
Less: ECL allowance	(1,402,304)	(1,474,029)
	96,407,351	82,523,309

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 22 INVESTMENT SECURITIES (Continued)

#### (a) Trust investments

	As at 31 December	
	2019	2018
Trust investments purchased from trust companies		
– guaranteed by third-party companies	8,557,942	11,432,287
– collateralised by properties	4,406,666	7,183,660
– unsecured	2,944,800	3,149,685
Subtotal	15,909,408	21,765,632
Trust investments purchased from commercial banks		
– guaranteed by other banks	–	400,000
Total	15,909,408	22,165,632

#### (b) Directional asset management plans

	As at 31 December	
	2019	2018
Asset management plans purchased from securities companies		
– unsecured	4,250,000	3,090,000
– guaranteed by third-party companies	3,273,000	3,894,000
– collateralised by properties	1,258,000	1,275,000
Subtotal	8,781,000	8,259,000
Asset management plans purchased from asset management companies		
– unsecured	25,093,000	13,834,000
– guaranteed by third-party companies	6,945,000	4,735,000
– guaranteed by guarantee companies	–	90,000
Subtotal	32,038,000	18,659,000
Total	40,819,000	26,918,000

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 23 INVESTMENT IN ASSOCIATES

	As at 31 December	
	2019	2018
Balance at the beginning of the year	1,638,323	1,113,146
Addition of investment in associates	–	316,796
Share of profit of associates	163,250	220,427
Declared cash dividends	–	(12,046)
Balance at the end of the year	1,801,573	1,638,323

On 5 May 2011, the Group invested RMB22,000 thousand in Xingyi Wanfeng Village Bank Co., Ltd. ('Xingyi Wanfeng') on its incorporation and held 20% of equity interest of the RMB110,000 thousand registered capital.

On 15 June 2016, the Group invested RMB54,000 thousand in Mashang Consumer Finance Co., Ltd. ('Mashang Finance') on its incorporation. On 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. On 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. On 9 August 2018, Mashang Finance further increased its registered capital to RMB4 billion, and the Group increased the investment to RMB655,142 thousand, which accounted 15.53% 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 the board of Three Gorges Bank that day, and therefore the Group had significant influence on Three Gorges Bank. Three Gorges Bank became an associate 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.

Investments 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	Net profit/ (loss)	Shareholding (%)
<b>As at 31 December 2019</b>						
Xingyi Wanfeng	PRC	1,232,857	1,093,981	88,140	612	20.00%
Mashang Finance	PRC	54,815,310	48,374,859	8,999,009	853,388	15.53%
Three Gorges Bank	PRC	208,247,378	192,800,124	4,690,149	1,614,073	4.97%
<b>As at 31 December 2018</b>						
Xingyi Wanfeng	PRC	1,339,474	1,201,146	61,925	(11,679)	20.00%
Mashang Finance	PRC	40,262,460	34,675,397	8,239,332	801,200	15.53%
Three Gorges Bank	PRC	204,016,900	190,731,370	4,634,565	1,279,945	4.97%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 24 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
<b>Cost</b>						
As at 31 December 2018	2,786,272	17,433	470,184	136,591	574,275	3,984,755
Additions	34,512	48,663	79,674	6,956	62,266	232,071
Transfer from/(to) construction in progress	186,363	-	414	1,608	(188,385)	-
Transfer from investment properties	4,298	-	-	-	-	4,298
Disposals	(21,931)	(8,557)	(12,687)	(7,571)	-	(50,746)
Transfer to investment properties	(6,487)	-	-	-	-	(6,487)
As at 31 December 2019	2,983,027	57,539	537,585	137,584	448,156	4,163,891
<b>Accumulated depreciation</b>						
As at 31 December 2018	(535,634)	(16,096)	(306,846)	(102,887)	-	(961,463)
Charge for the year (Note 11)	(103,570)	(1,872)	(51,540)	(11,941)	-	(168,923)
Transfer from investment properties	(2,529)	-	-	-	-	(2,529)
Disposals	8,740	7,810	12,040	6,723	-	35,313
Transfer to investment properties	3,722	-	-	-	-	3,722
As at 31 December 2019	(629,271)	(10,158)	(346,346)	(108,105)	-	(1,093,880)
<b>Net book value</b>						
As at 31 December 2019	2,353,756	47,381	191,239	29,479	448,156	3,070,011

As at 31 December 2019, the cost of motor vehicles leased out by the Group under operating lease arrangements was RMB48,663 thousand (31 December 2018: nil). The accumulated depreciation was RMB1,598 thousand (31 December 2018: nil). There were no clauses regarding to residual value guarantee under the lease contracts signed by the Group as a lessor.

As at 31 December 2019, the net value of the buildings whose registration procedures have not been completed was RMB161,854 thousand (31 December 2018: RMB121,815 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

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 24 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
<b>Cost</b>						
As at 31 December 2017	2,809,451	17,433	408,638	136,597	356,440	3,728,559
Additions	16,681	–	73,028	9,133	234,727	333,569
Transfer from/(to) construction in progress	14,252	–	–	–	(14,252)	–
Disposals	(22,790)	–	(11,482)	(9,139)	–	(43,411)
Transfer to long-term prepaid expenses	–	–	–	–	(2,640)	(2,640)
Transfer to investment properties	(1,638)	–	–	–	–	(1,638)
Transfer to held-for-sale assets	(29,684)	–	–	–	–	(29,684)
As at 31 December 2018	2,786,272	17,433	470,184	136,591	574,275	3,984,755
<b>Accumulated depreciation</b>						
As at 31 December 2017	(477,559)	(15,739)	(270,336)	(98,668)	–	(862,302)
Charge for the year (Note 11)	(87,333)	(357)	(46,903)	(12,946)	–	(147,539)
Disposals	12,267	–	10,393	8,727	–	31,387
Transfer to investment properties	729	–	–	–	–	729
Transfer to held-for-sale assets	16,262	–	–	–	–	16,262
As at 31 December 2018	(535,634)	(16,096)	(306,846)	(102,887)	–	(961,463)
<b>Net book value</b>						
As at 31 December 2018	2,250,638	1,337	163,338	33,704	574,275	3,023,292

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 25 OTHER ASSETS

	As at 31 December	
	2019	2018
Interest receivable	101,045	94,428
Fee and commission receivable	628,439	475,779
Other receivables <sup>(a)</sup>	824,433	982,616
Less: Impairment allowance <sup>(a)</sup>	(156,834)	(7,683)
Prepayments for lease assets	213,025	–
Less: Impairment allowance	(11,856)	–
Leasehold improvement	26,509	28,249
Intangible assets <sup>(b)</sup>	206,559	126,705
Foreclosed assets	71,124	17,073
Prepaid rental expenses <sup>(c)</sup>	13,839	24,380
Investment properties <sup>(d)</sup>	3,565	2,703
Right-of-use assets/land use rights <sup>(e)</sup>	267,697	143,085
Continuing involvement in transferred assets	229,459	229,437
Held-for-sale assets	9,964	10,979
Other	38,662	1,461
	<b>2,465,630</b>	<b>2,129,212</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 25 OTHER ASSETS (Continued)

(a) *Other receivables*

Movements on impairment allowance for other receivables:

	Other receivables			
	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 31 December 2018</b>	–	65	7,618	7,683
New financial assets originated or purchased	20,923	–	–	20,923
Remeasurement	4,906	124,796	2,820	132,522
Repayments	(3,617)	(17)	(660)	(4,294)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(17,771)	17,771	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(3,153)	–	3,153	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(22)	22	–
<i>Transfer from Stage 3 to Stage 2</i>	–	28	(28)	–
<i>Transfer from Stage 3 to Stage 1</i>	82	–	(82)	–
<b>As at 31 December 2019</b>	1,370	142,621	12,843	156,834

Movements on gross amount of other receivables:

	Other receivables			
	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 31 December 2018</b>	970,238	1,980	10,398	982,616
New financial assets originated or purchased	157,463	–	–	157,463
Financial assets matured	(313,010)	(873)	(1,763)	(315,646)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(656,691)	656,691	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(12,818)	–	12,818	–
<i>Transfer from Stage 2 to Stage 1</i>	5	(5)	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(1,076)	1,076	–
<i>Transfer from Stage 3 to Stage 2</i>	–	46	(46)	–
<i>Transfer from Stage 3 to Stage 1</i>	149	–	(149)	–
<b>As at 31 December 2019</b>	145,336	656,763	22,334	824,433

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 25 OTHER ASSETS (Continued)

#### (b) Intangible assets

	As at 31 December	
	2019	2018
<b>Cost</b>		
Balance at the beginning of the year	297,874	236,062
Additions	128,555	61,881
Disposals	(1,519)	(69)
Balance at the end of the year	424,910	297,874
<b>Accumulated amortisation</b>		
Balance at the beginning of the year	(171,169)	(135,867)
Amortisation for the year (Note 11)	(48,701)	(35,371)
Disposals	1,519	69
Balance at the end of the year	(218,351)	(171,169)
<b>Net book value</b>		
Balance at the end of the year	206,559	126,705

#### (c) Prepaid rental expenses

Prepaid rental expenses are generated from the rental expenses prepaid for lease exempted from recognition of right-of-use assets and lease liabilities, which resulted from a lease term of 12 months or less or an underlying asset of low value based on the value of the asset when it is new.

