



**2019**  
Annual Report



**重庆农村商业银行**

**CHONGQING RURAL COMMERCIAL BANK**

CHONGQING RURAL COMMERCIAL BANK

Stock Code: 3618

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



## Company Profile

Chongqing Rural Commercial Bank Co., Ltd. (hereinafter referred to as “Chongqing Rural Commercial Bank”), formerly known as Chongqing Rural Credit Cooperative, was established in 1951 and has a history of more than 60 years. In 2003, Chongqing became one of the first batch of pilot provinces and cities for the nationwide rural credit cooperative reform. In 2008, the rural commercial bank with a unified legal person in the city was established. In 2010, the Bank’s H-share was successfully listed on the Main Board of the Hong Kong Stock Exchange, becoming the first listed rural commercial bank in China and the first listed bank in the Western China. In October 2019, the Bank was successfully listed on the main board of the Shanghai Stock Exchange, becoming the first rural commercial bank with A+H dual listing in China and the first bank with A+H dual listing in the Western China.

In the recent years, Chongqing Rural Commercial Bank has made every effort to implement the strategy of “establishing banks with retail, prospering banks with technology, and strengthening banks with talents”, adhering to retail as the basis of the Bank’s development and survival to create distinctive retail brands with outstanding contributions and market leadership; adhering to financial technology (“fintech”) as the Bank’s innovation “engine” and driving force for growth to build a fintech platform that is autonomous, controllable, intelligent, efficient, and leading the development; adhering to talents as the Bank’s core resources and precious treasure to build a high-quality talent team and to promote high-quality development across the Bank.

As of the end of 2019, Chongqing Rural Commercial Bank had 6 branches and 35 sub-branches, with a total of 1,774 operating outlets, and had initiated the establishment of 1 financial leasing company and 12 village and township banks, and had more than 15,000 employees. The asset scale exceeded RMB1,000 billion, amounting to RMB1,030.2 billion. The balance of deposits was RMB673.4 billion and the balance of loans was RMB437.1 billion, respectively. The Bank ranked No. 137 among the world banks and ranked No. 20 among the China’s banking industry.



## Major Awards

Ranked No. 137 among the “Top 1,000 World Banks 2019” and ranked No. 22 among the Chinese-funded banks in The Banker of the UK.

Ranked No. 20 on the “List of Top 100 among China Banking Industry in 2019” of China Banking Association.

Ranked No. 370 among the “2019 Top 500 Enterprises in China” and No. 134 among the “2019 Top 500 Enterprises in China’s Service Industry” of China Enterprise Confederation and China Enterprise Directors Association.

Ranked No. 326 among the China’s Top 500 in 2019 by the Fortune magazine.

Won the “2019 Outstanding Contribution Award for HCE Advertising” of China UnionPay.

Won the “Best Digital Financial Innovation Award” of the 2019 Gold List of E-banking in China issued by China Financial Certification Authority.

Won the “Top 100 Settlement – Excellent Proprietary Trader Award”, “Outstanding Organisation for Savings Bonds (Electronic) Business” and “Outstanding Organisation for Security Business” in 2019 issued by China Central Depository & Clearing Co., Ltd.

Won the “Advanced Unit of Financial Standard Innovation”, “Advanced Unit of Fintech Innovation” and “Advanced Unit for the Piloting of Face Recognition Offline Application” in 2019 issued by Chongqing Operations Office of the People’s Bank of China.

Won the “Outstanding Rural Commercial Bank under 2019 Debt Financing Program” of Beijing Financial Assets Exchange.

Won the “Top 10 Retail Banks of Rural Commercial Banks” and “Top 10 Private Banks of Local Banks” of 2019 China Retail Finance Innovation · Practice Award organised by Retail Banks Magazine.

Won the “Best Investment Value Award” and “Best Investor Relations Award” of 2019 China Finance Award by China Financial Market Magazine.

Won the “Outstanding Contribution Award for Financial Technology Innovation in 2019” and “Contribution Award for Management Innovation” of Financial Computerizing Magazine.

Won the “Golden Horse Award” and “Fintech Empowerment Pioneer” in 2019 issued by Securities Daily.

Won the “2019 China Rural Commercial Bank Asset Management Brand Junding Award”, “2019 China Closed Net Worth Bank Wealth Management Product Junding Award” and “2019 Rural Commercial Bank Tianji Award” of Securities Daily.

Won the “Commercial Bank of the Year” in the 2019 TOP Financial List of The Paper organised by Shanghai United Media Group.



## Major Awards

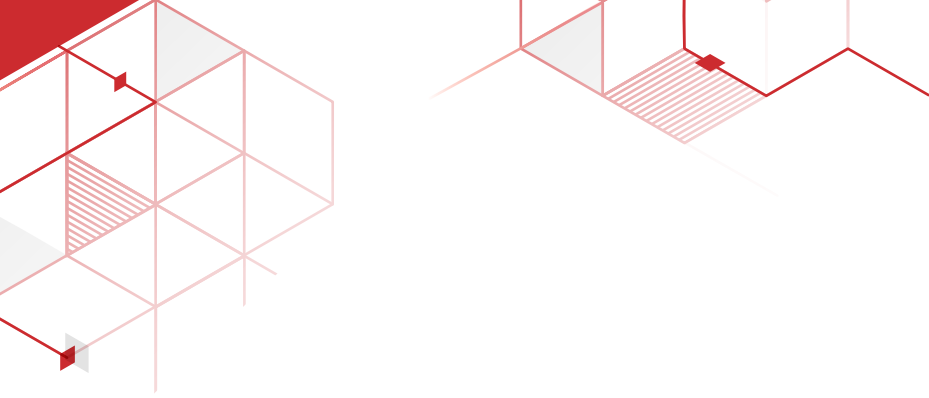
Won the “Special Award for ‘Mobile Phone Number Payment’ Case” in 2019 China Financial Brand Case of the Year Competition organised by China Finance.

Won the “Civic Education Outstanding Enterprise of the Year” of China Jinding Award in 2019 issued by National Business Daily.

Jiangu Wealth —“Building up your fortune” (“天添金”), the Bank’s net worth wealth management product, won the “2019 ‘Gold Financial Management’ Net Worth Wealth Management Product Excellence Award” of Shanghai Securities News.

Recognised as the “Financial Poverty Alleviation Pioneer Organization” in “2019 Financial Poverty Alleviation Pioneer List” by China Internet.

Won the “Outstanding Financial Institution of Contribution to Service in Chongqing”, “Outstanding Financial Institution of Contribution to Financial Poverty Alleviation” and “Fintech Leader of the Year” at the First Chongqing Finance · Upstream List in 2019 organised by Chongqing Daily Newspaper Group and Chongqing City Media Group.



## Contents of the Annual Report

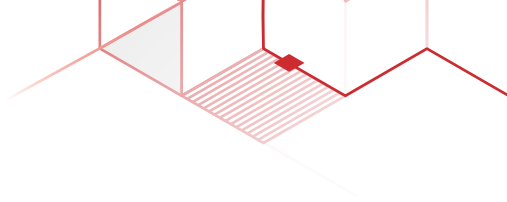
1. Definitions	5
2. Company Basic Information	7
3. Important Notice	9
4. Financial Summary	10
5. Chairman's Statement	13
6. President's Statement	15
7. Management Discussion and Analysis	17
7.1 Overview	17
7.2 Financial Review	18
7.3 Discussion and Analysis of Main Business Operations	56
7.4 Key Business Concerns	88
7.5 Risk Management	96
7.6 Capital Management	112
7.7 Financial Consumer Rights Protection	117
7.8 Outlook	119
8. Corporate Social Responsibility	121
9. Changes in Shares and Particulars of Shareholders	123
10. Directors, Supervisors and Senior Management	134
11. Corporate Governance Report	154
12. Report of the Board of Directors	179
13. Report of the Board of Supervisors	196
14. Major Events	200
15. Audit Report	210
16. Financial Statements and Notes	218
17. Unaudited Supplemental Information	369
18. Organization Chart	374
19. Branches and Subsidiaries	375



## Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Bank” or “our Bank”	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
“CBIRC Chongqing Office”	China Banking and Insurance Regulatory Commission Chongqing Regulatory Bureau (中國銀行保險監督管理委員會重慶監管局)
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBRC”	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
“China Banking Regulatory Authority”	the China Banking and Insurance Regulatory Commission and its agencies
“CSRC”	China Securities Regulatory Commission
“CPC”	Chinese Communist Party (中國共產黨)
“Board of Directors” or “Board”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“County Area”	the regions other than Urban Area of Chongqing City, including 29 districts and counties
“Articles of Association”	Articles of Association of Chongqing Rural Commercial Bank Co., Ltd.*, as amended from time to time
“Group”	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司) and its subsidiaries
“RMB or Renminbi”	Renminbi, the lawful currency of the PRC
“yuan”	RMB yuan
“HKD or HK\$ or HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region, the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time



“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Two Highs and One Surplus Industry”	refers to industries with high pollution, high energy consumption and excess capacity
“rural commercial bank”	a short-hand reference to rural commercial bank (農村商業銀行)
“Sannong”	a short-hand reference to the Chinese pronunciation of the phrase “agriculture, rural areas and farmers”
“Three-Transformation”	the strategy for future development of the Bank, that is, characteristic operation, streamlining the management and fostering good corporate culture
“village and township banks”	bank institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to provide services to local farmers or enterprises
“IFRS 9”	International Financial Reporting Standards 9: Financial Instruments
“PBOC” or “Central bank”	the People’s Bank of China
“PRC” or “China”	the People’s Republic of China
“Reporting Period”	for the twelve months period from 1 January 2019 to 31 December 2019





## Company Basic Information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as “重慶農村商業銀行”)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as “Chongqing Rural Commercial Bank”)
Legal Representative	LIU Jianzhong
Authorised Representatives	LIU Jianzhong XIE Wenhui
Secretary to the Board	LIU Jiangqiao Correspondence Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing, the PRC Telephone (telephone to investors): (8623) 6111 1637 (8623) 6111 1524 Fax: (8623) 6111 0844 Email address: ir@cqrcb.com
Company Secretary	CHU Wai Ha
Registered address and postcode	No. 36 Jinshamen Road, Jiangbei District, Chongqing, the PRC 400023
Principal place of business in Hong Kong	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company’s website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Designated media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Designated website of CSRC for publication of annual reports	Website of the Shanghai Stock Exchange (www.sse.com.cn)
Website of the Hong Kong Stock Exchange for publication of annual reports	Website of the Hong Kong Stock Exchange (www.hkexnews.hk)
Place for maintenance of annual reports	Office of the Board of Directors of the Bank
A-share listing stock exchange	Shanghai Stock Exchange Stock Short Name: Yu Nong Shang Hang Stock Code: 601077
H-share listing stock exchange	The Stock Exchange of Hong Kong Limited Stock Short Name: CQRC BANK Stock Code: 3618



## Company Basic Information

A share registrar	Shanghai branch of China Securities Depository and Clearing Level 3, China Insurance Building, No. 166 Lujiazui East Road, Pudong New District, Shanghai
H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Date of first incorporation and registration authority	27 June 2008 Market Supervision Administration of Chongqing Municipality, the PRC
Unified social credit code of corporate legal person business license	91500000676129728J
Financial license institution number	The Bank holds a financial license number B0335H250000001 approved by the China Banking and Insurance Regulatory Authority
Auditors	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong  PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) 11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC Signing accountants: Li Tieying, Zou Yan
Legal advisor as to PRC laws	Exceedon & Partners 7/F/ 3/F, Block A, Fortune Mansion, No. 2 Fortune Road, Liangjiang New Area, Chongqing, the PRC
Legal advisor as to Hong Kong laws	Clifford Chance 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Sponsor performing continuous supervision	China International Capital Corporation Limited Correspondence Address: 27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing Telephone: (8610) 6505 1166 Fax: (8610) 6505 1156 Sponsor Representatives: Xu Jia, Liu Zihan Continuous supervisory period: 29 October 2019 to 31 December 2021



## Important Notice

1. The Board, the Board of Supervisors and directors, supervisors and senior management of the Bank warrant that the truthfulness, accuracy and completeness of the contents of the annual report, and that there are no false presentations, misleading statements or material omissions herein, and legally liable for this annual report jointly and severally.
2. The 2019 annual report and annual results announcement of the Bank have been considered and approved at the thirtieth meeting of the fourth session of the Board of Directors convened on 26 March 2020.

The number of directors who should attend the meeting is 12, with 12 directors actually attended the meeting, 2 directors entrusted other directors to vote on their behalf, and 1 director was restricted to voting. Some supervisors and senior management personnel of the Bank attended the meeting as non-voting attendees.

3. The Bank's 2019 financial report prepared by the Bank in accordance with Chinese Accounting Standards has been audited by PricewaterhouseCoopers Zhong Tian LLP, and the 2019 financial report prepared in accordance with International Financial Reporting Standards has been audited by PricewaterhouseCoopers. Both auditors issued an unqualified audit report.
4. The Board of Directors of the Bank has recommended a final dividend on ordinary shares for 2019 of RMB0.23 per share (before tax), such dividend distribution plan will be submitted to the 2019 annual general meeting for review. No capitalisation of the capital reserve to share capital is proposed in this distribution.
5. The chairman of the Bank Liu Jianzhong, president Xie Wenhui, vice president in charge of financial function Shu Jing and person in charge of the finance organisation Zhou Ying warrant the authenticity, accuracy and completeness of the financial report in this report.
6. This report may contain forward-looking statements such as future plans of the Bank. Such statements are made by the Bank based on the current situation and forecast, are related to future events or the Bank's future financial, business or other performance. Possible future plans do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.
7. There is no misappropriation of the Bank's funds by its controlling shareholders or other related parties for non-operating purposes and no instance of providing external guarantee that is in breach of the established decision-making procedure.

# Financial Summary

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2019	2018	Comparison between 2019 and 2018	2017	2016	2015
<b>Operating results</b>			<b>Rate of Changes (%)</b>			
Net interest income	<b>23,290.8</b>	20,013.9	16.37	21,500.7	19,404.7	20,166.5
Net non-interest income	<b>3,351.6</b>	6,119.1	(45.23)	2,469.3	2,257.0	1,722.5
Among which: net fee and commission income	<b>2,321.9</b>	2,065.8	12.40	2,295.6	2,118.4	1,494.9
Other net non-interest income	<b>1,029.7</b>	4,053.3	(74.60)	173.7	138.6	227.6
Operating income <sup>(1)</sup>	<b>26,642.4</b>	26,133.0	1.95	23,970.0	21,661.7	21,889.0
Operating expenses	<b>(7,835.9)</b>	(8,165.1)	(4.03)	(8,329.5)	(8,451.0)	(9,076.1)
Impairment losses on credit Impairment losses on other assets	<b>(6,572.6)</b> <b>(0.8)</b>	(6,189.5) (6.4)	6.19 (87.50)	N/A N/A	N/A N/A	N/A N/A
Impairment losses on assets	<b>N/A</b>	N/A	N/A	(3,710.6)	(2,676.5)	(3,236.0)
Profit before tax	<b>12,233.0</b>	11,772.0	3.92	11,959.8	10,644.8	9,587.4
Net profit	<b>9,988.1</b>	9,164.0	8.99	9,008.4	8,001.3	7,227.8
Net profit attributable to shareholders of the Bank	<b>9,759.9</b>	9,058.2	7.75	8,936.0	7,944.7	7,223.3
<b>Based on per share (RMB)</b>			<b>Changes</b>			
Net assets per share attributable to shareholders of the Bank	<b>7.77</b>	7.07	0.70	6.37	5.66	5.03
Basic earnings per share	<b>0.95</b>	0.91	0.04	0.94	0.85	0.78
<b>Profitability indicators (%)</b>			<b>Changes</b>			
Average return on total assets <sup>(2)</sup>	<b>1.01</b>	0.99	0.02	1.05	1.05	1.08
Weighted average return on net assets <sup>(3)</sup>	<b>12.75</b>	13.47	(0.72)	15.61	15.99	16.38
Net interest spread <sup>(4)</sup>	<b>2.16</b>	2.40	(0.24)	2.44	2.57	2.99
Net interest margin <sup>(5)</sup>	<b>2.33</b>	2.45	(0.12)	2.62	2.74	3.20
Net fee and commission income to operating income	<b>8.72</b>	7.90	0.82	9.58	9.78	6.83
Cost-to-income ratio <sup>(6)</sup>	<b>28.52</b>	30.31	(1.79)	33.96	35.95	34.69