#### (d) Investment properties

	As at 31 December	
	2019	2018
<b>Cost</b>		
Balance at the beginning of the year	5,973	4,335
Transfer from property, plant and equipment	6,487	1,638
Transfer-out	(4,298)	–
Disposals	(37)	–
Balance at the end of the year	8,125	5,973
<b>Accumulated depreciation</b>		
Balance at the beginning of the year	(3,270)	(2,402)
Transfer from property, plant and equipment	(3,722)	(729)
Depreciation charged for the year (Note 11)	(119)	(139)
Transfer-out	2,529	–
Disposals	22	–
Balance at the end of the year	(4,560)	(3,270)
<b>Net book value</b>		
Balance at the end of the year	3,565	2,703

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 25 OTHER ASSETS (Continued)

(e) *Right-of-use assets/Land use rights*

	Buildings	Electronic equipment	Office equipment	Land use rights	Total
<b>Cost</b>					
As at 31 December 2018	–	–	–	186,905	186,905
Changes in accounting policies (Note 2.1(a))	124,229	12,693	353	–	137,275
As at 1 January 2019	124,229	12,693	353	186,905	324,180
Add: Additions	33,438	–	127	–	33,565
Less: Deductions	–	–	(6)	–	(6)
As at 31 December 2019	157,667	12,693	474	186,905	357,739
<b>Accumulated depreciation</b>					
As at 31 December 2018	–	–	–	(43,820)	(43,820)
Changes in accounting policies (Note 2.1(a))	–	–	–	–	–
As at 1 January 2019	–	–	–	(43,820)	(43,820)
Add: Depreciation charged for the year (Note 11)	(36,117)	(5,195)	(238)	(4,672)	(46,222)
As at 31 December 2019	(36,117)	(5,195)	(238)	(48,492)	(90,042)
<b>Net book value</b>					
As at 31 December 2019	121,550	7,498	236	138,413	267,697

	Land use rights	Total
<b>Cost</b>		
As at 31 December 2017	187,445	187,445
Less: Deductions	(540)	(540)
As at 31 December 2018	186,905	186,905
<b>Accumulated depreciation</b>		
As at 31 December 2017	(39,461)	(39,461)
Add: Depreciation charged for the year (Note 11)	(4,672)	(4,672)
Less: Deductions	313	313
As at 31 December 2018	(43,820)	(43,820)
<b>Net book value</b>		
As at 31 December 2018	143,085	143,085

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 26 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2019	2018
Loans from central bank	12,280,000	3,232,088
Deposits from other banks	24,460,654	28,482,610
Deposits from other financial institutions	2,641,989	358,010
Loans from other banks and financial institutions	16,773,592	14,029,645
Notes sold under repurchase agreements	4,005,102	3,023,414
Securities sold under repurchase agreements	9,420,500	7,550,700
Total	69,581,837	56,676,467
Interest payable on due to other banks and financial institutions	567,388	413,472
	70,149,225	57,089,939

### 27 CUSTOMER DEPOSITS

	As at 31 December	
	2019	2018
Corporate demand deposits	69,294,876	66,883,415
Corporate time deposits	88,913,327	85,905,724
Individual demand deposits	12,799,558	12,005,521
Individual time deposits	88,013,730	68,480,223
Other deposits	19,480,960	20,894,394
Total	278,502,451	254,169,277
Interest payable on customer deposits	2,546,460	2,224,916
	281,048,911	256,394,193
Including:		
Pledged deposits held as collateral	12,140,229	13,284,371

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 28 DEBT SECURITIES ISSUED

	As at 31 December	
	2019	2018
Subordinated debt		
Fixed rate tier II capital debt – 2026 <sup>(a)</sup>	1,497,618	1,497,618
Fixed rate tier II capital debt – 2027 <sup>(b)</sup>	5,996,830	5,996,591
Financial debt		
Fixed rate financial debt – 2021 <sup>(c)</sup>	2,997,174	2,995,341
Fixed rate green financial debt -2021 <sup>(d)</sup>	5,997,434	5,996,470
Inter-bank certificate of deposit <sup>(e)</sup>	88,508,834	80,114,348
Total	104,997,890	96,600,368
Interest payable on debt securities issued	388,116	382,245
	105,386,006	96,982,613

(a) 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 RMB1.5 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.

(b) 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 RMB6 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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 28 DEBT SECURITIES ISSUED (Continued)

- (c) Pursuant to a resolution at the general meeting passed on 21 July 2017 and the Approval for Bank of Chongqing Co., Ltd. to Issue Financial Bonds (Yu Yin Jian Fu [2017] No. 156) by the CBRC Chongqing Bureau on 3 November 2017, the Group issued RMB3 billion Innovation-and-entrepreneurship-themed bonds within the domestic inter-bank bond market of China on 8 June 2018. Such subordinated bonds have a maturity of 3 years, with a fixed coupon rate of 4.50% per annum before maturity, payable annually. All proceeds raised are used for loans to innovation-and-entrepreneurship-themed enterprises.
- (d) Pursuant to a resolution at the general meeting passed on 21 July 2017 and the Approval for Bank of Chongqing Co., Ltd. to Issue Green Financial Bonds (Yu Yin Jian Fu [2017] No. 157) by the CBRC Chongqing Bureau on 2 November 2017, the Group issued RMB3 billion first phase of green financial bonds within the domestic inter-bank bond market of China on 5 November 2018 with a fixed coupon rate of 4.05%, per annum before maturity, and then issued RMB3 billion second phase of green financial bonds within the domestic inter-bank bond market of China on 21 November 2018 with a fixed coupon rate of 3.88%, per annum before maturity; such subordinated bonds have a maturity of 3 years, per annum before maturity. The proceeds from this issue will be used to support the green industry project specified in the Green Bond Support Project Catalogue compiled by the Green Finance Specialized Committee of the China Financial Association.
- (e) For the year ended 31 December 2019, the Bank issued 181 inter-bank certificates of deposit at discounts with maturities from one month to one year (31 December 2018: 196 inter-bank certificates of deposit with maturities from one month to one year). As at 31 December 2019, 136 items of them are not yet due with a total par value of RMB89.9 billion. (31 December 2018: 119 items of them are not yet due with a total par value of RMB81.65 billion).

For the year ended 31 December 2019, there were no defaults of principal and interest or other breaches with respect to these bonds since their issuance (2018: nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 29 OTHER LIABILITIES

	As at 31 December	
	2019	2018
Clearing funds for unsecured wealth management products	2,115,898	2,035,729
Dividends payable	36,965	28,482
Lease deposit	753,527	402,260
Other payables	515,977	586,649
Employee benefits payable	649,237	536,189
Value-added tax and other taxes payable	303,204	289,464
Deferred income	354,651	282,397
Settlement fund	959	96,493
Promissory notes issued	923	10,257
Continuing involvement in transferred liabilities	229,459	229,437
Provisions	441,834	215,112
Lease liabilities <sup>(a)</sup>	112,012	N/A
Others	11,990	28,856
	<b>5,526,636</b>	<b>4,741,325</b>

(a) As at 31 December 2019, the Group has no leases signed but not yet commenced.

### 30 DEFERRED INCOME TAXES

Deferred income taxes were calculated based on all temporary differences using an effective tax rate of 25% as at 31 December 2019 (31 December 2018: 25%) for transactions.

Movements in the deferred income tax are listed as follows:

	As at 31 December	
	2019	2018
Balance at the beginning of the year	1,890,680	1,380,953
Impact of first adoption of IFRS 9 on opening balance	N/A	491,243
Balance at the beginning of the year (Restated)	1,890,680	1,872,196
Charge to profit or loss (Note 15)	750,129	180,328
Changes in fair value of financial assets at FVOCI	(165,435)	(169,772)
Changes in ECL allowance of financial assets at FVOCI	4,157	7,928
Balance at the end of the year	<b>2,479,531</b>	<b>1,890,680</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 30 DEFERRED INCOME TAXES (Continued)

Deferred tax assets and liabilities are attributable to the following items:

	As at 31 December	
	2019	2018
<b>Deferred tax assets</b>		
Asset impairment allowances	2,606,556	1,792,351
Losses on changes in fair value of financial assets at FVPL	–	19,738
Others <sup>(a)</sup>	303,398	276,386
	<b>2,909,954</b>	2,088,475
<b>Deferred tax liabilities</b>		
Gains on changes in fair value of financial assets at FVPL	(20,616)	–
Gains on changes in fair value of financial assets at FVOCI	(217,691)	(52,256)
Share of the profit from associates under the equity method	(156,765)	(145,539)
Others	(35,351)	–
	<b>(430,423)</b>	(197,795)
<b>Net deferred tax assets</b>	<b>2,479,531</b>	1,890,680

(a) Other deferred tax assets of the Group are mainly generated by accelerated depreciation of property, plant and equipment, unpaid salaries and bonuses, advances from customers and government grants.

Deferred income tax in the consolidated statement of comprehensive income comprises the following temporary differences:

	2019	2018
Asset impairment allowances	810,045	140,204
Changes in fair value of financial assets at FVPL	(40,354)	(20,913)
Profit and loss adjustments of associates	(11,226)	(52,095)
Others	(8,336)	113,132
	<b>750,129</b>	180,328

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 31 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.

	2019	2018
Expenses incurred for retirement benefit plans	<b>118,873</b>	124,477
Expenses incurred for supplementary retirement benefits	<b>127</b>	327
Expenses incurred for corporate annuity plan	<b>41,570</b>	27,978
Total (Note 12)	<b>160,570</b>	152,782

	As at 31 December	
	2019	2018
Consolidated statement of financial position obligations for:		
– Pension benefits	<b>22,808</b>	23,210

	2019	2018
Consolidated statement of comprehensive income charge for:		
– Pension benefits	<b>127</b>	327

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 31 RETIREMENT BENEFIT OBLIGATIONS (Continued)

The amounts recognised in the consolidated statements of financial position are determined as follows:

	As at 31 December	
	2019	2018
Present value of unfunded obligations	22,808	23,210
Unrecognised past service cost	–	–
Net amount of liabilities in the consolidated statement of financial position	22,808	23,210

Movements of the present value of unfunded obligations are as follows:

	2019	2018
Balance at the beginning of the year	23,210	20,659
Retirement benefits paid	(1,526)	(1,887)
Current service cost	–	–
Interest cost	127	327
Net actuarial losses	997	4,111
Past service cost	–	–
Balance at the end of the year	22,808	23,210

Amounts of retirement benefits recognised in the consolidated statement of comprehensive income are as follows:

	2019	2018
Current service cost	–	–
Interest cost	127	327
Past service cost	–	–
Retirement benefit expense – total	127	327

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 31 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Revaluation of retirement benefits plan recognised in the consolidated statement of comprehensive income is as follows:

	2019	2018
Revaluation of retirement benefits plan (Note 40)	(748)	(3,083)

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	
	2019	2018
Male	22.08	22.08
Female	29.58	29.58

### 32 SHARE CAPITAL

All shares of the Bank issued are fully paid ordinary shares. The par value per share is RMB1. The number of the Group's shares is as follows:

	Number of shares (in thousand)	Amount
As at 31 December 2019 and 2018	3,127,055	3,127,055

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 33 PREFERENCE SHARES

#### (1) Preference shares outstanding at the end of the year

	Issue date	Dividend Rate	Issue price (USD)	Quantity in shares	In original currency (USD, in thousands)	In RMB (in thousands)	Maturity	Conversion condition
Offshore preference share	20 December 2017	5.40% at the issue date, and reset 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 2018	Additions	Deductions	31 December 2019
Quantity in shares	37,500,000	–	–	37,500,000
Carrying amount in RMB (in thousands)	4,909,307	–	–	4,909,307

	31 December 2017	Additions	Deductions	31 December 2018
Quantity in shares	37,500,000	–	–	37,500,000
Carrying amount in RMB (in thousands)	4,909,307	–	–	4,909,307

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 33 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 the issue date (inclusive) to the first reset date (exclusive), at the initial dividend rate; and
- (2) thereafter, in respect of the period from the first reset date and each reset date falling thereafter (inclusive) to the immediately following reset date (exclusive), 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.

Furthermore, 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.

If the proposal of cancellation of all or part of offshore preference share dividends is 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 33 PREFERENCE SHARES (Continued)

#### (3) Main clauses (Continued)

##### (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 and accrued up to the conversion date (inclusive); and
- (2) irrevocably and compulsorily convert with effect from the conversion date all or some 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 33 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) senior 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

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 33 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 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 the immediately preceding dividend payment date (inclusive) to the date scheduled for redemption (exclusive).

### 34 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.

The Group's capital surplus is shown as follow:

	As at 31 December	
	2019	2018
Share premium	4,679,838	4,679,838
Donations received from shareholders	800	800
	<b>4,680,638</b>	4,680,638

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 35 OTHER RESERVES

	Surplus reserve <sup>(a)</sup>	General reserve <sup>(b)</sup>	Revaluation reserve of equity instruments at FVOCI	Revaluation reserve of debt instruments at FVOCI	Impairment allowances for financial assets at FVOCI	Remeasurement of retirement benefits plan	Total
Balance at 31 December 2018	2,616,566	5,400,150	150,000	6,943	120,030	(4,497)	8,289,192
Other comprehensive income	-	-	51,300	445,008	(12,473)	(748)	483,087
Addition	409,956	116,535	-	-	-	-	526,491
<b>Balance at 31 December 2019</b>	<b>3,026,522</b>	<b>5,516,685</b>	<b>201,300</b>	<b>451,951</b>	<b>107,557</b>	<b>(5,245)</b>	<b>9,298,770</b>
Balance at 31 December 2017	2,245,019	4,747,365	-	(353,322)	N/A	(1,414)	6,637,648
Changes from first adoption of IFRS 9	-	-	-	949	143,815	-	144,764
<b>Balance at 1 January 2018 (restated)</b>	<b>2,245,019</b>	<b>4,747,365</b>	<b>-</b>	<b>(352,373)</b>	<b>143,815</b>	<b>(1,414)</b>	<b>6,782,412</b>
Other comprehensive income	-	-	150,000	359,316	(23,785)	(3,083)	482,448
Addition	371,547	652,785	-	-	-	-	1,024,332
<b>Balance at 31 December 2018</b>	<b>2,616,566</b>	<b>5,400,150</b>	<b>150,000</b>	<b>6,943</b>	<b>120,030</b>	<b>(4,497)</b>	<b>8,289,192</b>

(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 2019 amounted to RMB3,026,522 thousand (31 December 2018: RMB2,616,566 thousand).*

(b) *General reserve*

*The Bank and its subsidiary 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) on 30 March 2012. In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets. This document 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. This principle has been in effect since 1 July 2012.*

*A general reserve of RMB715,325 thousand based on 1.5% of the ending balance of risk assets for the year ended 31 December 2019 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 2019, the Group appropriated a general reserve of RMB116,535 thousand from retained earnings (2018: RMB652,785 thousand). As at 31 December 2019, the ending balance of general reserve was RMB5,516,685 thousand (31 December 2018: RMB5,400,150 thousand).*

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 36 DIVIDENDS

	2019	2018
Dividend declared during the year	481,566	368,992
Dividend per share (in RMB)(Based on prior year shares)	0.154	0.118
Preference shares dividends declared during the year	310,592	310,161

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 RMB0.236 per share in respect of profit for the year ended 31 December 2019 (2018: RMB0.154 per share), amounting to a total dividend of RMB737,985 thousand based on the number of shares issued as at 31 December 2019, will be proposed for approval at the annual general meeting. These consolidated financial statements do not reflect this dividend payable in liabilities.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 37 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.