(Expressed in RMB million, unless otherwise stated)	As at 31 December					
	2019	2018	Comparison between 2019 and 2018	2017	2016	2015
<b>Scale indicators</b>			<b>Rate of Changes (%)</b>			
Total assets	<b>1,030,230.2</b>	950,618.0	8.37	905,778.1	803,157.7	716,805.2
Among which: loans and advances to customers, net	<b>416,340.8</b>	364,026.1	14.37	324,109.6	288,116.4	257,540.9
Total liabilities	<b>940,427.9</b>	878,469.2	7.05	840,532.4	748,967.9	668,517.4
Among which: deposits from customers	<b>673,401.8</b>	616,166.2	9.29	572,184.3	518,185.9	470,228.2
Share capital	<b>11,357.0</b>	10,000.0	13.57	10,000.0	9,300.0	9,300.0
Equity attributable to shareholders of the Bank	<b>88,213.5</b>	70,748.2	24.69	63,688.7	52,593.2	46,762.8
Non-controlling interests	<b>1,588.8</b>	1,400.6	13.44	1,557.0	1,596.6	1,525.0
Total equity	<b>89,802.3</b>	72,148.8	24.47	65,245.7	54,189.8	48,287.8
<b>Assets quality indicators <sup>(7)</sup> (%)</b>			<b>Changes</b>			
Non-performing loan ratio	<b>1.25</b>	1.29	(0.04)	0.98	0.96	0.98
Provision coverage ratio	<b>380.31</b>	347.79	32.52	431.24	428.37	420.03
Provision-to-loan ratio	<b>4.75</b>	4.50	0.25	4.21	4.10	4.11
<b>Capital adequacy ratio indicators (%)</b>			<b>Changes</b>			
Core Tier 1 capital adequacy ratio <sup>(8)</sup>	<b>12.42</b>	10.95	1.47	10.39	9.85	9.88
Tier 1 capital adequacy ratio <sup>(8)</sup>	<b>12.44</b>	10.96	1.48	10.40	9.86	9.89
Capital adequacy ratio <sup>(8)</sup>	<b>14.88</b>	13.52	1.36	13.03	12.70	12.09
Total equity to total assets ratio	<b>8.72</b>	7.59	1.13	7.20	6.75	6.74
<b>Other indicators (%)</b>			<b>Changes</b>			
Loan-to-deposit ratio	<b>64.91</b>	61.86	3.05	59.13	57.98	57.12

- (1) Net profit or loss from derecognition of financial assets measured at fair value in other comprehensive income and net profit or loss from derecognition of financial assets measured at amortized cost are included in operating income.
- (2) Average return on total assets represents the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the year.
- (3) Calculated in accordance with the requirements of the “Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share” (Revision 2010) issued by CSRC.
- (4) Calculated as the difference between the average yield on total interest-bearing assets and the average cost rate on total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by average interest-bearing assets.
- (6) Calculated by dividing total operating expenses (excluding taxes and surcharges) by operating income.
- (7) In accordance with the “Notice on Adjusting the Supervision Requirements for the Loss Provisions for Commercial Bank Loans” (Yin Jian Fa [2018] No.7) promulgated by the CBRC and the “Notice on Adjusting the Supervision Requirements for the Loss Provisions for Legal Person Banking Institution Loans in 2019” (Yu Yin Bao Jian Fa [2019] No.21) promulgated by the CBIRC Chongqing Regulatory Bureau, the regulatory standards for the provision coverage ratio and provision-to-loan ratio of the Bank are 140% and 2.1% respectively.
- (8) Calculated in accordance with the “Regulation Governing Capital of Commercial Banks (Provisional)” promulgated by the CBRC.

## Basis of Preparation of Certain Financial Indicators

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



## Chairman's Statement

**Dear Shareholders,**

2019 is an extraordinary year, a year to be remembered and a fruitful year for Chongqing Rural Commercial Bank. During this year, the Board of Directors led the staff of the Bank to take advantage of the 70th anniversary of the founding of the People's Republic of China, to work together and forge ahead, and has completed a series of solid works and delivered a satisfactory answer.

**With the steadily accelerated overall competence, we became the first trillion rural commercial bank in China.** Our total assets exceeded 1 trillion, while in terms of overall competence, we ranked No. 137 among global banks, which was 13 places higher than that of the last year, as well as we ranked the first among the domestic rural commercial banks and banks in the Western and Central China. This was a remarkable event and another milestone in the development of rural commercial banks. Meanwhile, indices such as savings deposits, agricultural loans and small and micro enterprise loans recorded a stable growth, the market share of those items had remained the first in Chongqing.

**With the successful listing of A Shares, we entered the next level of the capital market.** From working in Chongqing, to setting up businesses in all around China, the effort had brought us to the nation's capital market and turned us to be the first rural commercial bank in China and also the first local bank in Western China with both of their A Shares and H shares listed. It represents a new phase for us to forge ahead and prepare for steady development. The joy of success would definitely make us bear in mind that our obligations throughout the development, yet it will as well be the driving force for us to move forward. Under the favorable developing elements in China and the positive environment in the capital market, we may continue our development journey in this new era.

**With the competency facilitated by financial science and technology, we enhanced our core competitiveness with independent innovation.** We were the first to establish financial science and technology center among similar institutions. We insisted to independently monitor and control our core technology and had applied for around 60 innovative patents. Two of our financial science and technology application projects had been classified as the government pilot projects, being the one of the first local financial institution to be involved in the observing unit of China Financial Standardization Technical Committee. Our "Smart Banking" system was fully functional online, other innovative products such as "Yukuai Loan" (渝快贷), "Express Property Loan" (房快贷) and "Express Bill Discounting" (票快贴) broke the records in various aspects and received positive feedbacks from users. By accelerating the organic integration of online services and our offline advantages, the progress of establishing competitive and exceptional modern financial services was therefore boosted.

**With the focus on scientific decisions we made, key quality indicators were all pointing to the positive direction.** Confronting the complicated operation environment and under the pressure brought by the downturn economy, we persisted in looking at the world with eyes wide open, and looking at our hearts with closed eyes, accurately assessing the situation, maintaining strategic determination, and solidly practicing internal skills, so that the comprehensive risk management and control have achieved good results. The non-performing loan ratio decreased by 0.04 percentage points year-on-year to 1.25%, overdue loan ratio decreased by 0.29 percentage point year-on-year to 1.16%, the provision coverage ratio increased by 32.52 percentage points to 380.31%, and the capital adequacy ratio increased by 1.36 percentage points to 14.88%. The asset quality and risk resilience capability were stable and pointing to the positive direction.

**With the continuous growth in operating efficiency, the results of transformation and development gradually became obvious.** In 2019, the net profit reached RMB9.988 billion, representing an increase of 8.99% year-on-year. The average return on total assets was 1.01%, and the weighted average return on net assets was 12.75%. We had continuous and stable sources of profits. We focused on the people's livelihood, consumption upgrades and other fine retail and small-and-micro markets. The profit contribution rate of retail business increased by 0.97 percentage point year-on-year, the number of VIP customers increased by 21% year-on-year, the numbers of the issuance of credit cards exceeded one million, the proportion of fee-based income increased by 0.82 percentage points year-on-year, which in turn that the pace of business transformation has accelerated, and the results gradually became obvious.

Currently, the outbreak of COVID-19 has haunted the world, bringing unpredictable impacts to the global economy, as well as significant challenges to our operation and management, however, only if we keep up our spirit and belief of "standing firm against storms from all directions", we can mitigate the effect brought by this epidemic with the strong leadership of the Party Central Committee, Municipal Party Committee and Municipal Government, trust and support from all shareholders and all sectors of society and the mutual effort all level of the whole industry, confidently and calmly start a vigorous development in the spring.

Time leaves illustrious track records in the past, and brings infinite hope to the future. In 2020, we will adhere to implementation of the strategy of establishing banks with retail, prospering banks with technology, and strengthening banks with talents, adhere to retail as the basis of the development and survival, adhere to technology as the innovation engine and growth driver, adhere to the talents as the core resources and future hope, accelerate the "adjustment to four structures", including assets, liabilities, gains and personnel, firmly lead the China's rural financial reform and development, and accept review by shareholders, customers, staff and society with solid actions and robust results!

**LIU Jianzhong**  
*Chairman*

26 March 2020





## President's Statement

### Dear Shareholders,

2019 is the 70th anniversary of the founding of the People's Republic of China, and it was also the key year for building a well-off society in an all-round way. This year, the external environment and internal conditions facing China's economic development became more complicated, and difficulties and challenges increased significantly. And the implementation of the "financial stability" policy, increasing financial openness, and promoting structural reforms on the financial supply side have brought us new development opportunities. Faced with a more complicated economic and financial situation, we adhere to the "Three Transformation" strategy and closely focus on the work of "strengthening management, controlling risks, and stabilizing development". By forging ahead and overcoming difficulties, we achieved steady development of the entire bank.

**In 2019, we embarked on a new level of operating performance.** The total assets of the Group exceeded RMB1 trillion, representing an increase of RMB79.612 billion from the beginning of the year. Deposit growth hit another record high, with the balance of various deposits amounting to RMB673.402 billion, representing an increase of RMB57.236 billion from the beginning of the year. The balance of various loans was RMB437.085 billion, representing an increase of RMB55.949 billion over the beginning of the year. The Bank achieved operating income of RMB26.642 billion and net profit of RMB9.988 billion, with a year-on-year increase of RMB509 million and RMB824 million, respectively. In terms of comprehensive strength, the Bank ranked first in the country's rural commercial banks and Midwest Bank.

**In 2019, we started a new journey in the capital market.** Under the leadership of the Board, after more than two years of unremitting efforts, we successfully landed on the A-share market and raised nearly RMB10 billion, becoming the country's first "A + H" listed agricultural bank, and the first A-share listed corporate bank in Chongqing. After the listing, the bank's capital adequacy ratio and core tier 1 capital adequacy ratios were respectively increased to 14.88% and 12.42%, which further strengthened its capital strength and enhanced its market image, and the bank's development has stood on a higher platform.

**In 2019, we achieved new breakthroughs in innovation and transformation.** Significant results have been achieved in the transformation of smaller and retail businesses. The increase in retail loans accounted for 51.80% of new loans throughout the year, and the balance ratio increased by 2.16 percentage points. To integrate financial innovation resources, establish a fintech center, and set up a professional team such as the data management department and the application research and development center, have been authorized to invest shares for establishment of consumer finance company, actively participate into pilot of national "Financial Standardization" and "Fintech", and becoming the first batch of selected local financial institutions as observer units of the National Financial Standardization Committee. The construction of "Smart Bank" has achieved remarkable results. Data-driven online products such as "Yukuai Loan" (渝快贷), "Express Property Loan" (房快贷) are unique in the market. It has applied for more than 60 patents in the fields of innovative technology application and information security protection, and established a fintech core technologies and risk control decision-making "patent pool".



## President's Statement

**In 2019, we have taken new steps in prudent operations.** We strengthened management of innovative business risks, liquidity risks, and market risks. The liquidity ratio and liquidity coverage ratio were 56.72% and 225.78%, respectively, which were higher than the regulatory standards. The non-performing loan ratio was 1.25%, and the ratio of loans and non-performing loans overdue for more than 90 days was 55.89%, representing a decrease of 15 percentage points from the beginning of the year, maintaining stable asset quality. The balance of loan impairment losses was RMB20.765 billion, representing an increase of RMB3.632 billion over the same period of last year. Provision coverage ratio was 380.31%, representing an increase of 32.52 percentage points as compared to the same period of last year. We maintained a good risk resistance.

These achievements are inseparable from the strong leadership of the party committee, the correct decision of the Board of Directors, and the united struggle of the entire bank. It is also benefited from each shareholders' strong support, and the customers firmly stand together through storm and stress with us, urging us to move forward.

Because of self-motivation, progress can be made every day. In 2020, standing at a new starting point of assets with trillions of assets and the listing of "A + H" shares, we will always adhere to Xi Jinping's new era of socialist thinking with Chinese characteristics, fully implement the spirit of the 19th National Congress of the Party, the 2nd, 3rd and 4th Plenary Sessions of the 19th Central Committee and the spirit of the Central Economic Work Conference. We will continue to focus on the work of "strengthening management, controlling risks, and stabilizing development", and fully implement the development measures of "establishing banks with retail, prospering banks with technology, and strengthening banks with talents", and fully implement the "four structural adjustments" of assets, liabilities, income, and personnel. To promote high-quality development across the Bank and deliver a satisfactory answer to the investors and customers.

**XIE Wenhui**

*President*

26 March 2020



# Management Discussion and Analysis

## I. Overview

In 2019, the Group thoroughly implemented various decision-making arrangements and regulatory requirements introduced by the country, we always adhered to the market positioning of “serving Sannong, serving small and medium-sized enterprises and serving county economy”, always followed the strategic direction of “characteristic operation, streamlining the management and fostering good corporate culture”, with the working ideas of “strong management, risk control and stable development”, maintained a good momentum of sustainable and steady development, successfully entered the “new trillion road” with higher quality development. The operating conditions showed the following characteristics:

**A steady increase in profitability.** The operating income was RMB26,642 million, representing an increase of RMB509 million or 1.95% over the same period of last year; the net profit amounted to RMB9,988 million, representing an increase of RMB824 million or 8.99% over the same period of last year; the net income from intermediary business was RMB2,322 million, representing an increase of 12.40% over the same period of last year. Weighted average return on net assets was 12.75%; average return on total assets was 1.01%, representing an increase of 0.02 percentage points over the same period of last year.

**A steady growth in business scale.** The Group’s total assets exceeded RMB1 trillion and reached RMB1,030.230 billion, representing an increase of RMB79,612 million over the beginning of the year, became the first trillion rural commercial bank across the country, the first trillion bank in the west and the first trillion enterprise in Chongqing. The balance of deposits reached RMB673,402 million, representing an increase of RMB57,236 million over the beginning of the year, both the balance and increment remained as the top one in Chongqing, among which, the balance of personal deposits exceeded RMB500,000 million, the increment exceeded RMB50,000 million. The balance of loans was RMB437,085 million, representing an increase of RMB55,949 million over the beginning of the year, the increment ranked first among Chongqing.

**A steady improvement in asset quality.** The Group’s non-performing loan ratio was 1.25%, representing a decrease of 0.04 percentage points over the same period of last year; the proportion of non-performing loans with more than 90 days overdue was 55.89%, representing a decrease of 15 percentage points over the same period of last year. The total provision for loans was RMB20,765 million, representing an increase of RMB3,632 million over the same period of last year; the provision coverage ratio reached 380.31%, representing an increase of 32.52 percentage points over the same period of last year; the Group’s capital adequacy ratio was 14.88% and core tier 1 capital adequacy ratio was 12.42%, representing an increase of 1.36 and 1.47 percentage points respectively compared to the beginning of the year in addition to continuously enhancing risk resistance.

## II. Financial Review

### (I) Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2019	2018		
Net interest income	<b>23,290.8</b>	20,013.9	3,276.9	16.37
Net non-interest income	<b>3,351.6</b>	6,119.1	(2,767.5)	(45.23)
Including: Net fee and commission income	<b>2,321.9</b>	2,065.8	256.1	12.40
Net other non- interest income	<b>1,029.7</b>	4,053.3	(3,023.6)	(74.60)
Operating income	<b>26,642.4</b>	26,133.0	509.4	1.95
Operating expenses	<b>(7,835.9)</b>	(8,165.1)	329.2	(4.03)
Impairment losses on credit Impairment losses on other assets	<b>(6,572.6)</b> <b>(0.8)</b>	(6,189.5) (6.4)	(383.1) 5.6	6.19 (87.50)
Profit before tax	<b>12,233.0</b>	11,772.0	461.0	3.92
Income tax expense	<b>(2,244.9)</b>	(2,608.0)	363.1	(13.92)
Net profit	<b>9,988.1</b>	9,164.0	824.1	8.99

In 2019, the net income of the Group amounted to RMB9,988 million, representing the increase of RMB824 million or 8.99% over the same period of the previous year; the operating income was RMB26,642 million, representing an increase of RMB509 million or 1.95% over the same period of the previous year; the net interest income amounted to RMB23,291 million, representing an increase of RMB3,277 million or 16.37% over the same period of the previous year; the net non-interest income amounted to RMB3,352 million, among which the net fee and commission income amounted to RMB2,322 million, representing an increase of RMB256 million, accounting for 8.72% of operating income, an increase of 0.82 percentage point. Mainly due to the steady growth of various asset and liability business, the coordinated development of intermediate business, and the continuous optimization of revenue structure. Moreover, the operating expenses amounted to RMB7,836 million, representing a decrease of RMB329 million or 4.03%.