As at 31 December 2019, the structured entities consolidated by the Group amounted to RMB5,307,776 thousand (31 December 2018: 5,853,716 thousand).

#### (b) Unconsolidated structured entity

##### (i) *Unconsolidated structured entities managed by the Group*

The unconsolidated structure entities managed by the Group are mainly unsecured 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 RMB661,875 thousand for the year ended 31 December 2019 through provision of asset management service (2018: RMB542,435 thousand). The Group expects that the variable return is insignificant as to the structured entities. By the end of 31 December 2019, the maximum risk exposure of the unconsolidated structured entities was zero (31 December 2018: nil). The Group has not provided any liquidity support to the wealth management products during the year (2018: nil).

As at 31 December 2019, asset investment from the unsecured wealth management products issued and managed by the Group which were unconsolidated structure entities amounted to RMB46,940,400 thousand (31 December 2018: RMB49,967,816 thousand). The balance of unconsolidated wealth management products issued and managed by the Group amounted to RMB49,056,298 thousand (31 December 2018: RMB52,003,545 thousand).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 37 STRUCTURED ENTITY (Continued)

#### (b) Unconsolidated structured entity (Continued)

##### (ii) Unconsolidated structured entities invested by the Group

In 2019 and 2018, 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 financial assets at FVPL and amortised cost.

The table below lists the carrying amount and maximum loss risk exposure of the assets due to the holdings of interests from unconsolidated structured entities.

As at 31 December 2019	Carrying amount	Maximum risk exposure
Financial assets at FVPL	25,198,130	25,198,130
Investment securities – amortised cost	55,471,072	55,471,072
	<b>80,669,202</b>	<b>80,669,202</b>

As at 31 December 2018	Carrying amount	Maximum risk exposure
Financial assets at FVPL	25,836,969	25,836,969
Investment securities – amortised cost	48,029,120	48,029,120
	73,866,089	73,866,089

The market information of total size of the unconsolidated structured entities listed above is not readily available to the public.

The interest income and fee and commission income from the above unconsolidated structured entities managed and invested by the Group were:

	2019	2018
Interest income	3,560,553	2,824,400
Income from investment	1,119,929	1,617,308
Fee and commission income	797,031	795,027
	<b>5,477,513</b>	5,236,735

For the year ended 31 December 2019, there was no loss related to the above unconsolidated structured entities (2018: nil).

For the year ended 31 December 2019, the Group had no plan to provide any financial or other support to unconsolidated structured entities (2018: nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 38 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	
	2019	2018
Guarantees	6,769,309	3,940,630
Letters of credit	9,086,819	10,458,452
Acceptances	29,221,132	18,012,260
Other commitments with an original maturity of		
– Within 1 year	4,285,871	3,198,978
– Over 1 year	4,340	50,402
	<b>49,367,471</b>	35,660,722

#### Capital expenditure commitments

	As at 31 December	
	2019	2018
Contracted but not provided for:		
– Capital expenditure commitments for buildings	107,159	133,072
– Acquisition of IT system	99,422	166,256
	<b>206,581</b>	299,328
Authorised but not contracted for:		
– Capital expenditure commitments for buildings	–	69,321
	–	69,321

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 38 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

#### 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 2019	As at 31 December 2018
Within 1 year	N/A	42,079
Over 1 year but within 5 years	N/A	88,809
Over 5 years	N/A	17,191
	N/A	148,079

#### External investment commitment

As at 31 December 2019 and 31 December 2018, 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 39 outstanding legal claims of RMB276,359 thousand in total as at 31 December 2019 (31 December 2018: 27 outstanding legal claims of RMB284,540 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

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 39 COLLATERALS

#### (a) Assets pledged

The carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	As at 31 December	
	2019	2018
Debt securities	9,420,500	7,550,700
Discounted bills	4,005,102	3,035,763
Total	13,425,602	10,586,463

The carrying amounts of loans pledged as collateral under refinance agreements with the PBOC are as follows:

	As at 31 December	
	2019	2018
Loans	4,207,951	4,442,000
Bonds	11,038,578	619,200
	15,246,529	5,061,200

As at 31 December 2019 and 2018, 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 2019, the Group has accepted collaterals that can be resold or repledged with a carrying amount of RMB50,426,926 thousand (31 December 2018: RMB40,285,198 thousand). The Group has no re-pledged collateral which has to be returned upon maturity as at 31 December 2019 (31 December 2018: nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 40 OTHER COMPREHENSIVE INCOME

	Before tax amount	Income tax	Net of tax amount
<b>As at 31 December 2019</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Net gains on valuation of financial assets measured at FVOCI	593,343	(148,335)	445,008
Credit loss provision of financial assets measured at FVOCI	(16,630)	4,157	(12,473)
<i>Items that will not be reclassified to profit or loss:</i>			
Net gains on equity instruments measured at FVOCI	68,400	(17,100)	51,300
Revaluation of retirement benefit plans	(997)	249	(748)
<b>Other comprehensive income for the year</b>	<b>644,116</b>	<b>(161,029)</b>	<b>483,087</b>
<b>As at 31 December 2018</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Net gains on valuation of financial assets measured at FVOCI	464,530	(116,132)	348,398
Net gains on disposal of financial assets measured at FVOCI that are reclassified into profit or loss	14,558	(3,640)	10,918
Credit loss provision of financial assets measured at FVOCI	(31,713)	7,928	(23,785)
<i>Items that will not be reclassified to profit or loss:</i>			
Net gains on equity instruments measured at FVOCI	200,000	(50,000)	150,000
Revaluation of retirement benefit plans	(4,111)	1,028	(3,083)
<b>Other comprehensive income for the year</b>	<b>643,264</b>	<b>(160,816)</b>	<b>482,448</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 41 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Cash and cash equivalents

For the purposes of the consolidated 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	
	2019	2018
Cash and balances with central bank	5,992,177	5,815,733
Due from other banks and financial institutions	2,571,262	4,882,475
Placements with banks	1,395,240	3,568,864
	<b>9,958,679</b>	14,267,072

#### (b) Cash outflows relating to leases

For the year ended 31 December 2019, total cash outflows paid by the Group as a lessee amounted to RMB56,651 thousand, of which cash payments for the principal portion and interest portion of the lease liabilities as cash flows from financing activities amounted to RMB50,103 thousand, and the rest was included in operating activities.

### 42 FINANCIAL ASSETS TRANSFER

#### (a) Package disposal of loans and advances

For the year ended 31 December 2019, the Group disposed of no packaged loans (continuously transfer more than one loan to the same transferee) to the third parties.

For the year ended 31 December 2018, the Group disposed of packaged loans to the third parties with a gross amount of RMB315,844 thousand and collected a total amount of RMB315,844 thousand. As at 31 December 2018, the remaining balance amounted to RMB225,806 thousand has not been collected yet and will be collected in four years by installment. The Group derecognised these loans accordingly. As at 31 December 2019, the uncollected balance amounted to RMB187,391 thousand without default.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 42 FINANCIAL ASSETS TRANSFER (Continued)

#### (b) Asset securitisation

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to trust companies or special purpose trusts which issue asset-backed securities to investors.

The Group may retain interests in the form of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the financial statement to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets.

As at 31 December 2019, assets continuously recognised by the Group amounted to RMB229,459 thousand have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets in the form of holding subordinated tranches. (31 December 2018: RMB229,437 thousand).

As at 31 December 2019, the gross amount and carrying amount of unmatured securitised loans was RMB5,203,226 thousand and RMB3,543,475 thousand respectively (31 December 2018: RMB5,203,226 thousand and RMB3,543,475 thousand respectively). Among them, the Group disposed of non-performing loans with a gross amount of RMB2,862,264 thousand (31 December 2018: RMB2,862,264 thousand), and derecognised these loans accordingly.

### 43 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, jointly 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 43 RELATED PARTY TRANSACTIONS (Continued)

#### (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	
	2019	2018
Due from other banks and financial institutions	–	1
Due to other banks and financial institutions	1,317	123
	2019	2018
Interest income	–	25,358
Interest expense	9	1

##### *Related party transactions and balances (besides associates)*

The transactions between the Group and the related parties, mainly comprised of those concerning loans and deposits, were engaged under ordinary business terms.

All transaction balances and ranges of the interest rate with the related parties (excluding associates) at the end of reporting period are as follows:

	As at 31 December	
	2019	2018
Loans and advances to customers	2,195,916	1,433,014
Customer deposits	1,051,895	1,037,974
Due to other banks and financial institutions	1,611	1,324
Other receivables	71,092	162,877
Investment securities at amortised cost	500,000	500,000
Investment asset at FVOCI	540,000	540,000

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 43 RELATED PARTY TRANSACTIONS (Continued)

#### (b) Related party transactions and balances (Continued)

	As at 31 December	
	2019	2018
Loans and advances to customers	3.19%-6.6%	4.165%-5.655%
Customer deposits	0.05%-5.4%	0.05%-4.8%
Due to other banks and financial institutions	0.385%	0.05%-0.385%
Investment securities at amortised cost	6.52%	5.3%
Investment asset at FVOCI	6.3%	6.3%
	2019	2018
Interest income from loans and advances to customers	112,416	20,273
Interest income from investment securities	66,620	38,936
Interest expense for customer deposits	8,570	4,265
Fee and commission income	154	445

As at 28 March 2018, Chongqing Yukang Asset Management Co., Ltd., the Group's related party, subscribed three trust schemes issued by third-party trust companies. The investments amounted to RMB733,592 thousand, RMB490,139 thousand and RMB227,324 thousand, holding 99.32%, 100% and 100% of their shares respectively. The underlying assets of the trust schemes were the credit assets beneficial right transferred by the Group and amounted to RMB1,619,902 thousand, RMB1,242,362 thousand and RMB444,296 thousand respectively.

#### (c) Balance of loans and advances to customers guaranteed by the related parties

	As at 31 December	
	2019	2018
Chongqing Sanxia Financing Guarantee Group Corporation	354,593	466,180
Chongqing Small&Mirco Business Financing Guarantee Co., Ltd.	96,762	79,789
Chongqing Education Guarantee Co., Ltd.	95,322	163,150
Chongqing Yutai Guarantee Co., Ltd.	42,118	90,263
Chongqing RE-Guarantee Co., Ltd.	49,529	34,500
	638,324	833,882

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 43 RELATED PARTY TRANSACTIONS (Continued)

#### (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.

Transactions and balances are as follows:

<b>The Bank</b>	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
Due from other banks and financial institutions	<b>50,000</b>	1,600,000
Due to other banks and financial institutions	<b>396,785</b>	151,215

<b>The Bank</b>	<b>2019</b>	<b>2018</b>
Interest income	<b>65,253</b>	14,779
Interest expense	<b>5,961</b>	4,823
Fee and commission income	<b>1,567</b>	2,008

#### (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. For the years ended 31 December 2019 and 2018, 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 2019 and 2018 comprises:

	<b>2019</b>	<b>2018</b>
Remunerations, salaries, allowances and benefits	<b>5,488</b>	3,485
Discretionary bonuses	<b>10,638</b>	2,751
Contribution to pension schemes	<b>1,369</b>	1,074
	<b>17,495</b>	7,310

#### (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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 44 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 businesses refer to the businesses that are not included in the above three segments or cannot be allocated on an appropriate basis.

	2019				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net interest income from external customers	5,258,190	566,062	3,014,877	–	8,839,129
Inter-segment net interest income/(expense)	1,630,526	1,777,970	(3,408,496)	–	–
<b>Net interest income/(expense)</b>	<b>6,888,716</b>	<b>2,344,032</b>	<b>(393,619)</b>	<b>–</b>	<b>8,839,129</b>
<b>Net fee and commission income</b>	<b>137,937</b>	<b>322,624</b>	<b>797,032</b>	<b>–</b>	<b>1,257,593</b>
Net trading income	106,498	–	141,605	–	248,103
Net gains on investment securities	–	–	1,381,023	–	1,381,023
Share of profit of associates	–	–	163,250	–	163,250
Other operating income	–	2,025	1,200	61,964	65,189
Impairment losses	(3,321,733)	(346,319)	54,581	(110)	(3,613,581)
Operating expense	(1,395,051)	(976,262)	(348,053)	(49,053)	(2,768,419)
– Depreciation and amortisation	(137,819)	(96,447)	(34,385)	(4,846)	(273,497)
– Others	(1,257,232)	(879,815)	(313,668)	(44,207)	(2,494,922)
<b>Profit before income tax</b>	<b>2,416,367</b>	<b>1,346,100</b>	<b>1,797,019</b>	<b>12,801</b>	<b>5,572,287</b>

	As at 31 December 2019				
<b>Capital expenditure</b>	<b>132,720</b>	<b>64,001</b>	<b>172,783</b>	<b>1,888</b>	<b>371,392</b>
<b>Segment assets</b>	<b>179,118,971</b>	<b>86,376,445</b>	<b>233,188,183</b>	<b>2,548,265</b>	<b>501,231,864</b>
<b>Segment liabilities</b>	<b>(197,208,744)</b>	<b>(102,080,647)</b>	<b>(163,327,112)</b>	<b>(1,692)</b>	<b>(462,618,195)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 44 SEGMENT ANALYSIS (Continued)

	2018				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net interest income from external customers	5,567,780	398,680	909,186	–	6,875,646
Inter-segment net interest income/ (expense)	1,826,220	1,526,162	(3,352,382)	–	–
<b>Net interest income/(expense)</b>	<b>7,394,000</b>	<b>1,924,842</b>	<b>(2,443,196)</b>	<b>–</b>	<b>6,875,646</b>
<b>Net fee and commission income</b>	<b>253,567</b>	<b>293,328</b>	<b>795,027</b>	<b>–</b>	<b>1,341,922</b>
Net trading income	245,215	–	222,556	–	467,771
Net gains on investment securities	–	–	1,869,777	–	1,869,777
Share of profit of associates	–	–	220,427	–	220,427
Other operating income	–	2,824	880	71,264	74,968
Impairment losses	(3,593,659)	61,776	107,214	(12,099)	(3,436,768)
Operating expense	(1,340,359)	(1,028,132)	(163,636)	(38,994)	(2,571,121)
– Depreciation and amortisation	(108,104)	(82,921)	(13,198)	(3,145)	(207,368)
– Others	(1,232,255)	(945,211)	(150,438)	(35,849)	(2,363,753)
<b>Profit before income tax</b>	<b>2,958,764</b>	<b>1,254,638</b>	<b>609,049</b>	<b>20,171</b>	<b>4,842,622</b>

	As at 31 December 2018				
<b>Capital expenditure</b>	<b>151,731</b>	<b>71,256</b>	<b>186,402</b>	<b>1,756</b>	<b>411,145</b>
<b>Segment assets</b>	<b>166,206,234</b>	<b>78,053,909</b>	<b>204,185,736</b>	<b>1,923,094</b>	<b>450,368,973</b>
<b>Segment liabilities</b>	<b>(182,012,244)</b>	<b>(81,570,116)</b>	<b>(152,173,991)</b>	<b>(1,049)</b>	<b>(415,757,400)</b>

### 45 OPERATING LEASE PAYMENTS TO BE RECEIVED SUBSEQUENT TO THE BALANCE SHEET DATE

As a lessor, the undiscounted cash flow of lease payments to be received subsequent to the balance sheet date is summarised as follow:

	As at 31 December 2019
Within 1 year	13,285
1 year to 2 years	13,215
2 year to 3 years	13,100
3 year to 4 years	13,100
4 year to 5 years	10,050
Over 5 years	–
	<b>62,750</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 46 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	
	2019	2018
<b>ASSETS</b>		
Cash and balances with central bank	32,033,098	33,216,841
Due from other banks and financial institutions	61,326,588	59,492,166
Financial assets at fair value through profit or loss ('FVPL')	26,977,016	27,421,858
Loans and advances to customers	220,833,569	190,973,038
Investment securities		
– Fair value through other comprehensive income ('FVOCI')	36,094,078	34,687,167
– Amortised cost	96,407,351	82,523,309
Investment in subsidiaries	1,530,000	1,530,000
Investment in associates	1,801,573	1,638,323
Property, plant and equipment	2,979,716	2,978,159
Deferred tax assets	2,301,109	1,778,471
Other assets	2,219,179	2,126,011
<b>Total assets</b>	<b>484,503,277</b>	<b>438,365,343</b>
<b>LIABILITIES</b>		
Due to other banks and financial institutions	56,439,800	47,444,989
Financial liabilities at fair value through profit or loss	3,602	657
Customer deposits	281,048,911	256,394,193
Current tax liabilities	420,601	474,564
Debt securities issued	105,386,006	96,982,613
Other liabilities	4,457,109	4,111,572
<b>Total liabilities</b>	<b>447,756,029</b>	<b>405,408,588</b>
<b>EQUITY</b>		
Share capital	3,127,055	3,127,055
Preference shares	4,909,307	4,909,307
Capital surplus	4,680,638	4,680,638
Other reserves	9,207,581	8,237,748
Retained earnings	14,822,667	12,002,007
<b>Equity attributable to shareholders of the Bank</b>	<b>36,747,248</b>	<b>32,956,755</b>
Non-controlling interests	–	–
<b>Total equity</b>	<b>36,747,248</b>	<b>32,956,755</b>
<b>Total liabilities and equity</b>	<b>484,503,277</b>	<b>438,365,343</b>

LIN JUN

RAN HAILING

YANG SHIYIN

YANG KUN

CHAIRMAN

PRESIDENT

VICE PRESIDENT

HEAD OF FINANCE  
DEPARTMENT

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 (All amounts expressed in thousands of RMB unless otherwise stated)

### 46 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 financial assets at FVOCI	Revaluation of retirement benefits	Retained earnings	Total
<b>Balance at 31 December 2017</b>	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
Changes on initial application of IFRS 9	-	-	-	-	-	144,764	-	(1,618,487)	(1,473,723)
Restated balance at									
1 January 2018	3,127,055	4,909,307	4,680,638	2,241,031	4,733,316	(208,558)	(1,414)	9,956,618	29,437,993
Net profit for the year	-	-	-	-	-	-	-	3,715,467	3,715,467
Other comprehensive income	-	-	-	-	-	485,531	(3,083)	-	482,448
<b>Total comprehensive income</b>	-	-	-	-	-	485,531	(3,083)	3,715,467	4,197,915
Dividends to ordinary shares	-	-	-	-	-	-	-	(368,992)	(368,992)
Dividends to preference shares	-	-	-	-	-	-	-	(310,161)	(310,161)
Transfer to other reserves	-	-	-	371,547	619,378	-	-	(990,925)	-
<b>Balance at 31 December 2018</b>	3,127,055	4,909,307	4,680,638	2,612,578	5,352,694	276,973	(4,497)	12,002,007	32,956,755
<b>Balance at 31 December 2018</b>	3,127,055	4,909,307	4,680,638	2,612,578	5,352,694	276,973	(4,497)	12,002,007	32,956,755
Net profit for the year	-	-	-	-	-	-	-	4,099,564	4,099,564
Other comprehensive income	-	-	-	-	-	483,835	(748)	-	483,087
<b>Total comprehensive income</b>	-	-	-	-	-	483,835	(748)	4,099,564	4,582,651
Dividends to ordinary shares	-	-	-	-	-	-	-	(481,566)	(481,566)
Dividends to preference shares	-	-	-	-	-	-	-	(310,592)	(310,592)
Transfer to other reserves	-	-	-	409,956	76,790	-	-	(486,746)	-
<b>Balance at 31 December 2019</b>	3,127,055	4,909,307	4,680,638	3,022,534	5,429,484	760,808	(5,245)	14,822,667	36,747,248

### 47 SUBSEQUENT EVENTS

#### Evaluation of the impact of the Coronavirus Disease 2019 ('COVID-19')

Since the outbreak of COVID-19 across the country in January 2020, the Group has earnestly implemented the requirements of *Notice on Further Strengthening Financial Support for the Prevention and Control of COVID-19 (Yinfa [2020] No.29)*, and enhanced financial support for the epidemic prevention and control. COVID-19 may to some extent affect the quality or the yields of the credit assets and investment assets, and the degree of impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies. The Group has constantly paid close attention to the development of COVID-19, organised specialised risk investigations, assessed and reacted actively to its impacts on the financial position and operating results.

# Unaudited Supplementary Financial Information

## 1. Liquidity Ratios

<b>(Expressed in percentage)</b>	<b>As at December 31, 2019</b>	As at December 31, 2018
RMB current assets to RMB current liabilities	<b>73.18</b>	78.84
Foreign currency current assets to foreign currency current liabilities	<b>385.34</b>	146.55

The liquidity ratios are calculated in accordance with the relevant provisions of the PBOC and the CBIRC.

## 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 other 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% 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 another 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.

<b>(All amounts expressed in thousands of RMB unless otherwise stated)</b>	<b>As at December 31, 2019</b>	As at December 31, 2018
Asia Pacific excluding Mainland China	<b>726,101</b>	1,174,254
– of which attributed to Hong Kong	<b>722,375</b>	1,173,788
Europe	<b>26,392</b>	2,509
North America	<b>957,747</b>	424,427
Oceania	–	–
<b>Total</b>	<b>1,710,240</b>	1,601,190

## Unaudited Supplementary Financial Information

### 3. Currency Concentrations

(All amounts expressed in thousands of RMB unless otherwise stated)	Equivalent in RMB			Total
	US Dollar	HK Dollar	Others	
<b>As at December 31, 2019</b>				
Spot assets	13,529,109	967	121,529	13,651,606
Spot liabilities	(13,114,194)	(969)	(122,951)	(13,238,113)
Net long/(short) position	414,915	(2)	(1,422)	413,493

(All amounts expressed in thousands of RMB unless otherwise stated)	Equivalent in RMB			Total
	US Dollar	HK Dollar	Others	
<b>As at December 31, 2018</b>				
Spot assets	17,508,250	352	96,753	17,605,355
Spot liabilities	(17,197,071)	(349)	(98,647)	(17,296,067)
Net long/(short) position	311,179	3	(1,894)	309,288

### 4. Overdue and Rescheduled Assets

#### (1) Total overdue loans

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019		As at December 31, 2018	
	Total Overdue loans to customers	Percentage (%)	Total Overdue loans to customers	Percentage (%)
Within 3 months	4,053,545	60.03	4,476,712	62.42
Between 3 and 6 months	483,855	7.17	483,543	6.74
Between 6 and 12 months	720,332	10.67	1,003,262	13.99
Over 12 months	1,494,544	22.13	1,208,749	16.85
<b>Total</b>	<b>6,752,276</b>	<b>100.00</b>	<b>7,172,266</b>	<b>100.00</b>

#### (2) Overdue and rescheduled loans

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2019	As at December 31, 2018
Gross amount of overdue and rescheduled loans	240,145	928,953