1. *Net interest income*

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2019	2018		
Interest income	<b>45,054.8</b>	39,720.0	5,334.8	13.43
Interest expense	<b>(21,764.0)</b>	(19,706.1)	(2,057.9)	10.44
Net interest income	<b>23,290.8</b>	20,013.9	3,276.9	16.37

In 2019, the net interest income of the Group amounted to RMB23,291 million, representing an increase of RMB3,277 million or 16.37% over the same period of the previous year. The ratio of net interest income accounted for 87.42% of the total operating income. Mainly due to steady growth in the scale of interest-earning assets and the gradual optimization of the structure of interest-bearing liabilities.

## Management Discussion and Analysis

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Average balance	Interest income/expense	Average yield/costs (%)	Average balance	Interest income/expense	Average yield/costs (%)
<b>Assets</b>						
Loans and advances to customers	409,885.2	22,320.0	5.45	359,334.1	19,316.4	5.38
Financial Investments <sup>(1)</sup>	319,995.8	13,903.8	4.34	208,410.7	9,857.8	4.73
Balances with Central Bank	70,965.9	1,113.3	1.57	80,565.8	1,270.0	1.58
Due from banks and other financial institutions	200,762.6	7,404.6	3.69	172,250.1	8,087.5	4.70
<b>Total interest-bearing assets<sup>(2)</sup></b>	<b>1,001,609.5</b>	<b>44,741.7</b>	<b>4.47</b>	<b>820,560.7</b>	<b>38,531.7</b>	<b>4.70</b>
<b>Liabilities</b>						
Deposits from customers	661,721.1	12,752.5	1.93	597,455.6	9,836.1	1.65
Borrowings from Central Bank	26,568.6	869.4	3.27	30,531.9	1,009.5	3.31
Due to banks and other financial institutions	77,286.1	2,202.2	2.85	66,426.6	2,735.2	4.12
Issued debt securities	161,658.7	5,620.2	3.48	109,276.9	4,872.7	4.46
<b>Total interest-bearing liabilities</b>	<b>927,234.5</b>	<b>21,444.3</b>	<b>2.31</b>	<b>803,691.0</b>	<b>18,453.5</b>	<b>2.30</b>
<b>Net interest income</b>		<b>23,297.4</b>			<b>20,078.2</b>	
<b>Net interest spread<sup>(1)</sup></b>			<b>2.16</b>			<b>2.40</b>
<b>Net interest margin<sup>(1)</sup></b>			<b>2.33</b>			<b>2.45</b>

Notes:

- (1) The Group implemented IFRS 9 from 1 January 2018, financial assets and corresponding income at fair value through profit and loss are no longer included in interest-bearing assets and income.
- (2) The impact of customer-driven wealth management products was excluded.

(1) Net interest spread and net interest margin

Net interest spread refers to the interest-earning net interest margin, which is the difference between the average yield of interest-bearing assets and the average cost rate of interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets. In 2019, the Group's net interest spread was 2.16%, and net interest margin was 2.33%, representing a decrease of 0.24 percentage points and 0.12 percentage points, respectively, mainly due to the overall decline in market interest rates and intensified market competition.

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

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Changes in interest income/ expense
<b>Assets</b>			
Loans and advances to customers	2,755.0	248.6	3,003.6
Financial Investments	4,842.8	(796.8)	4,046.0
Balances with Central Bank	(150.7)	(6.0)	(156.7)
Due from banks and other financial institutions	1,052.1	(1,735.0)	(682.9)
<b>Changes in interest income</b>	<b>8,499.2</b>	<b>(2,289.2)</b>	<b>6,210.0</b>
<b>Liabilities</b>			
Deposits from customers	1,240.3	1,676.1	2,916.4
Due to Central bank, banks and other financial institutions	204.1	(877.2)	(673.1)
Debt securities issued	1,822.9	(1,075.4)	747.5
<b>Changes in interest expense</b>	<b>3,267.3</b>	<b>(276.5)</b>	<b>2,990.8</b>
<b>Net Changes in interest income</b>	<b>5,231.9</b>	<b>(2,012.7)</b>	<b>3,219.2</b>

Net interest income increased by RMB3,219 million over the same period of the previous year, mainly due to the increase of RMB5,232 million of net interest income arising from changes in the average balance of various assets and liabilities and the decrease of RMB2,013 million of net interest income which is attributable to the changes in the average yield or the average cost rate.

(2) Interest income

In 2019, the interest income of the Group amounted to RMB45,055 million, representing a decrease of RMB5,335 million or 13.43% over the same period of the previous year, which is mainly due to the steady growth in interest income from loans and advances and interest income from financial investments. The analysis below does not take into account of the interest income generated from the capital-preserve type of customer-driven wealth management products or non-capital preserve type of customer-driven wealth management products included in the scope of accounts consolidation.

① Interest Income from Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
<b>Corporate loans</b>	<b>248,186.8</b>	<b>12,438.0</b>	<b>5.01</b>	221,286.3	10,784.6	4.87
General short-term loans	88,776.2	3,903.1	4.40	85,346.8	3,696.8	4.33
Medium and long-term loans	159,410.6	8,534.9	5.35	135,939.5	7,087.8	5.21
<b>Retail loans</b>	<b>143,180.7</b>	<b>9,233.4</b>	<b>6.45</b>	123,152.7	7,851.8	6.38
General short-term loans	49,742.6	3,438.2	6.91	42,643.2	2,914.7	6.84
Medium and long-term loans	93,438.1	5,795.2	6.20	80,509.5	4,937.1	6.13
<b>Discounted bills</b>	<b>18,517.7</b>	<b>648.6</b>	<b>3.50</b>	14,895.1	680.0	4.57
<b>Total loans and advances to customers</b>	<b>409,885.2</b>	<b>22,320.0</b>	<b>5.45</b>	359,334.1	19,316.4	5.38

In 2019, interest income from loans and advances to customers amounted to RMB22,320 million, representing an increase of RMB3,004 million or 15.55% over the same period of the previous year, which is mainly because the Group has further strengthened its support for the real economy and increased credit placement; on the other hand, it has continued to optimize the credit structure and the proportion of retail loans with relatively high yields has continued to increase steadily.



② Interest income from Financial Investments

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

(Expressed in RMB million, unless otherwise stated)	2019			2018		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Financial assets measured at amortised cost	319,107.1	13,863.3	4.34	208,407.3	9,857.6	4.73
Financial assets measured at fair value through other comprehensive income	888.7	40.5	4.56	3.4	0.2	5.88
Total financial investments	319,995.8	13,903.8	4.34	208,410.7	9,857.8	4.73

In 2019, interest income from financial investments amounted to RMB13,904 million, representing an increase of RMB4,046 million over the previous year, which is mainly due to the fact that the Group optimize the direction of financial assets business, while intensifying risk management and control, seize the opportunity to rationally adjust the scale of investment of government bonds, financial bonds, and corporate bonds, improve the efficiency of capital utilization, and achieve stable growth in returns.

③ Interest income from Balances with Central Bank

In 2019, the Group's interest income from balances with Central Bank amounted to RMB1,113 million, representing a decrease of RMB157 million or 12.34% over the same period of the previous year, mainly due to the decline in the reserve requirement ratio and the fact that the average balance with Central Bank decreased by 11.92% over the same period of the previous year.

④ Interest Income from Due from Banks and Other Financial Institutions

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Deposits and placements with banks and other financial institutions	171,241.4	6,733.8	3.93	148,741.6	7,470.4	5.02
Financial assets held under resale agreements	29,521.2	670.8	2.27	23,508.5	617.1	2.63
Total due from banks and other financial institutions	200,762.6	7,404.6	3.69	172,250.1	8,087.5	4.70

In 2019, the interest income from due from banks and other financial institutions amounted to RMB7,405 million, representing a decrease of RMB683 million or 8.44%, which is mainly due to the year-on-year decrease of overall interest rate in monetary market, resulting in the decrease of average yield and interest income of such financial assets. Among which, the interest income from deposits and placements with banks and other financial institutions of the Group amounted to RMB6,734 million, representing a decrease of RMB736 million or 9.86% over the same period of the previous year. The decrease was primarily due to that the average yield of deposits and placements with banks and other financial institutions decreased by 109 basis points as compared to the same period of the previous year.

In 2019, the interest income from financial assets held under resale agreements amounted to RMB671 million, representing an increase of RMB54 million or 8.70% over the same period of the previous year, primarily attributable to the increase in average balance of financial assets held under resale agreements as compared to the previous year.

(3) Interest expense

In 2019, the Group's interest expense amounted to RMB21,764 million, representing an increase of RMB2,058 million or 10.44% over the same period of the previous year. The increase was primarily due to the increase in the scale of the Group's interest-bearing liabilities over the same period of the previous year and that increased competition has led to a rise in deposit costs. The analysis below does not take into account of the interest expense generated from the capital-preserve type of customer-driven wealth management products or non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation.

① Interest Expense on Deposits from Customers

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Demand deposit	121,869.4	854.7	0.70	118,847.7	843.7	0.71
Time deposit	42,543.1	1,160.6	2.73	37,516.5	827.0	2.20
<b>Subtotal corporate deposits</b>	<b>164,412.5</b>	<b>2,015.3</b>	<b>1.23</b>	<b>156,364.2</b>	<b>1,670.7</b>	<b>1.07</b>
Demand deposit	116,788.7	575.2	0.49	111,585.9	334.7	0.30
Time deposit	380,519.9	10,162.0	2.67	329,505.5	7,830.7	2.38
<b>Subtotal personal deposits</b>	<b>497,308.6</b>	<b>10,737.2</b>	<b>2.16</b>	<b>441,091.4</b>	<b>8,165.4</b>	<b>1.85</b>
<b>Total deposits from customers</b>	<b>661,721.1</b>	<b>12,752.5</b>	<b>1.93</b>	<b>597,455.6</b>	<b>9,836.1</b>	<b>1.65</b>

In 2019, the interest expense on deposits from customers amounted to RMB12,753 million, representing an increase of RMB2,916 million or 29.65% over the same period of the previous year. Affected by two aspects: First, in order to improve customer satisfaction, the Group fully leveraged the advantages of online and offline pipelines and continued to improve its financial product and service system. The customer base was further consolidated, the source of deposit funds was more stable, and the average balance scale increased by RMB64.266 billion. Secondly, due to the intensified competition, the average cost rate of the Group increased by 28 basis points compared with the previous year, but remained at a relatively low level.

② Interest Expense on Borrowings from Central Bank

In 2019, interest expense on borrowings from Central Bank amounted to RMB869 million, representing a decrease of RMB140 million or 13.88% over the same period of the previous year, mainly due to the abundant liquidity with the decrease of RMB3,963 million on average balance of borrowings from Central Bank over the previous year.

③ Interest Expense on Due to Banks and Other Financial Institutions

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Deposits and placements from banks and other financial institutions	46,732.4	1,498.8	3.21	49,534.6	2,309.0	4.66
Financial assets sold under repurchase agreements	30,553.7	703.4	2.30	16,892.0	426.2	2.52
<b>Total due to banks and other financial institutions</b>	<b>77,286.1</b>	<b>2,202.2</b>	<b>2.85</b>	<b>66,426.6</b>	<b>2,735.2</b>	<b>4.12</b>

In 2019, the Group's interest expense on due to banks and other financial institutions amounted to RMB2,202 billion, representing a decrease of RMB533 million or 19.49% over the previous year, mainly through the optimization of the debt structure to reduce financing costs. Among which the interest expense on banks and other financial institutions amounted to RMB1,499 million, representing a decrease of RMB810 million or 35.09% over the same period of the previous year; the interest expense on financial assets sold under repurchase agreements of the Group amounted to RMB703 million, representing an increase of RMB277 million or 65.04% over the same period of the previous year.

④ Interest Expense on Issued Debt Securities

(Expressed in RMB million, except for percentage)	2019			2018		
	Average balance	Interest expenses	Average cost rate (%)	Average balance	Interest expenses	Average cost rate (%)
Debt Securities Payable	16,367.4	736.6	4.50	11,029.2	562.3	5.10
Interbank deposit certificate	145,291.3	4,883.6	3.36	98,247.7	4,310.4	4.39
<b>Total Issued Debt Securities</b>	<b>161,658.7</b>	<b>5,620.2</b>	<b>3.48</b>	<b>109,276.9</b>	<b>4,872.7</b>	<b>4.46</b>

In 2019, the interest expenses on issued debt securities amounted to RMB5,620 million, representing an increase of RMB748 million or 15.34%, which is mainly due to the increase of RMB52,382 million in average balance of issued debt securities.

2. Net non-interest income

The following table sets forth, for the years indicated, net non-interest income of the Group:

(Expressed in RMB million, except for percentages)	2019	2018	Change	Change (%)
Fee and commission income	<b>2,442.4</b>	2,203.1	239.3	10.86
Fee and commission expense	<b>(120.5)</b>	(137.3)	16.8	(12.24)
Net fee and commission income	<b>2,321.9</b>	2,065.8	256.1	12.40
Net other non-interest income	<b>1,029.7</b>	4,053.3	(3,023.6)	(74.60)
Total net non-interest income	<b>3,351.6</b>	6,119.1	(2,767.5)	(45.23)

In 2019, the Group's net non-interest income amounted to RMB3,352 million, representing a decrease of RMB2,768 million or 45.23% over the same period of the previous year, accounting for 12.58% of the operating income, mainly due to the decrease of net other non-interest income.

## Management Discussion and Analysis

Net fee and commission income amounted to RMB2,322 million, representing an increase of RMB256 million or 12.40%; net other non-interest income amounted to RMB1,030 million, representing a decrease of RMB3,024 million or 74.60% over the same period of the previous year, mainly due to optimized financial business structure by the Group, and reduction of the holding of financial assets measured at fair value through profit and loss.

### (1) Net Fee and Commission Income

The following table sets forth, for the years indicated, net fee and commission income of the Group:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			Change (%)
	2019	2018	Change	
Subtotal fee and commission income	<b>2,442.4</b>	2,203.1	239.3	10.86
Wealth management fees	<b>1,314.1</b>	1,108.8	205.3	18.52
Agency and fiduciary service fees	<b>402.6</b>	456.7	(54.1)	(11.85)
Bank card fees	<b>263.0</b>	264.3	(1.3)	(0.49)
Settlement and clearing fees	<b>134.5</b>	143.6	(9.1)	(6.34)
Others	<b>328.2</b>	229.7	98.5	42.88
Fee and commission expense	<b>(120.5)</b>	(137.3)	16.8	(12.24)
<b>Total net fee and commission income</b>	<b>2,321.9</b>	2,065.8	256.1	12.40

In 2019, the net fee and commission income of the Group achieved great growth and amounted to RMB2,322 million, representing an increase of RMB256 million or 12.40% over the same period of the previous year. The net and commission income accounted for 8.72% of the operating income, representing an increase of 0.82 percentage points.

Wealth management fees amounted to RMB1,314 million, representing an increase of RMB205 million or 18.52% over the same period, mainly due to the Group's high-quality customer base, increasing the sales scale and operating capacity of net worth wealth management products, and the rapid growth in income from wealth management fees.

Agency and fiduciary service fees amounted to RMB403 million, representing a decrease of RMB54 million over the same period, mainly due to the decrease of the scale of custody business compared with the previous year.

Bank card fees amounted to RMB263 million, representing a decrease of RMB1 million over the same period. Settlement and clearing fees amounted to RMB135 million, representing a decrease of RMB9 million over the same period, mainly due to that, to implement preferential policies for financial services, the Group exempted certain business fees.

(2) Net other non-interest income

The following table sets forth, for the years indicated, net other non-interest income of the Group:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			Change (%)
	2019	2018	Change	
Net trading gain or loss	<b>759.8</b>	3,807.3	(3,047.5)	(80.04)
Other net business gain	<b>183.2</b>	204.6	(21.4)	(10.46)
Net gain resulted from derecognition of financial assets at fair value through other comprehensive income	–	39.6	(39.6)	(100.00)
Net gain resulted from derecognition of financial assets measured at amortised cost	<b>86.7</b>	1.8	84.9	4,716.67
<b>Total net other non- interest income</b>	<b>1,029.7</b>	4,053.3	(3,023.6)	(74.60)

In 2019, the Group's net other non-interest income was RMB1.03 billion, a significant year-on-year change, mainly due to the Group's active promotion of the optimization of the treasury business structure and a significant reduction in the holding of financial assets measured at fair value through profit and loss.

## Management Discussion and Analysis

### 3. Operating expenses

In 2019, the Group continuously strengthened cost management, operating expenses amounted to RMB7,836 million, representing a decrease of RMB329 million or 4.03% over the same period.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2019	2018		
Staff costs	<b>4,932.8</b>	5,268.5	(335.7)	(6.37)
Taxes and surcharges	<b>236.2</b>	245.2	(9.0)	(3.67)
Depreciation and amortisation	<b>782.0</b>	750.6	31.4	4.18
Other general and administrative expenses	<b>1,884.9</b>	1,900.8	(15.9)	(0.84)
<b>Total operating expenses</b>	<b>7,835.9</b>	8,165.1	(329.2)	(4.03)

#### (1) Staff Costs

Staff costs are the largest component of operating expenses of the Group, accounting for 62.95% and 64.52% of its total operating expenses for the years ended 31 December 2019 and 2018 respectively.

The following table sets forth, for the years indicated, the detail constitution of staff costs of the Group:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2019	2018		
Salaries, bonuses and allowances	<b>3,219.3</b>	3,602.7	(383.4)	(10.64)
Staff welfare, social insurance and housing funds	<b>1,297.0</b>	1,396.5	(99.5)	(7.12)
Others	<b>416.5</b>	269.3	147.2	54.66
<b>Sub-total staff costs</b>	<b>4,932.8</b>	5,268.5	(335.7)	(6.37)



In 2019, staff costs of the Group amounted to RMB4,933 million, representing a decrease of RMB336 million or 6.37% over the same period of the previous year, which mainly due to the cancellation of large-scale medical insurance contributions for retirees in accordance with the provisions of policies. At the same time, after the implementation of the pension plan from 2019, the Bank re-evaluated and determined the scope of employees included in supplementary retirement benefits and adjusted actuarial benefits.

(2) Taxes and surcharges

In 2019, taxes and surcharges mainly relate to revenue generated from lending (interest income), transfer of securities and other financial products and services. In 2019, taxes and surcharges amounted to RMB236 million, representing a decrease of RMB9 million or 3.67% over the same period of the previous year, which was mainly due to the Group's increase in the proportion of investment in tax-exempt incomes such as government bonds.

(3) Depreciation and Amortisation

In 2019, the depreciation and amortization amounted to RMB782 million, representing an increase of RMB31 million, which is mainly due to that the Group has accelerated the layout of intelligent outlets in recent years, increased support for financial technology innovation, and increased investment in financial technology infrastructure.

(4) Other General and Administrative Expenses

In 2019, other general and administrative expenses amounted to RMB1,885 million, representing a decrease of RMB16 million or 0.84% as compared to the same period of last year, which is mainly due to that the Group has adopted the financial standardization construction work, and further improved the degree of refinement of cost control by optimizing the operation process, and enhancing the paperless rate of counter transactions and the online rate of credit approval services.

4. *Impairment loss*

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in	
	2019	2018	amount	Change (%)
Impairment loss on credit on loans and advances to customers	<b>4,935.1</b>	5,809.0	(873.9)	(15.04)
Impairment loss on credit on financial investments	<b>1,163.5</b>	551.0	612.5	111.16
Impairment loss on other credit	<b>474.0</b>	(170.5)	644.5	378.01
Impairment losses on other assets	<b>0.8</b>	6.4	(5.6)	(87.50)
Total impairment loss on assets	<b>6,573.4</b>	6,195.9	377.5	6.09

The Group's impairment loss in 2019 was RMB6,573 million, representing an increase of RMB378 million or 6.09% over the same period of the previous year. Among them, impairment losses on loans and advances to customers decreased by RMB874 million over the same period of the previous year, impairment losses on financial investments increased by RMB613 million, and other impairment losses increased by RMB639 million, which is mainly due to that the Group considered the uncertainties of the financial market, and in order to enhance the resistance to expected risk losses, the Group further increased its impairment provision based on forward-looking risk management and control.

5. *Income tax expense*

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2019	2018		
Profit before tax	<b>12,233.0</b>	11,772.0	461.0	3.92
Tax calculated at applicable statutory tax rate	<b>2,990.6</b>	2,914.1	76.5	2.63
Add/(less) the tax effect of the following items:				
Non-deductible expenses	<b>260.6</b>	41.6	219.0	526.44
Non-taxable income	<b>(788.1)</b>	(353.0)	(435.1)	123.26
Tax effect of changes in large-scale health insurance policies	<b>(195.3)</b>	–	(195.3)	(100.00)
Others	<b>(22.9)</b>	5.3	(28.2)	(532.08)
<b>Income tax expense</b>	<b>2,244.9</b>	2,608.0	(363.1)	(13.92)

In 2019, income tax expense amounted to RMB2,245 million, representing a decrease of RMB363 million over the same period of the previous year. The effective income tax rate was 18.35%, lower than the statutory rate of 25%. The decrease was mainly due to the fact that the Group actively adjusted its business structure and increased the holding of statutory tax-free Chinese government bonds and local government bonds.

## II. Analysis on Statement of Financial Position

### 1. Assets

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018		Change	Change (%)
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)		
Loans and advances to customers, net	416,340.8	40.41	364,026.1	38.29	52,314.7	14.37
<i>Carrying balance of loans and advances to customers</i>	<b>437,084.9</b>	<b>42.42</b>	381,135.6	40.09	55,949.3	14.68
<i>Allowances for impairment loss on loans and advances to customers<sup>(1)</sup></i>	<b>(20,744.1)</b>	<b>(2.01)</b>	(17,109.5)	(1.80)	(3,634.6)	21.24
Financial Investments	377,353.2	36.63	312,372.4	32.88	64,980.9	20.80
<i>Financial assets measured at amortised cost</i>	<b>346,418.4</b>	<b>33.63</b>	289,564.7	30.47	56,853.7	19.63
<i>Financial assets measured at fair value through other comprehensive income</i>	<b>7,256.8</b>	<b>0.70</b>	7,713.1	0.81	(456.3)	(5.92)
<i>Financial assets measured at fair value through profit and loss</i>	<b>23,678.0</b>	<b>2.30</b>	15,094.5	1.59	8,583.5	56.87
Cash and balances with Central Bank	77,413.6	7.51	85,935.2	9.04	(8,521.6)	(9.92)
Deposits and placements with banks and other financial institutions	146,001.2	14.18	170,751.6	17.97	(24,750.4)	(14.49)
Financial assets held under resale agreements	–	–	6,000.7	0.63	(6,000.7)	(100.00)
Goodwill	440.1	0.04	440.1	0.05	–	–
Other assets <sup>(2)</sup>	12,681.3	1.23	11,092.0	1.16	1,589.3	14.33
<b>Total Assets</b>	<b>1,030,230.2</b>	<b>100.00</b>	<b>950,618.0</b>	<b>100.00</b>	<b>79,612.2</b>	<b>8.37</b>

Notes:

- (1) Includes only the provision for impairment on loans and advances to customers measured at amortised cost.
- (2) Other assets consist of fixed assets, deferred income tax assets, right-of-use assets, and other assets.

As at 31 December 2019, the Group's total assets amounted to RMB1,030,230 million, representing an increase of RMB79,612 million or 8.37% as compared to the end of the previous year, among which:

Carrying balance of loans and advances to customers amounted to RMB437,085 million, representing an increase of RMB55,949 million or 14.68% as compared to the end of the previous year. This was primarily due to the fact that based on effective control over risks, the Group stands firmly in the Chongqing area to develop the characteristics and increase the real economy supporting effort. On one hand, it actively connected to the local significant strategy, increased credit supply in the areas of people's livelihood and intelligent manufacturing; on the other hand, we adhered to the strategy of retail transformation, accelerated the launch of retail and small and micro loans, and continued to optimize the loan structure.

Financial investments amounted to RMB377,353 million, representing an increase of RMB64,981 million or 20.80% as compared to the end of the previous year. This was mainly due to under the premise of ensuring liquidity and controllable risks, the Group optimized the investment of financial market assets and increased the allocation of assets such as government bonds, financial bonds, and corporate bonds.

Total cash and balances with the Central Bank amounted to RMB77,414 million, representing a decrease of RMB8,522 million or 9.92% as compared to the end of the previous year. It was mainly due to changes in the central bank reserve ratio;

The total balance of deposits and placements with banks and other financial institutions amounted to RMB146,001 million, representing a decrease of RMB24,750 million or 14.49% as compared to the end of the previous year. Financial assets held under resale agreements had no balance this year, representing a decrease of RMB6,001 million as compared to the end of the previous year. It was mainly due to that the Group optimized the asset-liability structure and increased the proportion of credit assets.

## Management Discussion and Analysis

### (1) Loans and advances to customers

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
<b>Corporate loans</b>	<b>254,760.4</b>	<b>58.29</b>	227,687.0	59.74
Short-term loans <sup>(1)</sup>	<b>78,134.2</b>	<b>17.88</b>	83,997.8	22.04
Medium and long-term loans <sup>(2)</sup>	<b>176,626.2</b>	<b>40.41</b>	143,689.2	37.70
<b>Retail loans</b>	<b>162,237.8</b>	<b>37.12</b>	133,256.0	34.96
Residential mortgage and personal commercial property loans <sup>(3)</sup>	<b>73,091.4</b>	<b>16.72</b>	60,373.9	15.84
Personal business and re-employment loans <sup>(4)</sup>	<b>50,516.0</b>	<b>11.56</b>	42,998.3	11.28
Others <sup>(5)</sup>	<b>38,630.4</b>	<b>8.84</b>	29,883.8	7.84
<b>Discounted bills</b>	<b>20,086.7</b>	<b>4.59</b>	20,192.6	5.30
<b>Loans and advances to customers, gross</b>	<b>437,084.9</b>	<b>100.00</b>	381,135.6	100.00

Notes:

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

In 2019, the gross amount of loans and advances to customers of the Group amounted to RMB437,085 million, representing an increase of RMB55,949 million or 14.68% as compared to the end of the previous year.

Corporate loans (excluding discounted bills) amounted to RMB254,760 million, representing an increase of RMB27,073 million or 11.89% as compared to the end of the previous year. Among them, short-term loans represented a decrease of RMB5.864 billion, and medium- and long-term loans represented an increase of RMB32.937 billion, which were mainly invested in intelligent manufacturing, industrial upgrading, people's livelihood, small and micro-enterprises, and private enterprises.

Retail loans amounted to RMB162,238 million, representing an increase of RMB28,982 million or 21.75% as compared to the end of the previous year, proportion of loans increased from 34.96% to 37.12%, among of which, total personal property loans amounted to RMB73,091 million, representing an increase of RMB12,718 million or 21.06% as compared with the end of the previous year, mainly due to strong support to the financing needs of residential mortgage; while total personal business and re-employment loans amounted to RMB50,516 million, representing an increase of RMB7,518 million or 17.48% as compared with the end of the previous year. The Group actively responded to changes in the market situation, promoted online product innovation, and continued to increase credit support for people's livelihood and personal entrepreneurship.

Discounted bills amounted to RMB20,087 million, representing a decrease of RMB106 million or 0.52% as compared to the end of the previous year, mainly due to supporting the short-term capital turnover of enterprises.

## Management Discussion and Analysis

The following table sets forth, as at the dates indicated, the composition of the Group's loans by industry classification:

(RMB million, excluded for percentage)	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Total corporate loans and advances</b>	<b>254,760.4</b>	<b>58.29</b>	<b>227,687.0</b>	<b>59.74</b>
Manufacturing	61,130.0	13.99	63,526.6	16.67
Water, environmental and public facility management	59,508.9	13.61	42,488.9	11.15
Leasing and business services	50,481.8	11.55	37,373.6	9.80
Wholesale and retail industries	18,792.1	4.30	19,022.2	4.99
Electricity, heat, gas and water production and supply industries	16,531.0	3.78	14,859.1	3.90
Transportation, warehousing and postal services	12,221.2	2.80	11,975.1	3.14
Real estate	8,032.9	1.84	8,267.9	2.17
Construction	7,152.0	1.64	7,912.3	2.08
Health and social work	5,538.1	1.27	4,923.7	1.29
Education	2,861.6	0.65	3,209.7	0.84
Others	12,510.7	2.86	14,127.9	3.71
<b>Personal loans and advances</b>	<b>162,237.8</b>	<b>37.12</b>	<b>133,256.0</b>	<b>34.96</b>
<b>Discounted bills</b>	<b>20,086.7</b>	<b>4.59</b>	<b>20,192.9</b>	<b>5.30</b>
<b>Total loans and advances to customers</b>	<b>437,084.9</b>	<b>100.00</b>	<b>381,135.9</b>	<b>100.00</b>

In 2019, the Group continued to strengthen the adjustment of credit structure and advanced credit support for major national and local strategic projects, intelligent manufacturing, and people's livelihood. As of the end of 2019, the balance of the Bank's corporate loans invested in manufacturing, water, environmental and public facilities management, and leasing and business service industries were RMB61.130 billion, RMB59.509 billion and RMB50.482 billion respectively, accounting for 13.99%, 13.61%, and 11.55% of the Group's loans and advances, respectively.



(2) Financial Investments

The following table sets forth, as at the dates indicated, the composition of the Group's financial investments based on the nature of the financial assets.

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Bonds investment	<b>249,463.0</b>	<b>66.11</b>	195,319.5	62.52
Debt instruments issued by financial institutions	<b>31,593.3</b>	<b>8.37</b>	41,702.7	13.35
Interbank certificates of deposit	<b>69,486.3</b>	<b>18.42</b>	67,113.7	21.49
Debt financing plan	<b>20,724.8</b>	<b>5.49</b>	7,620.0	2.44
Fund	<b>5,508.0</b>	<b>1.46</b>	–	–
Equity instruments	<b>577.8</b>	<b>0.15</b>	616.4	0.20
<b>Total financial investments</b>	<b>377,353.2</b>	<b>100.00</b>	312,372.4	100.00

In 2019, the Group moderately increased investment scale, optimised investment portfolio, and improved the using efficiency of funds. By the end of 2019, the total financial investment amounted to RMB377,353 million, representing an increase of RMB64,981 million or 20.80% as compared with the end of the previous year. Among them, bonds investment increased by RMB54,144 million with an increase of 27.72% over the end of the previous year and accounted for 66.11% of the total financial investments with an increase of 3.59 percentage points from the end of the previous year, which was mainly due to that the Group actively optimized the investment structure and appropriately increased the investment in standardized assets such as bonds in accordance with market conditions; the debt instruments issued by financial institutions decreased by RMB10.109 billion and accounted for 8.37% of the total financial investments, representing a decrease of 4.98 percentage points as compared to the end of the previous year; interbank certificates of deposit increased by RMB2.373 billion and accounted for 18.42% of the total financial investments, representing a decrease of 3.07 percentage points as compared to the end of the previous year; the debt financing plan increased by RMB13,105 million and accounted for 5.49% of the total financial investments, representing an increase of 3.05 percentage points as compared to the end of the previous year; newly increased fund investment in the year amounted to RMB5.508 billion, accounting for 1.46% of the total financial investments.

The following table sets forth, as at the dates indicated, the composition of the Group's debt instruments by issuer:

(Expressed in RMB million, except for percentages)	2019/12/31		2018/12/31	
	Amount	Percentage of Total(%)	Amount	Percentage of Total(%)
Government bonds	97,403.4	39.05	82,391.6	42.19
Public institutions, and quasi- government bonds	56,933.4	22.82	39,087.5	20.01
Financial institution bonds	33,484.0	13.42	16,230.9	8.31
Corporate bonds	61,642.2	24.71	57,609.5	29.49
Total bonds investment	249,463.0	100.00	195,319.5	100.00

In 2019, the Group's bonds investments were mainly government bonds, public institutions and quasi-government bonds, Bonds of financial institutions and corporate bonds, which represented an increase of RMB15,012 million, RMB17,846 million, RMB17,253 million and RMB4,033 million respectively as compared to the previous year. The increase in bonds investment is mainly due to that the Group optimized the investment of financial market assets and seized the opportunity to increase the allocation of government debt, financial debt, and public debt.

(3) Repossessed assets

As part of its effort to recover impaired loans and advances to customers, the Group may obtain the title of the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. At the end of 2019, the carrying balance of the Group's repossessed assets were RMB114 million, and the balance of impairment allowances for repossessed assets were RMB13 million. Please refer to Note "Other Assets" to the financial statements for details.