#### 4. Overdue and Rescheduled Assets (Continued)

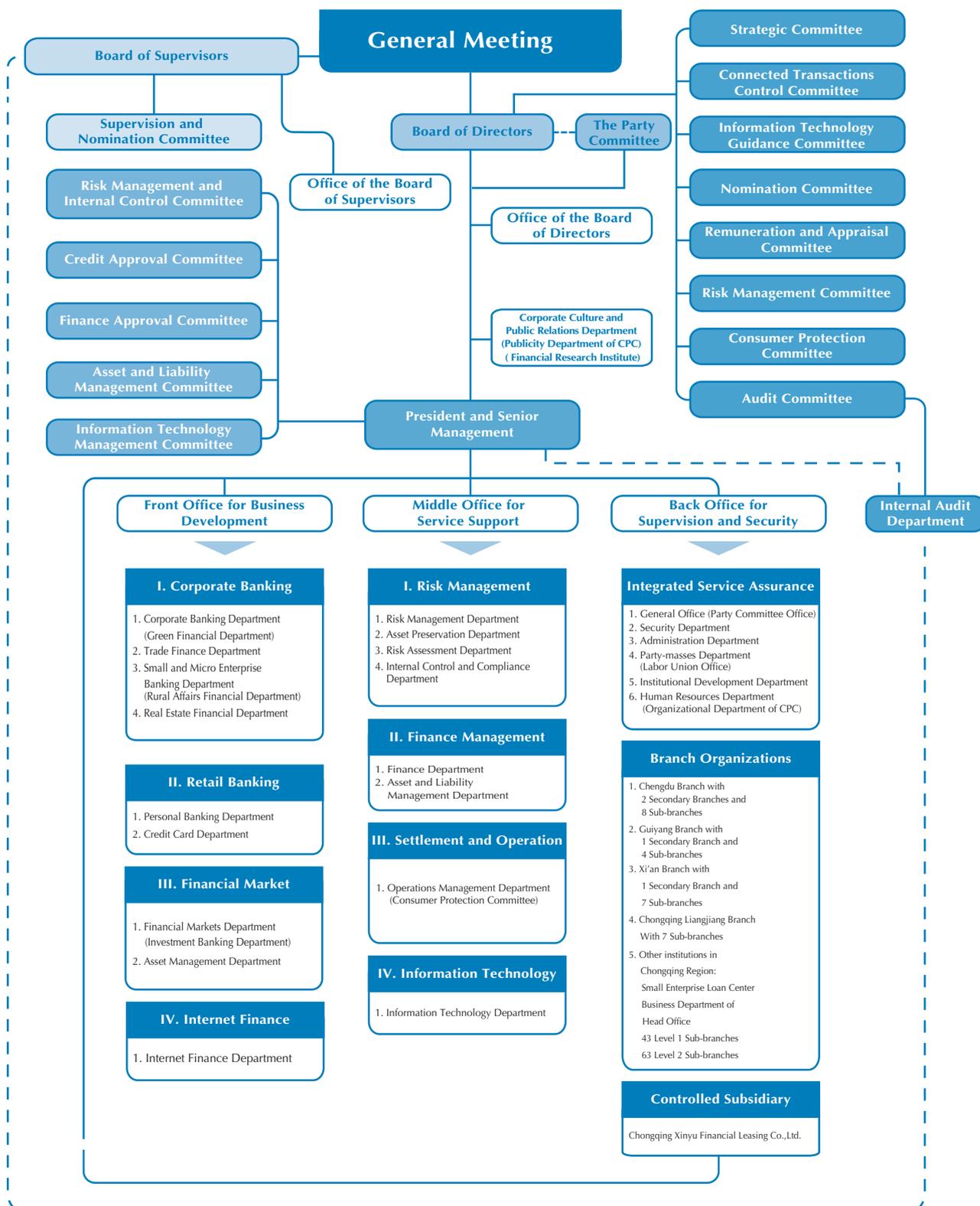
##### (3) Type of collateral of overdue loans

(All amounts expressed in thousands of RMB unless otherwise stated)	Past due 1-90 days (including 90 days)	Past due 90 days- 1 year (including 1 year)	Past due 1 year- 3 year (including 3 year)	Past due over 3 years	Total
<b>As at December 31, 2019</b>					
Unsecured loans	295,492	238,181	54,101	15,683	603,457
Guaranteed loans	1,856,803	377,940	325,922	6,564	2,567,229
Collateralised loans	1,774,694	588,066	841,124	101,783	3,305,667
Pledged loans	126,556	–	149,367	–	275,923
<b>Total</b>	<b>4,053,545</b>	<b>1,204,187</b>	<b>1,370,514</b>	<b>124,030</b>	<b>6,752,276</b>
<b>As at December 31, 2018</b>					
Unsecured loans	278,797	163,017	50,172	8,898	500,884
Guaranteed loans	2,193,873	270,950	284,650	12,445	2,761,918
Collateralised loans	1,707,901	1,004,686	507,102	198,361	3,418,050
Pledged loans	294,308	49,985	147,121	–	491,414
<b>Total</b>	<b>4,474,879</b>	<b>1,488,638</b>	<b>989,045</b>	<b>219,704</b>	<b>7,172,266</b>

#### 5. Geographical Information

The Bank mainly operates its business in Mainland China, and most of its loans and advances are granted to the clients from the city of Chongqing.

# Organizational Chart



# List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
1	Business Department of Bank of Chongqing Co., Ltd.	Lot A04-1/03, Outline Zoning A, Jiangbeicheng, Jiangbei District	400020
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 Xinzubiao Building, No. 25 Tangyan Road, Xi'an	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.	1st and 4th floors, Building A, Yan'an Mintou Financial Town, southwest corner of Zichang Road & Xuanyuan Avenue, New District, Baota District, Yan'an	716000
11	Wenhua Gong 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.	(street frontage), Oupeng Building, No. 216 Xinhua Road, Yuzhong District, Chongqing	400010
20	Chaotianmen Sub-branch of Bank of Chongqing Co., Ltd.	No. 7 Datong Street, Yuzhong District, Chongqing	400011

## List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
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	Sanxia Plaza Sub-branch of Bank of Chongqing Co., Ltd.	No. 339-3, Xiaolongkan Zheng Street, Shapingba District, Chongqing	400030
27	Shazheng Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 37-6 Shazheng Street, Shapingba District, Chongqing	400030
28	Xiaolongkan Sub-branch of Bank of Chongqing Co., Ltd.	No. 18 Xiaolongkan New Street, Shapingba District, Chongqing	400030
29	Tianxingqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 40-28 Tianxingqiao Zheng Street, Shapingba District, Chongqing	400030
30	Xiyong Weidianyuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 17-21 and 63-67, No. 26, Xishuang Avenue, Shapingba District, Chongqing	401332
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
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

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No.	Name of Banking Institution	Address	Postal Code
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.	Shop-1 13-20, Shop-2 9-14, Shop-3 6-12, No. 40, Longzhou Avenue, Banan District, Chongqing	401320
45	Yudong Sub-branch of Bank of Chongqing Co., Ltd.	No. 60-1 Xinshi Street, Banan District	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	Lijiatuo Sub-branch of Bank of Chongqing Co., Ltd.	Shop 5 No. 5, Mawangping Zheng Street, Lijiatuo, Banan District	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	400700
50	Southwest University Sub-branch of Bank of Chongqing Co., Ltd.	No. 18 Shigang Village, Beibei District	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	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	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	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
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	401121

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No.	Name of Banking Institution	Address	Postal Code
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	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	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	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	401120
69	Yubei Sub-branch of Bank of Chongqing Co., Ltd.	Shops 1-1 and 2-1 of Integrated Commercial Complex of Shengjing Tianxia, No. 9 Baiguo Road, Shuanglonghu Sub-district, Yubei District, Chongqing	401120
70	Lianglu Sub-branch of Bank of Chongqing Co., Ltd.	No. 86 Shuanglong Avenue, Shuanglonghu Sub-district, Yubei District	401120
71	Fuling Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-2, 2-2, 3-1, 3-4, Basement, Block 2, Xiangjiang Garden, No. 8-1 Zhongshan Road, Fuling District, Chongqing	408000
72	Fuling Stadium Sub-branch of Bank of Chongqing Co., Ltd.	Xinghua Middle Road (Stadium South Road), Fuling District, Chongqing	408000
73	Lidu Sub-branch of Bank of Chongqing Co., Ltd.	Shop 17, 18, 19, 20, Building S2-1, Panhua International Plaza, No. 29-20, 21, 22, 23, Taibai Avenue, Fuling District, Chongqing	408100
74	Changshou Sub-branch of Bank of Chongqing Co., Ltd.	No. 10 Taoyuan West Road, Changshou District, Chongqing	401220
75	Yanjia Sub-branch of Bank of Chongqing Co., Ltd.	No. 33 Yucai Road, Yanjia Sub-district, Changshou District, Chongqing	401221
76	Fengcheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 2 Xiangyang Road, Changshou District, Chongqing	401220
77	Hechuan Sub-branch of Bank of Chongqing Co., Ltd.	1-2, 2-1, No. 402, 400 Jiangcheng Avenue, South Office, Hechuan District	401520
78	Hechuan District Zhaojia Sub-branch of Bank of Chongqing Co., Ltd.	No. 47, 49, 51 Jiaotong Street and No. 210, 212, 214, 216 Zuofu Road, Joint Office, Hechuan District	401520
79	Wanzhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 193 Baiyan Road, Wanzhou District, Chongqing	404000
80	Wanzhou District Wuqiao Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Building A, Shanghai Grand World, No. 55 Shanghai Avenue, (Wuqiao) Wanzhou District	404020