## 2. Liabilities

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Deposits from customers	<b>673,401.8</b>	<b>71.61</b>	616,166.2	70.14
Deposits and placements from banks and other financial institutions	<b>35,568.7</b>	<b>3.78</b>	52,374.5	5.96
Debt securities issued	<b>171,330.1</b>	<b>18.22</b>	159,609.4	18.17
Borrowings from Central Bank	<b>31,218.0</b>	<b>3.32</b>	30,454.5	3.47
Financial assets sold under repurchase agreements	<b>15,086.1</b>	<b>1.60</b>	5,920.7	0.67
Other liabilities <sup>(1)</sup>	<b>13,823.2</b>	<b>1.47</b>	13,943.9	1.59
<b>Total liabilities</b>	<b>940,427.9</b>	<b>100.00</b>	878,469.2	100.00

Note:

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

As at 31 December 2019, the total liabilities increased by RMB61,959 million, or 7.05%, to RMB940,428 million as compared to the end of the previous year. Deposits from customers are the largest capital source of the Group, which increased by RMB57,236 million or 9.29% as compared to the end of the previous year. Deposits and placements from banks and borrowings from Central Bank decreased by RMB16,042 million or 19.37% as compared to the end of the previous year. Debt securities issued increased by RMB11,721 million or 7.34% from the end of the previous year, primarily due to that the Group optimised the financing structure, enhanced the diversity of liabilities funding sources.

(1) Deposits from customers

The following table sets forth, as at the dates indicated, the composition of deposits from customers of the Group:

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
<b>Subtotal corporate deposits</b>	<b>156,030.7</b>	<b>23.17</b>	153,935.5	24.98
Demand deposit	125,140.0	18.58	122,756.2	19.92
Time deposit	30,890.7	4.59	31,179.3	5.06
<b>Subtotal personal deposits</b>	<b>511,571.7</b>	<b>75.97</b>	454,680.0	73.79
Demand deposit	116,031.2	17.23	111,100.5	18.03
Time deposit	395,540.5	58.74	343,579.5	55.76
<b>Pledged deposits</b>	<b>5,783.2</b>	<b>0.86</b>	7,508.1	1.22
<b>Other deposits</b>	<b>16.2</b>	<b>—</b>	42.6	0.01
<b>Total deposits from customers</b>	<b>673,401.8</b>	<b>100.00</b>	616,166.2	100.00

In 2019, The Group accelerated product and service innovation, continued to improve the level of financial services, leveraged its retail advantages, and steadily increased customer deposits. At the end of 2019, deposits from customers amounted to RMB673,402 million, representing an increase of RMB57,236 million or 9.29% as compared to the end of the previous year, and accounted for 71.61% of total liabilities with 1.47 percentage points higher than that of the same period of the previous year.

In terms of customer structure, relying on the Group's advantages in urban and rural locations and customer base, the balance of personal deposits amounted to RMB511,572 million, representing an increase of RMB56,892 million or 12.51% compared with the end of the previous year, which accounted for 75.97% of total deposits from customers with an increase of 2.18 percentage points compared with the end of the previous year; the balance of corporate deposits amounted to RMB156,031 million with an increase of RMB2,095 million or 1.36% over the end of the previous year, accounted for 23.17% of deposits from customers, with a decrease of 1.81 percentage points compared to with the end of the previous year.

In terms of term structure, the stability of deposits business further enhanced. Among which, demand deposits amounted to RMB241,171 million, representing an increase of RMB7,315 million or 3.13% over the end of the previous year, and accounted for 35.81% of total deposits from customers, with a decrease of 2.14 percentage points compared to with the end of the previous year. Time deposits amounted to RMB426,431 million, representing an increase of RMB51,672 million or 13.79% over the end of last year, with the proportion of total deposits from customers rising by 2.50 percentage points to 63.32%.

### (III) Shareholders' Equity

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Share capital	11,357.0	12.65	10,000.0	13.86
Capital reserve	21,014.6	23.40	12,483.9	17.30
Investment revaluation reserve	(106.6)	(0.12)	51.1	0.07
Actuarial changes reserve	(336.1)	(0.37)	(306.2)	(0.42)
Surplus reserve	11,283.6	12.56	10,346.9	14.34
General risk reserve	12,635.3	14.07	12,225.2	16.94
Retained earnings	32,365.7	36.04	25,947.3	35.97
Equity attributable to equity holders of the Bank	88,213.5	98.23	70,748.2	98.06
Non-controlling interests	1,588.8	1.77	1,400.6	1.94
<b>Total shareholders' equity</b>	<b>89,802.3</b>	<b>100.00</b>	<b>72,148.8</b>	<b>100.00</b>

As at 31 December 2019, total equity amounted to RMB89,802 million, representing an increase of RMB17,654 million as compared to the end of the previous year, mainly attributable to the increase in share capital, capital reserve and retained earnings. In particular, share capital and capital reserve increased by RMB1,357 million and RMB8,531 million respectively as compared to the end of the previous year, primarily due to the raised funds from the Group's A-share initial public offering; investment revaluation reserve decreased by RMB158 million from the end of the previous year, mainly due to the changes in the fair value of financial assets measured at fair value through other comprehensive income invested by the Group; surplus reserve increased by RMB937 million from the end of the previous year, mainly due to the provision of statutory surplus reserve; general risk reserve increased by RMB410 million as compared to the end of the year, mainly due to complementary provision according to the requirement that general risk reserve should be not less than 1.5% of the balance of risk assets at the end of the previous year.

#### (IV) Analysis of off-Balance-Sheet Items

Off-balance-sheet items of the Group include unused credit card limit, acceptance bills, letters of guaranteed funds issued and letters of credit issued.

The balances of unused credit card limit, acceptance bills, letters of guaranteed funds issued and letters of credit issued amounted to RMB17,169 million, RMB8,289 million, RMB7,169 million and RMB2,827 million respectively.

##### 1. Operating lease commitments

As at 31 December, 2019, the operating lease commitments of the Group that are not included in the measurement of lease liabilities are not significant.

##### 2. Capital expenditure commitments

As at 31 December, 2019, the Group's capital expenditure commitments which have been approved unnecessary to be listed on the balance sheet were signed but unfulfilled contracts with amount of RMB386 million.

#### (V) Statement of Cash Flows

The following table sets forth, as at the dates indicated, the Group's cash flow statement:

(Expressed in RMB million, unless otherwise stated)	For the year 2019	For the year 2018	For the year 2017
Net cash flow from operating activities	<b>23,851.3</b>	(81,223.3)	(19,367.0)
Net cash flows from investing activities	<b>(51,852.8)</b>	18,823.1	(44,948.2)
Net cash flow from financing activities	<b>13,885.2</b>	48,357.4	43,343.6

Net cash inflows from operating activities amounted to RMB23,851 million with an increase of RMB105,075 million as compared to the previous year, which was mainly due to the year-on-year increase in the net increase of deposits from customers and inter-bank deposits. In particular, cash inflow amounted to RMB111,302 million with an increase of RMB43,088 million; cash outflow amounted to RMB87,451 million with a decrease of RMB61,986 million.

Net cash outflow from investing activities amounted to RMB51,853 million. In particular, cash inflows amounted to RMB192,231 million with a decrease of RMB7,260 million, which was mainly due to the decrease in cash received from recovery of bonds investments; cash outflows amounted to RMB244,083 million with an increase of RMB63,416 million, which was mainly due to the increase in cash paid for bonds investments.

Net cash inflow from financing activities amounted to RMB13,885 million. In particular, cash inflow amounted to RMB266,528 million, which was mainly due to the Group's fund raising by means of the issuance of bonds and the initial public offering; cash outflow amounted to RMB252,643 million, which was mainly due to the repayment of debt securities.

## (VI) Loan Quality Analysis

### 1. Breakdown of Loans by the Five-Category Classification

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Normal	421,463.7	96.43	368,842.7	96.78
Special mention	10,161.3	2.32	7,366.6	1.93
Substandard	3,447.0	0.79	2,936.6	0.77
Doubtful	1,883.0	0.43	1,842.5	0.48
Loss	129.9	0.03	147.2	0.04
Total loans and advances to customers	437,084.9	100.00	381,135.6	100.00
Carrying balance of non- performing loans	5,459.9		4,926.3	
Non-performing loan ratio (%)		1.25		1.29

Since 2019, the steady economy of Chongqing has built up a healthy external economic environment for the Group's assets quality control. The Group issued guidelines for credit investment in a timely manner, continued to promote the optimization and adjustment of the credit structure, and increased the disposal of non-performing assets. The non-performing loan rate remained stable with a slow decline. As at 31 December 2019, the balance of non-performing loans increased by RMB534 million from the end of the previous year to RMB5,460 million; while the non-performing loan ratio was 1.25% which was 0.04 percentage points lower than that of the end of the previous year. Among which, the balance of non-performing loans of urban and non-performing loans of county area accounted for 52.51% and 47.49% of the total non-performing loans of the Group, respectively.

## 2. Concentration of Loans

### (1) Concentration by Industry and Distribution of Non-performing Loans

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019				As at 31 December 2018			
	Loan amount	Percentage of total (%)	Nonperforming loan amount	Nonperforming loan ratio (%)	Loan amount	Percentage of total (%)	Nonperforming loan amount	Nonperforming loan ratio (%)
<b>Corporate loans</b>	<b>254,760.4</b>	<b>58.29</b>	<b>4,305.5</b>	<b>1.69</b>	227,687.0	59.74	3,617.7	1.59
Manufacturing	61,130.0	13.99	1,741.4	2.85	63,526.6	16.67	2,187.9	3.44
Production and supply of electricity, gas and water	16,531.0	3.78	-	-	14,859.1	3.90	-	-
Real estate	8,032.9	1.84	692.3	8.62	8,267.9	2.17	58.3	0.71
Leasing and commercial services	50,481.8	11.55	2.0	0.00	37,373.6	9.80	5.8	0.02
Water, environment and public utility management	59,508.9	13.61	4.5	0.01	42,488.9	11.15	-	-
Construction	7,152.0	1.64	143.0	2.00	7,912.3	2.08	169.1	2.14
Wholesale and retail	18,792.1	4.30	332.7	1.77	19,022.2	4.99	811.9	4.27
Other	33,131.7	7.58	1,389.6	4.19	34,236.4	8.98	384.7	1.12
<b>Personal loans</b>	<b>162,237.8</b>	<b>37.12</b>	<b>1,153.4</b>	<b>0.71</b>	133,256.0	34.96	1,308.6	0.98
Discounted bills	20,086.7	4.59	1.0	0.00	20,192.6	5.30	-	-
<b>Total</b>	<b>437,084.9</b>	<b>100.00</b>	<b>5,459.9</b>	<b>1.25</b>	381,135.6	100.00	4,926.3	1.29

In 2019, in the face of complicated internal and external economic environment, the Group strictly implemented industry investment guidelines, closely controlled credit entry and exit standards, strengthened the management and control of key industries and strictly implemented relevant national regulatory policies. The balance of real estate loans declined as compared to the beginning of the year. However, certain real estate companies were subject to risks due to factors such as project delays and slow return of funds, leading to a downgrade of risk classification to non-performing.



(2) Concentration of Borrowers

In the end of 2019, the Group's total loans to its largest single borrower accounted for 5.15% of its net capital while total loans to its top ten clients accounted for 24.19% of its net capital, both of which were in compliance with the regulatory requirements. As at 31 December 2019, the Group's loans to top ten largest single borrowers were not non-performing loans.

① Indicators of concentration

Major Regulatory Indicators	Regulatory standard	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
Loan ratio for the largest single borrower (%)	≤10%	<b>5.15</b>	5.95	6.47
Loan ratio for the single group borrower (%)	≤15%	<b>6.37</b>	7.75	7.88

② Loans to top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	As at 31 December 2019	
		Amount	Percentage of the total amount of loans (%)
Borrower A	Manufacturing	<b>5,458.4</b>	<b>1.25</b>
Borrower B	Leasing and commercial service	<b>3,505.0</b>	<b>0.80</b>
Borrower C	Water conservation, environment and public utility management	<b>2,842.5</b>	<b>0.65</b>
Borrower D	Water conservation, environment and public utility management	<b>2,640.8</b>	<b>0.60</b>
Borrower E	Water conservation, environment and public utility management	<b>2,450.0</b>	<b>0.56</b>
Borrower F	Manufacturing	<b>2,002.7</b>	<b>0.46</b>
Borrower G	Water conservation, environment and public utility management	<b>1,907.9</b>	<b>0.44</b>
Borrower H	Manufacturing	<b>1,652.2</b>	<b>0.38</b>
Borrower I	Water conservation, environment and public utility management	<b>1,598.4</b>	<b>0.37</b>
Borrower J	Water conservation, environment and public utility management	<b>1,596.7</b>	<b>0.37</b>

## Management Discussion and Analysis

### 3. Distribution of Loans and Non-performing Loans by Product Type

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019			As at 31 December 2018		
	Loan amount	Non performing loan amount	Non performing loan ratio (%)	Loan amount	Non performing loan amount	Non performing loan ratio (%)
<b>Corporate loans</b>	<b>254,760.4</b>	<b>4,305.5</b>	<b>1.69</b>	227,687.0	3,617.7	1.59
Short-term loans	78,134.2	1,225.7	1.57	83,997.8	1,646.5	1.96
Medium-and long-term loans	176,626.2	3,079.8	1.74	143,689.2	1,971.2	1.37
<b>Retail loans</b>	<b>162,237.8</b>	<b>1,153.4</b>	<b>0.71</b>	133,256.0	1,308.6	0.98
Housing mortgages and personal loans for commercial real estate property	73,091.4	238.1	0.33	60,373.9	259.0	0.43
Personal business and re-employment loans	50,516.0	440.9	0.87	42,998.3	586.8	1.36
Other loans	38,630.4	474.4	1.23	29,883.8	462.8	1.55
<b>Discounted bills business</b>	<b>20,086.7</b>	<b>1.0</b>	<b>0.00</b>	20,192.6		
<b>Total</b>	<b>437,084.9</b>	<b>5,459.9</b>	<b>1.25</b>	381,135.6	4,926.3	1.29

As at 31 December 2019, non-performing ratio of corporate loans of the Group increased by 0.1 percentage point to 1.69% as compared with the end of the previous year, whereas non-performing ratio of retail loans decreased by 0.27 percentage point to 0.71% as compared with the end of the previous year.

### 4. Restructured Loans and Advances to Customers

The following table sets forth, for the dates indicated, the Group's restructured loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Restructured loans and advances to customers	<b>623.6</b>	<b>0.14</b>	351.6	0.09

5. *Overdue Loans and Advances to Customers*

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Overdue within 3 months	<b>2,010.5</b>	<b>0.46</b>	2,027.7	0.53
Overdue for 3 months to 1 year	<b>1,368.1</b>	<b>0.31</b>	2,255.7	0.59
Overdue for over 1 year and within 3 years	<b>1,404.3</b>	<b>0.32</b>	942.1	0.25
Overdue for more than 3 years	<b>279.1</b>	<b>0.07</b>	294.5	0.08
<b>Overdue loans and advances to customers</b>	<b>5,062.0</b>	<b>1.16</b>	5,520	1.45

As at 31 December 2019, the total overdue loans of the Group amounted to RMB5,062 million, representing a decrease of RMB458 million from the end of the previous year. Overdue loans accounted for 1.16%, representing a decrease of 0.29 percentage point from the end of the previous year.

## Management Discussion and Analysis

### 6. Changes in impairment

The Group (Expressed in RMB million, unless otherwise stated)	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	6,225.4	5,113.8	5,770.3	17,109.5
Transfer:	–	–	–	–
Transfer to stage 1	2,502.4	(2,462.3)	(40.1)	–
Transfer to stage 2	(1,314.1)	1,326.5	(12.4)	–
Transfer to stage 3	(597.6)	(327.2)	924.8	–
ECL changes arisen from stage transfer	(2,245.2)	2,145.8	1,966.9	1,867.5
New financial assets originated or purchased	6,700.6	–	–	6,700.6
Derecognition and settlement	(2,480.1)	(810.3)	(490.0)	(3,780.4)
Remeasurement	(246.4)	219.4	817.3	790.3
Write-offs and others of the year	–	–	(1,943.4)	(1,943.4)
Closing balance	8,545.0	5,205.7	6,993.4	20,744.1

As of 31 December 2019, loan and advance impairment provisions measured at amortized cost amounted to RMB20,744 million, an increase of RMB3,635 million from the end of the previous year. In addition, the allowance for discounted bills and discounted losses measured at fair value through other comprehensive income was RMB21 million.

### 7. Distribution of Loans by Type of Collateral

The following table sets forth, for the dates indicated, the Group's distribution of loans and advances to customers by type of collateral:

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Credit loans	52,668.6	12.05	50,100.5	13.15
Guaranteed loans	137,850.8	31.54	106,405.0	27.92
Collateralised loans	181,751.6	41.58	164,370.4	43.12
Pledged loans	64,813.9	14.83	60,259.7	15.81
<b>Total loans and advances to customers</b>	<b>437,084.9</b>	<b>100.00</b>	<b>381,135.6</b>	<b>100.00</b>

8. *Loan migration ratios*

Item(%)	31 December 2019	31 December 2018	31 December 2017
Migration ratios of normal loans	<b>3.32</b>	3.14	3.03
Migration ratios of special mention loans	<b>7.40</b>	39.3	15.76
Migration ratios of substandard loans	<b>30.01</b>	65.32	40.8
Migration ratios of doubtful loans	<b>2.07</b>	10.98	4.18

1. The loan migration rate is calculated based on the 1104 statement of the CBIRC, which is group data.

In 2019, the overall loan migration rate of the Group showed a downward trend. Among them: the migration ratio of normal loans remained stable, and the migration ratio of special mention loans decreased by 31.90 percentage points year-on-year to 7.40%.

## (7) Segment Information

### 1. Summary of Geographical Segment

(Expressed in percentage)	As at 31 December									
	2019		2018		2017		2016		2015	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Deposits	69.33	30.67	68.61	31.39	67.83	32.17	67.54	32.46	66.52	33.48
Loans	48.02	51.98	46.12	53.88	44.67	55.33	46.98	53.02	47.87	52.13
Assets	49.37	50.63	47.94	52.06	45.65	54.35	48.59	51.41	46.73	53.27
Loan-deposit ratio	44.96	110.01	41.58	106.16	38.94	101.70	40.33	94.70	41.10	88.95

(Expressed in percentage)	As at 31 December									
	2019		2018		2017		2016		2015	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Return on average total assets	0.90	1.11	0.96	1.01	1.00	1.10	1.04	1.07	1.06	1.10
Net fee and commission income to operating income	8.15	9.18	7.84	7.96	9.33	9.80	9.84	9.72	5.60	8.08
Cost-to-income ratio	30.82	26.64	33.49	27.44	36.85	31.34	37.51	34.46	35.35	34.01

	For the year ended 31 December 2019			For the year ended 31 December 2018			For the year ended 31 December 2017		
	County Area	Urban Area	Total	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	3,690.8	19,600.0	23,290.8	4,122.2	15,891.7	20,013.9	4,074.3	17,426.4	21,500.7
Net fee and commission income	979.6	1,342.3	2,321.9	970.0	1,095.8	2,065.8	1,064.6	1,231.0	2,295.6
Net trading gain	-	759.8	759.8	-	3,807.3	3,807.3	-	(36.8)	(36.8)
Net profit or loss of other businesses	71.1	198.8	269.9	68.6	177.4	246.0	76.3	134.2	210.5
Total operating income	4,741.5	21,900.9	26,642.4	5,160.8	20,972.2	26,133.0	5,215.2	18,754.8	23,970.0
Internal transfer income and expenditure	7,277.9	(7,277.9)	-	7,212.0	(7,212.0)	-	6,191.7	(6,191.7)	-
Adjusted earnings	12,019.4	14,623.0	26,642.4	12,372.8	13,760.2	26,133.0	11,406.9	12,563.1	23,970.0

In 2019, the Group's county-level deposits accounted for 69.33%, a year-on-year increase of 0.72 percentage points. County-level loan accounted for 48.02%, a year-on-year increase of 1.90 percentage points, and the county-level assets accounted for 49.37%, a year-on-year increase of 1.43 percentage points. Based on Chongqing, the Group deeply cultivates the rural economy, continuously improves the county's financial service capabilities, and supports the development of county economy.

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

## 2. Summary of Business Segment

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December									
	2019		2018		2017		2016		2015	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Operating income										
Corporate banking business	8,583.1	32.22	8,438.0	32.29	8,133.6	33.94	7,252.6	33.48	7,714.8	35.25
Personal banking business	9,928.8	37.27	9,717.1	37.18	8,206.1	34.23	6,476.3	29.90	6,196.8	28.31
Treasury operations business	8,102.2	30.41	7,959.5	30.46	7,607.9	31.74	7,916.2	36.54	7,959.8	36.36
Unallocated	28.3	0.10	18.4	0.07	22.4	0.09	16.6	0.08	17.6	0.08
Total operating income	26,642.4	100.00	26,133.0	100.00	23,970.0	100.00	21,661.7	100.00	21,889.0	100.00

In 2019, the Group's operating income of corporate business was RMB8,583 million, accounting for 32.22%, a year-on-year decrease of 0.07 percentage points; operating income of retail banking business was RMB9,929 million, accounting for 37.27%, a year-on-year increase of 0.09 percentage points; operating income of capital operation business was RMB8,102 million, accounting for 30.41%, a year-on-year decrease of 0.05 percentage points. In recent years, the Bank has been adhering to the strategy of "retail establishment" and adhered to the business orientation of "small and micro". The proportion of retail banking business operating income continued to increase.

## (8) Differences between the Financial Statements Prepared in accordance with Chinese Accounting Standards and IFRS

### 1. Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS

As a financial institution incorporated in the People's Republic of China, the Bank prepares the bank and consolidated financial statements of the Bank and its subsidiaries in accordance with the Accounting Standards for Enterprises promulgated by the Ministry of Finance of the People's Republic of China, relevant regulations issued by the China Securities Regulatory Commission and other regulatory agencies (collectively referred to as "Accounting Standards for Enterprises").

The Group also compiles consolidated financial statements in accordance with the International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board and the disclosure regulations applicable to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Therefore, there are some differences between the financial statements and the Group's financial statements prepared in accordance with IFRS. The differentiated items and amounts are listed below:

(Expressed in RMB million, unless otherwise stated)	Net Assets (Consolidated)		
	31 December 2019	31 December 2018	31 December 2017
In accordance with Accounting Standards for Enterprises	<b>89,362.2</b>	71,708.7	64,805.6
Differentiated items and amount			
– Goodwill from acquisitions	<b>440.1</b>	440.1	440.1
In accordance with IFRS	<b>89,802.3</b>	72,148.8	65,245.7



2. *Reasons for the Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS*

The Bank was incorporated on 27 June 2008 as a limited company by shares, and the newly incorporated company acquired the assets and liabilities of 38 County/District Rural Credit Cooperative Unions, including the former Chongqing Rural Credit Cooperative (重慶市農村信用合作社), Chongqing Yuzhong District Rural Credit Cooperative Union (重慶市渝中區農村信用合作社聯合社) and Chongqing Wulong Rural Cooperative Bank (重慶武隆農村合作銀行) (“Acquisition”). The Bank first implemented the Accounting Standards for Enterprises on 1 January 2009 and was not required to recognise the goodwill generated from the Acquisition. The Bank made an initial public offering of overseas listed foreign shares (H shares) on the Hong Kong Stock Exchange on 16 December 2010 and adopted IFRS for the first time in the same year. The goodwill generated from the Acquisition was retrospectively recognized in accordance with the relevant requirements of the first implementation of IFRS.

**(9) Changes in Significant Accounting Policies and Significant Accounting Estimates and Judgments**

In determining the carrying amounts of some assets and liabilities and the related profit or loss during the Reporting Period in accordance with its accounting policies, the Group makes estimates and judgments in certain aspects. The Group makes estimates and assumptions based on historical experience and expectations of future events, and reviews them on a regular basis. In addition, the Group needs to make further judgments in respect of the application of accounting policies. The Group’s management believes that the estimates and judgments made by the Group reflect appropriately the economic context which the Group was subject to. The major areas affected by the estimates and judgments include expected credit loss measurement, liabilities related to supplementary retirement benefit and early retirement benefit, fair value of financial instruments, scope of consolidation, and income taxes.

The Group has adopted the Accounting Standards for Enterprises No.21 – Leases issued by the Ministry of Finance in December 2018. The first implementation date of the standard was 1 January 2019. The adoption resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. According to the transition requirements of the standard, the Group chose not to restate the information during the comparison period.

The Group adopted the standard on 1 January 2019. Compared with the financial statements on 31 December 2018, the Group’s right-of-use asset on 1 January 2019 increased by RMB170 million and lease liabilities increased by RMB151 million.

### III. Discussion and Analysis of Main Business Operations

#### (I) Retail business highlights

The Bank proposed the strategy of “establishing banks with retail”, which is an advantage and a general trend. Under the strong market foundation of the Bank, the retail business had a solid foundation and a strong base to seize the market and achieve quality improvement and efficiency increment. In 2019, the income of retail business was RMB9,929 million, representing an increase of RMB212 million year-on-year, accounting for 37.27% of the Group’s operating income, ranking first in the Group’s operating income for three consecutive years. Total profits were RMB5,299 million, representing an increase of RMB313 million year-on-year, accounting for 43.32% of the Group’s total profits, ranking first in the Group’s total profits. In 2020, the Bank promoted the “six-type strategies” to achieve “six outcomes”, that are: developing customerisation to ensure the customer-centered philosophy “has a specific focus”; monopolising business to ensure the large retail business “has a unique system”; intelligentising tools to ensure refined management “has a strong support”; scenarising network to ensure “having a good experience” in the Yukuai Living Spheres (渝快生活圈); professionalising personnel to ensure “competitiveness” when competing market peers; implementing branding to ensure “having the best reputation” in the Chongqing’s retail market, so as to promote a continuous steady growth in the retail business.

#### 1. *Personal Deposit and Loan Business*

##### (I) Personal Deposit Business

The Bank took full advantage of its exceptional regional brand recognition and strived to align its brand value-added services with key marketing campaigns and social responsibility, encouraging greater innovation during key business hours of peak seasons. Thus, retail deposits recorded a continuing increase. As at 31 December 2019, the retail deposits amounted to RMB511,572 million, representing an increase of RMB56,892 million or 12.51% over the end of the previous year. The Bank remained unrivalled among its regional counterparts in terms of the amount, annual growth and market share of retail deposits. The Bank successfully obtained the National Savings Bonds (Electronic) Online Bank Underwriting Qualification, became the first corporate financial institution in our city and the second corporate financial institution in the west with qualifications for underwriting national bonds. At the same time, it added a transfer function and carried out the contracted transfer business of maturity funds of certificated bonds.

## (II) Personal Loan Business

With a view to becoming the largest and the best local retail bank, the Bank insisted on business for small and micro enterprises, optimized the credit structure, stressed product innovation, implemented differentiated credit services and continued to support inclusive finance. It constantly consolidated the advantageous position of retail loan business and created an internet financial platform based on the existing advantageous channels including retail loan centres and operation outlets, and actively promoted products such as express property loan (房快貸), Yukuai Loan (渝快貸) and Ping An inclusive cooperation loan (平安普惠合作貸). As at 31 December 2019, the Group's retail loans amounted to RMB162,238 million, representing an increase of RMB28,982 million or 21.75% over the end of the previous year. Personal residential mortgage loans amounted to RMB73,091 million with a more rapid growth, representing an increase of RMB12,718 million over the end of the previous year and RMB2,530 million over the same period of last year; Yukuai Loan (渝快貸), the online loan product which independently researched and developed by the Bank, reached RMB2,076 million, representing an increase of RMB1,867 million over the beginning of the year. The risk control of loans was good. At the end of 2019, non-performing loan ratio of personal loans was 0.71%, representing a decrease of 0.27 percentage points over the end of the previous year. The amounts of personal loans reached RMB252,300 (excluding tri-party cooperative innovation loans), which is conducive to disperse risks and control asset quality. There is significant room for customers to explore. Among nearly 29 million retail customers of the Group, the number of personal loan customers reached 565,700 (excluding tri-party cooperative innovation loans), the number of existing customers was huge. In addition, in the process of the online migration of the Bank's traditional loan business, plenty of data-driven consumer credit products were presented to users without geographical boundaries and product boundaries, which expanded the Bank's service range and provided a more conducive room for new customers exploration.

## 2. Bank Card Business

### (1) Debit Card Business

The number of new debit cards recorded a stable growth. As of 31 December 2019, the total number of debit cards issued by the Bank reached 22,292,000; the consumption related thereto amounted to RMB89,406 million. Specially, nostalgia series of debit cards issued with the function of subsidizing foreign remittance fees gained remote deposits of RMB152,481 million reached an issued number of 11,721,900.

### (2) Credit Card Business

The Bank made persistent efforts to the innovation of credit card business, and was committed to branding credit card business with distinctive features and optimized the two main product lines of standard cards and characteristic cards. Rapid progress has been made in customer exploration, business innovation, system construction and brand establishment. The Bank accurately targeted its target customers, vigorously promoted all employees' marketing, and successfully launched online credit card mobile client marketing APP, which greatly improved the efficiency of the submission. By the end of 2019, the submission rate of online APP reached more than 98%, exceeding the industry average. The Bank strengthened business innovation and introduced new products with market competitiveness such as upgraded car parking installment, home renovation installment, platinum card automatic installment, and advance loan installment. The Bank focused on fintech innovation, fully promoted the "Digital Credit Card" project, opened online channels such as credit card WeChat public account, WeChat applet and H5 page to strengthen credit card automatic approval and risk control capabilities. The Bank continued to build "Jiangyu credit card" product brand and focused on "regionalisation and specialisation to create a favourable environment for use of credit cards and encourage customers to use credit cards. Based on the existing business, the Bank focused on sustainable development, complied with market demand, further rationalised the credit card system, continued to expand Internet-based electronic service channels, and improved credit card financial services and create opportunities for sustainable development.

In 2019, the credit card issuance scale grew rapidly, and transaction scale developed steadily. As of 31 December 2019, 343,400 new cards issued by the Bank, reaching an all-time high, representing an increase of 214.76% as compared to the same period of the previous year. The accumulative total number of credit cards issued by the Bank exceeded 1 million, while the number of valid activated cards was 633,800, representing a year-on-year increase of 48.57%. Credit card holding rate of the Bank's VIP customers was 14.84%, representing an increase of 7.48 percentage points over the end of the previous year; credit card holding rate of the Bank's customers with existing loans was 7.98%, representing an increase of 2.52 percentage points over the end of the previous year; proportion of active credit card customers in the quarter was 46.98%. In 2019, the cumulative number of consumptions related to credit cards amounted to 14,436,000 and the spending amount was RMB28,595 million.

### 3. *Wealth Management and Private Banking Business*

In 2019, the Bank's wealth management and private banking business achieved long-term improvements and significant breakthroughs.

- (1) **Wealth results were improved significantly.** In 2019, VIP customers increased by 21% year-on-year, of which wealth management and private banking customers increased by more than 60% year-on-year, and wealth management and private banking customers of wealth management center increased by more than 170% year-on-year.
- (2) **Operating system was increasingly enhanced.** The Bank explored the establishment of 14 wealth management centers, and introduce the six-type operating system of “concentrating customers, franchising business, localising account business, professionalising personnel, integrating resources and sharing results” to achieve stable and efficient operation of wealth centers. Construction of Jiangbei and Jiulongpo Wealth Centers was completed and officially opened.
- (3) **Team establishment won initial success.** The number of the Bank's wealth management customer managers was doubled from the beginning of the year, and the allocation rate exceeded 80%. Among which, breakthroughs were made in the establishment of the professional wealth management team of wealth centers. All of the wealth management consultants of those 6 wealth centers held AFP certificates; all of the wealth management consultants held qualification for selling funds and insurance.
- (4) **Product system became increasingly abundant.** In 2019, personal structured deposits issued a total of 128 products, amounting to RMB9,498 million in total, with a stock balance of RMB3,574 million; the Bank successfully issued consignment sale trust and sold a total of RMB240 million; the Bank became the first corporate bank which successfully launched and introduced the family trust business in Chongqing; equity products became increasingly abundant, “food, residence, transportation, tourism, shopping, entertainment, medicine, learning, and health”, provided rich value-added service for wealth management and private banking customers. The Bank also innovated “private banking service dedicated line” and “value-added service for reservation for customers by wealth management consultants”, organised more than 50 seminars for the report of investment strategies annually and half-yearly and activities like “cooling off on hot summer days (納涼消暑)”, and “reaping a plentiful harvest in the autumn (納秋豐收)” throughout the year.

### 4. *Agency Business*

With the deepening of the transformation of networks, the number of professional staff such as wealth management customer managers has gradually increased, and the agency business has developed with diversified and multiple products. The sales volume of savings bonds increased significantly, doubled from 2018; the sales volume of products like non-monetary funds and insurance paid by installments increased significantly. The average daily inventory of non-monetary funds increased by 62.68% as compared with the previous year, and the sale volume of insurance paid by installments increased by 150% as compared with the previous year.

### 5. Reports on specific topic

In 2019, the Bank actively explored the integration of traditional business with internet finance, which **realised** the onlineisation of most deposit products. Deposit products with the features Jiangyu such as wish deposit slips (心願存單), consolidated deposits (拼拼存) and commercial wealth deposits (商富存) were launched. It **promoted** the development of the onlineisation and branding of agency business, the Bank's main agent insurance products and fund products were launched on the Bank's mobile banking APP; the brand of fund products was established based on "Jiangyu FOF (江渝基金寶)". It **promoted** credit product innovation and accelerated the onlineisation process of traditional products. Express property loans for personal consumer mortgage has launched, which realised the onlineisation of online application, automatic approval, and self-service spending of mortgage loans, improved the convenience and efficiency of credit services, enhanced the customer experience and reduced labor costs.