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No.	Name of Banking Institution	Address	Postal Code
81	Qianjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 555 Xinhua Avenue (West Section), Chengxi Sub-district, Qianjiang District	409000
82	Dashizi Sub-branch of Bank of Chongqing Co., Ltd.	No. 120 Jiefang Road, Chengdong Sub-district, Qianjiang District, Chongqing	409000
83	Jiangjin Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-2 and 2-1, Building 1, Xiangrui Building, No. 518 Dingshan Avenue, Dingshan Sub-district, Jiangjin District, Chongqing	402260
84	Jiangjin District Shuangfu Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1, 1-2 and 1-3, Basement, Block 1, Meifang Mansion, Shui Basement, No. 95, 93 and 91 Shuangfu Avenue, Shuangfu Sub-district, Jiangjin District, Chongqing	402260
85	Jiangjin District Zongbao Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-8, Block Commercial, Century Huacheng, No. 23 Luohuang Industrial Park Avenue, Luohuang Town, Jiangjin District, Chongqing	402283
86	Tongliang Sub-branch of Bank of Chongqing Co., Ltd.	2-1, No. 2, No. 2 Jiefang East Road, Bachuan Sub-district, Tongliang District, Chongqing	402560
87	Tongliang District Xincheng Sub-branch of Bank of Chongqing Co., Ltd.	(Even No.) No. 198-206 and 206-1-8 Zhongxing East Road, Dongcheng Sub-district, Tongliang District, Chongqing	402560
88	Yongchuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 78 Renmin South Road, Yongchuan District, Chongqing	402160
89	Yongchuan District Yuxi Square Sub-branch of Bank of Chongqing Co., Ltd.	No. 101-1-5 and 101-10 Xuanhua Road, Yongchuan District, Chongqing	402160
90	Liangping Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-21 to 1-25, 1-96 to 1-101, 2-19 to 2-25, Building 2, No. 5, Jingui Road, Shuanggui Street, Liangping District, Chongqing	405200
91	Liangping Sanxiafeng Sub-branch of Bank of Chongqing Co., Ltd.	No. 2, 4 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. 29 Heping Road, No. 2 West Street, Xi Cheng Sub-district, Nanchuan District, Chongqing	408400
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

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No.	Name of Banking Institution	Address	Postal Code
97	Bishan Sub-branch of Bank of Chongqing Co., Ltd.	No. 78, No. 80, No. 82, No. 84, No. 86, Shuangxing Avenue, Biquan Street, Bishan District, 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	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.	1-4, 1-5, 2-4 and 2-5, No. 70-1, Fengxiang Road, Zhonghe Street, Xiushan County, Chongqing	409900
102	Xiushan County Wuyue Plaza Sub-branch of Bank of Chongqing Co., Ltd.	1-4, 1-5 and 1-6, Unit 1, Building 1, No. 3 Baisha Avenue (North Section), Zhonghe Street, 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. 335 Shengji West Road, Tangxiang Avenue, Dazu District, Chongqing	402360
106	Shuangqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 10-39 Xihu Avenue, Shuangqiao District, Chongqing	400900
107	Dazu County Wuxing Avenue Sub-branch of Bank of Chongqing Co., Ltd.	No. 257 Wuxing Avenue, Tangxiang Sub-district, Dazu County, 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	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. 35-26-30, Dudu Avenue, Wan'an Street, Shizhu County, Chongqing	409100
112	Shizhu Wanshou Sub-branch of Bank of Chongqing Co., Ltd.	No.100-9, Wanshou Avenue, Wan'an Street, Shizhu County, Chongqing	409100
113	Dianjiang Sub-branch of Bank of Chongqing Co., Ltd.	Unit 1-1, Building B51 Fengshan West Road, Guixi Town, Dianjiang County, Chongqing	408300
114	Yunyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1299 Yunjiang Avenue, Qinglong Street, Yunyang County, Chongqing	404500

## List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
115	Wuxi Sub-branch of Bank of Chongqing Co., Ltd.	Entertainment and Sports Building, Chunshen Avenue, Chengxiang Town, Wuxi County, Chongqing	405800
116	Wulong Sub-branch of Bank of Chongqing Co., Ltd.	No. 117 Furong West Road, Xiangkou Town, Wulong County, Chongqing	408500
117	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
118	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, Youyang County, Chongqing	409800
119	Youyang Taohuayuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 17 Chengbei New District, Zhongduo Town, Youyang County, Chongqing	409800
120	Pengshui Sub-branch of Bank of Chongqing Co., Ltd.	G/F (street frontage) Binjiang Community, Hanjia Town, Pengshui County, Chongqing	409699
121	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
122	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
123	Fengjie Sub-branch of Bank of Chongqing Co., Ltd.	No. 4 Qiaomu Street, Yong'an Town, Fengjie County, Chongqing	404600
124	Chengdu 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
125	Chengdu Binjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 65 Shangchi Zheng Street, Qingyang District, Chengdu, Sichuan	610015
126	Chengdu Wuhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 17 South Section 4, Yihuan Road Gaosheng Bridge, Wuhou District, Chengdu, Sichuan	610000
127	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
128	Chengdu Jinsha Sub-branch of Bank of Chongqing Co., Ltd.	No. 246 Shuhui Road, and No. 171 Jinze Road, Qingyang District, Chengdu, Sichuan	610074
129	Chengdu Kehua Sub-branch of Bank of Chongqing Co., Ltd.	Libao Building, No. 62 Kehua North Road, Wuhou District, Chengdu, Sichuan	610040
130	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
131	Chengdu Xindu Sub-branch of Bank of Chongqing Co., Ltd.	No. 470, 472 and 474 Yuying Road, Chengdu, Sichuan	610599
132	Guiyang Chengdong Sub-branch of Bank of Chongqing Co., Ltd.	No. 116 Baoshan North Road, Yunyan District, Guiyang, Guizhou	550001

## List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
133	Zunyi Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1 Building 1, Jinxucheng Shangcheng Community, Nanjing Road, Huichuan District, Zunyi, Guizhou	563000
134	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
135	Guiyang Guanshanhu Sub-branch of Bank of Chongqing Co., Ltd.	No. 3, 1st Floor, North Zone of Financial Business District (4), Zone B, Zhongtian • Exhibition City, Changling North Road, Guanshanhu District, Guiyang	550081
136	Xi'an Economic & Technological Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	1st Floor, Huadi Golden Block, No. 369, Middle Section of North Second Ring Road, Weiyang District, Xi'an	710015
137	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	710018
138	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	710026
139	Xi'an Fengdong Sub-branch of Bank of Chongqing Co., Ltd.	1/F 10101, 2/F 10201, Block 2, Wanxiangcheng Phase 1, Fengdong New City, Xixian New District, Xi'an	710116
140	Xi'an Yanta South Road Sub-branch of Bank of Chongqing Co., Ltd.	10108 Building1 No. 396 Yanta South Road, Qujiang New District, Xi'an	710061
141	Xi'an Aerospace City Sub-branch of Bank of Chongqing Co., Ltd.	1st floor, Shaanxi Zhengheng Financial Investment Service Headquarter Base, No. 391, Yanta South Road, Xi'an Aerospace Economic Technology Development Zone	710100
142	Yan'an Nanshi Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Nanshi Street, Baota District, Yan'an	716000

# Definitions

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In this report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“A Share Offering”	the Bank’s proposed initial public offering of not more than 781,000,000 ordinary shares (including ordinary shares to be issued pursuant to the over-allotment option), which are proposed to be listed on the Shanghai Stock Exchange
“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
“Board of Supervisors”	the board of Supervisors of the Bank
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“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 CBIRC”	China Banking and Insurance Regulatory Commission Chongqing Bureau (中國銀行保險監督管理委員會重慶監管局)
“Yufu”	Chongqing Yufu Assets Management Group Co., Ltd., a company incorporated in the PRC with limited liability, holding approximately 14.78% of the total issued share capital of the Bank as at the end of the Reporting Period
“Dah Sing Bank”	Dah Sing Bank, Limited, a licensed bank incorporated in Hong Kong, holding approximately 14.66% of the total issued share capital of the Bank as at the end of the Reporting Period
“Director(s)”	director(s) of the Bank
“Supervisor(s)”	the supervisor(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

## Definitions

“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
“HKD” or “HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS(s)”	International Financial Reporting Standard(s)
“Latest Practicable Date”	April 21, 2020, 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
“Reporting Period”	the year ended December 31, 2019
“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