## (II) Small and Micro Enterprises Businesses with Distinctive Features

The Bank constantly increased its technological support, continuously innovated small and micro online service products, and kept optimising the loan process for small and micro businesses. Also, combining with the advantages of its own wide coverage of networks and a large number of personnel, the Bank accelerated online and offline "double drives", and fully promoted the small and micro businesses with distinctive operations and high-quality development. As of the end of 2019, the number of inclusive small and micro enterprise loans of the Bank<sup>1</sup> amounted to 123,656, representing an increase of 700 over the beginning of the year. The outstanding loan balance amounted to RMB65,195 million, representing an increase of RMB8,815 million or 15.63% as compared to the beginning of the year, in addition to 1.35 percentage points higher than the average loan growth rate of the Bank. In 2019, the average interest rate of new inclusive small and micro enterprise loans was 6.20%. The comprehensive costs of small and micro enterprise loans and the asset quality of loans were controlled at a reasonable level, achieving the regulatory goal of "two increases and two controls"<sup>2</sup>. The number and balance of inclusive small and micro enterprises accounted for 29% and 26% of the loans across the whole city, respectively, and remained the first in the city. The CBIRC Chongqing Office awarded the Bank "Outstanding Bank for Small and Micro Enterprises Financial Services" and "Excellent Bank for Internal Management Innovation".

---

<sup>1</sup> Inclusive small and micro enterprise loans refer to small and micro enterprises loans, individual business owners, and small and micro enterprise owners business loans with total individual credit amount below RMB10 million (inclusive).

<sup>2</sup> "Two Increases" refers the growth rate of inclusive small and micro enterprise loans is not less than the growth rate of various loans as compared with that to the beginning of the year, and the number of enterprises with loan balances is not less than the level at the beginning of the year; "Two controls" mean that the Bank reasonably controls the loan and asset quality and comprehensive cost of loans of small and micro enterprises.

1. *Product innovation achieved a “new breakthrough”*

In 2019, 2 data decision-making financing products were newly developed and launched. **Firstly, “express bill discounting” was tailor-made for small and micro enterprises**, which mainly addressed the issue of the difficulty of discounting bills with small amounts of small and micro enterprises, realised the functions of “applying through online banks, discounting bills with small amounts easily, revolving credit limit, and receiving amounts instantly” of bill discounting; **Secondly, “express property loan” was exclusive to small and micro business owners and individual business owners**, which realised the functions of “one-click application, remote evaluation, automatic approval, online mortgage and borrow and repay at any time” of personal business loans. At the same time, the functions of “self-service spending” and “self-service loan renewal” were optimized and iterated to increase and promote their usage. In 2019, the small and micro online business accumulated a total of nearly 70,000 loans, amounting to RMB15,000 million. The replacement rate of online spending increased to 61%, and the replacement rate of online renewal loan increased to 72%.

The Bank created an exclusive financing brand “commercial simple loan (商易貸)” for small and micro customers, the credit products under the brand reached 30, covering the financing needs of small and micro customers at various stages of startup, growth, and maturity. It allowed small and micro customers in different industries, different types and different development stages to enjoy financing services that meet their needs. Through online and offline distinctive products, it provided a source of power for the continuous and stable development of small and micro businesses.

2. *Distinctive business reach a “new height”*

The Bank actively built a cooperation platform for “banks, government, and guarantee agencies”, continuously expanded marketing channels for small and micro businesses with the use of featured and mass-produced products. **Firstly, the Bank fully supported science and technology enterprises**, “knowledge-based credit loans for science and technology enterprises” had blooming over 34 districts and counties throughout the whole city Chongqing High-tech Zone and Wansheng Economic Development Zone, at the end of 2019, the number of loan holders reached 911, with a balance of RMB1,420 million, representing an increase of 638 and RMB1,067 million as compared to the beginning of the year, respectively, and the balance of loans accounted for 51% of the city. **Secondly, the Bank made every effort to promote rural development.** At the end of 2019, the number of enterprises with “Rural Primary-secondary-tertiary Industry Consolidation Loan” reached 5,130, with a balance of RMB1,429 million, representing an increase of 1,015 enterprises and RMB292 million as compared to the beginning of the year, and the balance of loans accounted for 40% of the city. **Thirdly, the Bank committed to support mass entrepreneurship**, it invested “startup guarantee loans” to 23,722 enterprises in 2019, representing an increase of 3,944 enterprises year-on-year. The total investment amounted to RMB3,357 million, representing an increase of RMB1,158 million, accounting for 72% of the total investment of the city. The market share of the above three distinctive businesses remained the first in the city.

### 3. *Service network got a “new improvement”*

With the strong support of fintech, small and micro customers can apply for self-service credit business through online channels such as mobile banking, Internet banking, WeChat banking without leaving home, the level of electronics, intelligence and automation of small and micro businesses continued to improve, and loan efficiency was further improved. At the same time, the Bank made full use of its advantages of its wide coverage of service networks and a large number of personnel. Through the business networks under its jurisdiction, the Bank further extended the financial service tentacles. While increasing the “speed” of applying for loans for small and micro customers through online channels, the Bank deepened the communication with customers offline and closely connected and provided “warmer” services to them. Through the deep integration of online and offline, the “viscosity” of customers was further enhanced, and the customer acquisition channels, and market share of small and micro customers have further consolidated.

## (III) Steady Growth of Corporate Business

### 1. *Corporate Business*

During the Reporting Year, the Group promoted the corporate business appropriately, prudently, and steadily in accordance with national macro-economic adjustment and control, external regulatory policies, and regional economic operations, and in accordance with the principles of legal compliance and commercial sustainability. In 2019, the Company’s operating income was RMB8,583 million, accounted for 32.22% of the Company’s business revenue. During the Reporting Year, the corporate business achieved the following major results:

**Stood a leading position in the area in terms of new loans** – In 2019, the Bank’s RMB loans without discount in Chongqing area increased by RMB23,154 million year-on-year, representing an increase of 12.27%. It ranked first in the Chongqing regional market in terms of new loans.

**The proportion of demand deposits continued to expand** – As of 31 December 2019, the proportion of demand deposits accounted for 80.20% of the Group’s corporate deposits, representing an increase of 0.46 percentage point over the same period of the previous year. The deposit structure has been continuously optimised.

**The effect of management and control of loan-deposit spread produced remarkable results** – As of 31 December 2019, the average annualised yield of the Group’s corporate loans was 5.01%, the average annualised cost rate of corporate deposits was 1.23%. The loan-deposit spread reached 3.78%.



(1) Corporate Deposit Business

During the Reporting Year, the Bank actively carried out marketing activities in the peak season for corporate deposits. At the same time, the Bank made full use of the information platform of “institutional alliance” of the bank to seize opportunities for institutional reform and sort out advantageous ancillary products. The Bank launched precise marketing for corporate accounts and established 44 accounts in key institutional reforms. As of 31 December 2019, the Group’s local and foreign currency corporate deposits amounted to RMB156,031 million, ranking third in the Chongqing regional market.

By grasping the promotion and application of online products such as account marketing, payment settlement and accelerated cash management, the deposit structure has been continuously optimised. As of the end of the Reporting Period, proportion of demand deposits accounted for 80.20% of the Group’s corporate deposits, representing an increase of 0.46 percentage point over the same period of previous year. As the proportion of demand deposits was continuously rising, as such, the average annualised cost rate of the Group’s corporate deposits was 1.23%.

(2) Corporate Loan Business

As of 31 December 2019, the Group’s foreign currency corporate loans without discount were RMB254,760 million, ranking third in the Chongqing regional market; the average annualised yield of the corporate loans was 5.01%, representing an increase of 0.14 percentage point over the same period, and the corporate loan-deposit spread was 3.78%; loans increased by RMB27,073 million year-on-year, representing an increase of 11.89%. The newly added local and foreign currency loans ranked second in the Chongqing regional market.

During the Reporting Year, the Bank complied the national “Belt and Road” initiative, assisted the construction of “two highs” and “two places” in Chongqing, and continued to strengthen financial support for major national and local strategic projects.

### Major strategies

As of 31 December 2019, the Bank supported the construction of the Yangtze River Economic Belt with a loan balance of RMB146,193 million, supported the “Belt and Road” initiative with a loan balance of RMB10,978 million, supported the construction of inland open highland with a loan balance of RMB9,766 million, and supported the construction of Ecological Security Shelter in Upper Yangtze River with a loan balance of RMB5,999 million.

### Intelligent upgrade

As of 31 December 2019, the loan balance of the Bank’s strategic emerging industries was RMB44,424 million, of which the loan balance of strategic emerging manufacturing industry was RMB9,245 million and the loan balance of strategic emerging service industry was RMB35,178 million.

### Green Credit

The Bank actively responded to the national green development strategy and consolidated the green financial development system, formulated green credit development guidelines. By the guide of resource allocation, the Bank formed green credit incentives, and focused on supporting the development of green environmental protection industries represented by waste-to-energy, wastewater treatment, and ecological restoration; the Bank innovated the green finance development model, cooperated with the China Clean Development Mechanism Fund under the Ministry of Finance, and promoted the construction of green projects in Chongqing City by introducing low-cost funds.

### People’s Livelihood

During the Reporting Year, the Bank concentrated its resources for policy and continued to strengthen its support for the “benefiting people’s livelihood” areas such as healthcare and education. As of 31 December 2019, the balance of loans in the people’s livelihood area was RMB21,356 million, representing an increase of RMB434 million as compared to the beginning of the year.

While actively complying major national and local strategies and firmly fulfilling social responsibilities, the Group adjusted its business structure in a timely manner in accordance with market developments. Corporate loans mainly went to the industries such as manufacturing, water conservation, environmental and public utility management, leasing and commercial services, wholesale and retail, production and supply of electricity, heat, gas and water, and real estate, which accounted for 13.99%, 13.61%, 11.55%, 4.3%, 3.78%, 1.84% of the total amount of loans of the Group as of 31 December 2019. The top ten largest loan customers accounted for 5.87% of the Group’s corporate loans, representing a decrease of 0.45 percentage point over the same period of previous year.

2. *Institutional Business*

As the first A-share listed corporate bank in Chongqing area, the Bank continued to strengthen the construction of cooperation channel with functional departments of the Chongqing Municipal Government, the financial industry and institutions at different levels. Through businesses such as social security fund issuance, treasury cash management, government bond underwriting, non-tax business collection, pre-sale fund supervision, project capital supervision, supervision on migrant workers wage deposits, the Bank maintained close cooperation with 32 municipal agencies, including the Chongqing Municipal Finance Bureau, Human Resources and Social Security Bureau and Housing and Construction Committee. It practically strengthened financial services in the field of medical security by levying basic endowment insurance for urban and rural residents and cooperative medical insurance for urban and rural residents through exclusive taxation. In addition, the Bank actively established collaboration platforms in respect of insurance and securities with other banks. The increasing abundance of collaboration channel effectively facilitated continuous stable development of the Bank's corporate banking business.

3. *International Business*

**The key indicators for international business fluctuated slightly, the overall development situation performed well.** In 2019, the international settlement amounted to USD6,664 million (including cross-border settlement of RMB4,460 million), representing a year-on-year decrease of 2.10%, foreign exchange settlement amounted to USD2,496 million, a year-on-year decrease of 14.26%, the on-balance-sheet and off-balance sheet trade financing balance and foreign currency loan balance amounted to USD1,467 million, representing a decrease of USD33 million as compared to the beginning of the year. The number of foreign exchange customers of the Bank reached 1,125, representing an increase of 68 customers from the beginning of the year, and 424 of which were active customers, representing an increase of 64 from the beginning of the year. **Transaction volume of foreign exchange transaction ranked the first among local corporate banks in Chongqing**, of which the transaction volume of foreign currency interbank borrowings was USD12,313 million, representing a year-on-year decrease of 26.17%. the transaction volume of interbank foreign exchange swaps and foreign exchange settlements amounted to USD3,935 million, representing a year-on-year increase of 34.39%. **The interbank collaboration was further enhanced.** The Bank has established correspondent banking relationship with 572 banks at home and abroad and has obtained USD8,900 million, of financial institution credit at home and abroad. Derivatives counterparties increased to 27, overseas disbursement counterparties increased to 35 and forfeiting counterparties increased to 35.

Furthermore, the Bank had certain new achievements in the international business, they were:

**New breakthrough in the Sino-Singapore project collaboration:** The Bank had united industry to open a SGD150 million standby letter of credit for a company in Chongqing to support its successful launch of the first SGD public bond under the Sino-Singapore Interconnection Project, which was concerned and reported by the mainstream media.

**New page in the derivatives business:** the Bank successfully handled the first foreign exchange customer-driven swap business, further enriching the foreign exchange fund business product system, starting a new page for the derivatives business of the Bank.

**New start for the cross-border RMB settlement service:** The Bank had been actively promoting the cross-border RMB settlement service to foreign-related enterprises. The cross-border RMB settlement of the Bank amounted to RMB4,460 million, representing a two-fold increase as compared to the previous year. In 2019, the Bank received a business innovation award during “The Tenth Anniversary of Review and Outlook of Cross-border RMB Settlement in Chongqing City” (重慶市人民幣跨境使用十周年回顧與展望活動), an event held by The People’s Bank of China Chongqing Operations Office.

**New channel under the extended service coverage:** The Bank successfully completed the transfer of foreign exchange accounts and business authorization for 14 districts and counties branches such as Wushan and Youyang, achieving a full coverage of the Bank’s international settlement services, established the “last mile” of international settlement services for customers of the Bank.

**New stage in the compliance management of foreign exchange:** the Bank was rated as A Class in the Foreign Exchange Comprehensive Appraisal from 2016 to 2019 for four consecutive years conducted by the Chongqing Branch of the State Administration of Foreign Exchange. The Bank was the only local corporate bank in Chongqing that received A Class grading. The Bank continued to improve its compliance management of foreign exchange business and had received positive feedbacks from regulatory institutions.

## (IV) Solid Development in Financial Market Operations

### 1. Overview of inter-bank business

#### (1) Continued to enhance market influence of the Bank

During the Reporting Period, the Bank was the only Primary Dealer of Open Market Business in Western China. The Bank had been classified as the Core Dealer of Credit Risk Mitigation by the National Association of Financial Market Institutional Investors and participated in 3 credit risk mitigation warrant investments, being one of the 57 financial institutions that obtained the qualification. During the Reporting Period, the Bank had been recognized “Active Interbank Trader of Domestic Currency” (銀行間本幣市場活躍交易商), “Active Interbank Dealer in the Money Market” (銀行間貨幣市場活躍交易商), “Active Interbank Dealers of X-Repo” (銀行間質押式逆回購匿名點擊業務活躍交易商) for the year”.

#### (2) Continued to improve structure of assets and liabilities of the Bank and strengthen its interactive linkage with other businesses

In terms of asset management, the Bank integrated the latest regulatory trends and requirements. By conducting analysis and making judgement of the macroeconomy, capital cost and market condition, the Bank gradually increased its investment in standardized assets e.g. bond and followed the market trend of making standardized investment during the Reporting Period. In the meantime, the Bank had accelerated the process of turning offline services to online and steadily commenced co-exist services. During the Reporting Period, co-exist services online and offline had been well-established, the assets structure of financial institutions was therefore optimized.

In terms of liabilities management, the Bank consolidated good cooperative relations with financial institutions by various channels with businesses such as issuance of interbank certificates of deposit, interbank deposits and collateralised securities repurchase, the Bank obtained stable sources of capital. It kept optimising the liability structure and reduced costs of debt while ensuring adequate liquidity. In 2019, the average cost rate of issuance of interbank certificates of deposit was 3.36%, representing a decrease of 103 basis points as compared to 2018.

In terms of business coordination, the Bank deeply implemented the 3-in-1 business development philosophy of “investment banking + custody + investment”, effectively promoted the business coordination between various departments of the headquarter and the joint marketing between the headquarter and branches, continuously optimised the internal joint competitiveness to further improve customer viscosity and loyalty.

(3) Continued to optimise internal control system of the Bank

The Bank improved its systematic procedures, laying a solid foundation for maintaining business compliance. In order to prevent any risks occurred in the course of business development, the Bank, from front to back offices, continued to strengthen its risk assessment and prevention, following the financial market business approval requirements which focused on both internal and in-line approval.

2. Segment Assets

As of 31 December 2019, the total size of operating assets was RMB609,113 million, of which the financial investments<sup>1</sup> amounted to RMB376,775 million; cash and balances with Central Bank to RMB77,414 million; deposits and placements with banks and other financial institutions to RMB146,001 million; discounted bills to RMB7,543 million.

(1) Financial Investments

1) Distribution of Financial Investments

As of 31 December 2019, financial assets at fair value through profit or loss amounted to RMB23,678 million, accounting for 6.28% of total financial investments. Financial assets at fair value through other comprehensive income amounted to RMB6,679 million, accounting for 1.78%. Financial assets measured at amortised cost amounted to RMB346,418 million, accounting for 91.94%.

2) Distribution of Financial Investments by Credit Rating (Unit: RMB million, except for percentage)

Credit ranking	As of the end of 2019		As of the end of 2018	
	amounts	Percentage	amounts	Percentage
AAA	51,378.3	13.64%	27,821.9	8.92%
AA	12,149.1	3.22%	13,354.7	4.28%
A and below	161.9	0.04%	267.7	0.09%
Unrated	313,086.1	83.10%	270,311.6	86.71%
<b>Total</b>	<b>376,775.4</b>	<b>100.00%</b>	<b>311,755.9</b>	<b>100.00%</b>

<sup>1</sup> Financial investments include financial assets measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortised cost, which exclude equity investment.

In 2019, according to the policy guidance of the central government on risk prevention and the policy directing more funds into real economy, the Group continued to further analyse on the policy and market. With the expectation of a macro situation in which prudent monetary policy and real economy support will be maintained, the Group determined the bond investment strategy of “risk prevention, appropriate allocation, delicate selection”.

With respect to operation, given the fluctuating interest rate in the interbank market and frequent credit risk events, the main objective of the strategy was to enhance the prevention of credit risk and liquidity risk, to select medium-term bonds with better quality and higher coupon rate at higher interest rate for investments as well as increase in holdings of government bonds, debt securities issued by policy banks and bonds issued by local government with better liquidity and AAA rating.

As of 31 December 2019, financial investment with a rating of AA and above increased by RMB22,350 million, or 3.66 percentage points in proportion to total financial investments as compared with the end of the previous year, while unrated financial investments increased by RMB42,775 million, with a decrease of 3.61 percentage points in proportion to total financial investments, as compared with the end of the previous year. Unrated financial investment are mainly government bonds, public sector bonds, quasi-government bonds, certificate treasury bonds and wealth management products issued by financial institutions.

3) Distribution of Financial Investments by Remaining Maturity (Unit: RMB million, except for percentage)

Maturity	As of the end of 2019		As of the end of 2018	
	amounts	Percentage	amounts	Percentage
Within 3 months (inclusive)	36,605.3	9.72%	34,656.8	11.12%
3 to 12 months (inclusive)	90,087.3	23.91%	79,576.7	25.53%
1 to 5 years (inclusive)	141,656.4	37.60%	125,725.7	40.33%
Over 5 years	108,426.4	28.77%	71,796.7	23.02%
<b>Total</b>	<b>376,775.4</b>	<b>100.00%</b>	<b>311,755.9</b>	<b>100.00%</b>

As of 31 December 2019, the Group's financial investments with a remaining maturity of less than 12 months increased by RMB12,459 million, with a decrease of 3.02 percentage points in proportion to total financial investments, from the end of the previous year. Financial investments with a remaining maturity of 1 to 5 years increased by RMB15,931 million, with a decrease of 2.73 percentage points in proportion to total financial investments, from the end of the previous year; financial investments with a remaining maturity of over 5 years increased by RMB36,630 million, or 5.75 percentage points in proportion to total financial investments from the end of the previous year. These are mainly due to the Group's improvement in the maturity structure of the investment portfolio given a proper build-up of investments in long-term debt securities with relatively higher investment value in accordance with the changes in the bond market and the reasonable allocation of the maturity and yield of its investment portfolio.

#### 4) Holding of Financial Bonds

As of 31 December 2019, the carrying value of the Group's financial bonds amounted to RMB86,276 million which mainly consisted of the financial bonds issued by policy banks. The table below sets out the top ten financial bonds in terms of nominal value held by the Group as at 31 December 2019: (Unit: RMB million, except for interest rate per annum)

Name of debt securities	Nominal value (RMB100 million)	interest rate per annum (%)	Maturity Date
Debt securities issued by policy banks in 2019	10,000.0	3.48	2029/1/8
Debt securities issued by policy banks in 2018	4,240.0	4.88	2028/2/9
Debt securities issued by policy banks in 2018	4,000.0	4.00	2025/11/12
Debt securities issued by policy banks in 2019	3,250.0	3.45	2029/9/20
Debt securities issued by policy banks in 2018	3,000.0	4.69	2023/3/23
Debt securities issued by policy banks in 2019	3,000.0	3.65	2029/5/21
Debt securities issued by policy banks in 2017	2,000.0	4.30	2024/8/21
Debt securities issued by policy banks in 2018	2,000.0	4.04	2028/7/6
Interbank asset securitisation in 2019	1,100.0	3.46	2026/11/26
Debt securities issued by policy banks in 2017	1,000.0	3.83	2024/1/6



### 3. *Assets Management Business*

The Bank firmly promoted the transformation of wealth management business according to the new regulatory requirements.

**First**, the Bank strengthened product innovation and launched cash management net worth wealth management products, steadily gaining market recognition. **Second**, the Bank orderly depressed the scale of old products and continued to optimize the structure of product, intensifying efforts for the net-worth transformation. **Third**, the Bank further streamlined its level, comprehensively improved its operation procedures and upgraded the transformation of technology system according to the new regulatory requirements. **Forth**, the Bank improved wealth management information disclosure, strengthened its valuation and investment capacities, enhancing liquidity management. Besides, the Bank actively implemented risk prevention, so as to facilitate its sustainable and stable development.

By the end of 2019, the outstanding balance of wealth management products amounted to RMB134,432 million, representing an increase of RMB9,331 million or 7.46% over the end of the previous year, among which, the outstanding balance of net-value financial management products amounted to RMB70,762 million and accounted for 52.64% of total outstanding balance of wealth management products, representing an increase of RMB60,436 million as compared to the previous year.

### 4. *Investment Banking Business*

**Acted as the lead underwriter** The first case of inter-bank green debt financial tools in Chongqing, the carrying interest is lower than the same type enterprise market interest level in the same period, realized supporting the green development's new breakthrough; **Independent underwriter** The first domestic enterprise bond with credit risk certificate, for easing domestic enterprise financing difficulties and also effectively lowering the finance cost; participated in the issuance of 12 bonds as **lead underwriter** with the amount of RMB2,510 million, representing a year-on-year increase of 35.31%; participated in 20 debt financing plans with total amount of RMB5,860 million, representing a year-on-year increase of 26.84%; **successfully joined** the underwriting groups of local government bonds and three major policy bank financial bonds in 10 regions; **participated** in the issuance of 182 bonds and debt financing plans as **underwriter** with the amount of RMB55,936 million, representing a year-on-year increase of 73.69%; the redemption and continuation of the Bank's 2014 tier 2 capital bonds was **successfully completed** with an amount of RMB5,000 million. The interest rate for subsequent issuance of new bonds is at the lowest level for tier 2 capital bonds issued by corporate financial institutions in the same period. In the meantime, we actively supplemented and deployed professional and technical personnel, consolidated the departmental organizational structure, promoted the first phase of the asset securitization management platform, established a departmental inspection and emergency mechanism, strengthened the quality of process management and internal control, and improved the development level of investment banking business.

### 5. *Asset Custodial Business*

As of the end of the Reporting Period, the asset custodial scale was RMB142,607 million. During the Reporting Period, the Bank had not yet commenced the network lending funds custody business. During the Reporting Period, no material custody risk events occurred in the Bank.

## (V) Accelerated Financial Technology Innovation

### 1. *Implement all-round talent-driven, lead the technological innovation*

**Establish a fintech center to leverage innovation** In 2019, the Bank established a fintech center by integrating financial innovation resources across the bank, and merged the IT strategic development committee and innovation management committee under the former senior management into the fintech management committee, so as to build a unique and agile innovation management system. The Bank's fintech center is positioned as the incubation center for innovative products and the management center for innovative technology application platforms of the Bank. The center has five head office departments: the financial innovation department, the electronic banking department, the application research and development center, the data management department and the direct banking team. The center is responsible for leading the formulation of transformation and upgrading strategies, carrying out planned, sustainable technological innovation introduction and product innovation implementation, and cultivating and reserving a comprehensive echelon of talents for “channel + business + data + technology + cooperation” for the entire bank.

**Recruit talents from various industries and cultivate the driving force for innovation** The fintech center has a global perspective on talent introduction, and recruits talents through a variety of methods including internal selection and external introduction. In the last two years, more than 60 highly-skilled talents from well-known universities such as Ivy League, Tsinghua University, and Peking University, as well as large financial institutions have been recruited from home and abroad. It is expected to maintain an annualized growth rate of 20% -30% and continue to expand the fintech talent team. The fintech center is equipped with a staffing of more than 370 people, and 176 professional and technical personnel responsible for management, research, operations, channels, data, development, products, etc. have been in place, including 4 people with a doctorate degree and those with a master's degree or above accounting for more than 60%. The fintech center and the Bank's science and technology information department jointly constitute a basic platform and a two-round innovative talent system for fintech.

**Coordinate the management of the center and stimulate the vitality of innovation**

The fintech center aims at “invigorating the Bank with technology” to coordinate the entire bank’s fintech development plan, and to realize the fintech capabilities in business, data, management, and research and development with the “Middle Office Thinking”, so as to achieve partial support from the fintech center to the global support of all lines, departments and branches of the Bank. We established a cross-departmental institutional process in the fintech center, introduced an agile “tribal” business and technology integration management model, and coordinated project management to ensure the continuity, uniformity, and agility of the business processes in the center, and to ensure the steady development of key project construction and operations, so as to provide a mechanism guarantee for the top-level design of major fintech and strategic deployment. In the meantime, the fintech center is used as the unified assessment subject, and market-oriented assessment mechanisms such as OKR are introduced. The fintech platform is more focused on the empowerment of the entire bank’s business, and a market-based elimination mechanism of “able to go in and out or up and down” is established and the internal innovation vitality of the fintech center was fully commenced.

2. *Independent development of products, and deep integration of online and offline*

We fully implement the strategy of “building the Bank with retailing”, with the goal of “online and offline integration, intelligent data decision-making, and rapid iteration of functions”, and constantly improve the financial service product system, build a smart product platform, and improve the availability of financial services to provide customers with comprehensive financial services solutions. We have launched our own products including the online credit consumer loan “Yukuai Loan” (渝快貸) for individual customers, and the comprehensive online bill discount product “Ticket Express” (票快貼) for small and micro enterprise customers, an online housing mortgage product “Fast Mortgage Loan” (房快貸) for small and micro enterprises and individual customers, and a credit-based consumer loan product based on insurance cooperation “Secure e-loan” (保e貸) for small and micro enterprises and individuals, as well as online group deposit product “Pinpin Deposit” (拼拼存). By the end of 2019, the Bank had issued more than RMB23 billion in various online data decision-making credit products. In the meantime, the online transformation of corporate households has been implemented. Customers can complete the opening of corporate accounts and the processing of supporting products by going to the branch only once. The average branch time is reduced to less than 30 minutes, and the average time is reduced by more than 90%.

In the next step, the Bank will build marketing platform products such as “consumer money” marketing platform, reservation service platform, and wealth platform based on the current status of the industry and user actualities, and continue to build and improve a systematic IT product map. **In terms of assets**, we launched online pledges, online second mortgages, online housing mortgages, etc.; **in terms of liabilities**, we launched “smooth e-deposit”, an online deposit product targeted at new customers; **in terms of intermediary business**, we launched “Yukuai Buy” and online insurance products; and **in terms of inclusive finance**, we launched the “Yunong Loan · Wangnong Loan” business to serve the production and operation of the “Sannong” customers. And in the mobile finance end innovation e-commerce poverty alleviation zone, we have moved the special agricultural products in remote areas from “small villages” to “big platforms” to help customers of “Sannong” expand product sales channels, and help rural villages and poverty alleviation.

3. *Launched “Chongqing Rural Commercial Cloud”, and continued to build an intelligent cooperation and open platform*

To construct driven based on the large scale of digital application for “Chongqing Rural Commercial Cloud”, achieved large-scale real-time data computing capabilities of ultra 5K clusters, adjusted elastic resource sizes at any time according to business needs and operating strategies, effectively reduced the difficulty of traditional database operation and maintenance with an increase of efficiency by 150%. Relying on cloud computing deployment, resource storage, data integration capabilities, and container virtualization technologies, it effectively meets highly flexible, highly available, and highly reliable one-stop cloud computing services across industries and agencies. according to the three-step model of “accessing assets, connecting funds, and exporting products” accurately grasps market positioning, progressively implements the strategy of open banking, and builds a matching cloud platform for intelligent business cooperation between institutions. **First**, it continued to widely access third-party assets, including with leading internet companies such as BATJ, online merchants, WeBank etc., cooperation with the syndicated loan such as Loan of Ant Financial (借呗), Wechat Loan (微粒贷), Rural Finance by Ant Financial (旺农贷) etc., and launched loan assistance cooperation with Ping An Pratt & Whitney, Huaan Property and Casualty Insurance, to continuously improve access efficiency and third party asset management capabilities. **Second**, to explore the inter-internet business development cooperation model, integrated each bank’s various capabilities into the cooperation solution by API, SDK, H5 etc.; at the same time, integration of the external bank institutions, connected the regional city merchants, agricultural merchants and agricultural credit cooperatives as capital resources, distribution of assets by strategy, and together with partners to carry out joint innovation across industries, businesses and institutions. **At last**, to reconstruct the Bank’s self-innovation and self- products such as “Yukuai Loan” (渝快贷), “Shukuai Loan” (税快贷) etc. to realize the goal of customizing output to other institutions by the product capabilities through the platform.

4. *Constructing risk control system with perfect credit life cycle*

Comprehensive use of techniques of big data, artificial intelligence and seeable information etc., to achieve the management and control of credit life cycle's risk. **Before Lending**, commencing customer, credit information investigation, preparation of risk control and precise customer identification. Based on big data analysis, combined the multi-level data including customers' own data, inspection, various loan reports, anti-fraud etc., instant retrieval of customers' facilities' fingerprint data, geographical data, comprehensive use of face recognition, image recognition, voice recognition, voiceprint recognition, etc., intelligent biometrics capabilities, cross-validating the authenticity of customer information and their intentions, to accurately determine the authenticity of customers, to achieve accurate portraits of customers, to effectively apply for anti-fraud, to build a low-cost pre-approval system, and to provide strong support for business decisions and marketing. **During Lending**, to realize intelligent review, automate instant approval and assist decision-making. On the one hand, for credit products with small decentralized, unsecured and similar business types, establish an automatic review based on data-driven and model analysis decision system. On the other hand, for the businesses that are not suitable for conducting online automated approval, we introduce graphic text recognition technology, through the big data analysis, we comprehensively use different dimensions of data for cross-validation, to assist credit officers in decision-making, and effectively reduce the cost and pressure of manual judgment. **After Lending**, we continuously track early warning precisely inspect customers' abnormal production and operation. On the one hand, by using big data information such as corporate tax invoices and electricity consumption, etc., to track the production and operation of the enterprise and discover the potential risks to customers and report to the Bank in time. On the other hand, comprehensive use of multi-party data is used to evaluate assets that have occurred or may occur in order to categorize customers and adopt differentiated collection strategies.

### 5. *Establishing big data platform to utilize the value creation ability of data*

Making use of the the big data platform, the Bank integrated the internal and external data of the industry, which focused on the identity and characteristics, relationship information, behavioral information as well as the asset capability of customers. The Bank had established over 1,000 customer tags, covering static tags, dynamic tags, qualitative tags, quantitative tags and model tags, and developed an all-round understanding of customers through combing, selecting and processing 28 business systems of the Bank and source data with 13,106 fields. By data governance, data collection, and data integration and processing, unified customer codes and product parameters had been established in the Bank. The establishment of standards of 42 institutions, customers and products helped to enhance the Bank's big data processing and application capabilities, yet it was a backup for decision making towards operation management, precise marketing, intelligent risk control, intelligent marketing and customer experience, fully utilizing the value creation ability of data. In terms of intelligent marketing, the Bank adopted the intelligent decision driven by data to form omni-channel and intelligent marketing ability which covered the whole industry chain, achieving one-stop and multi-channel management, real-time optimizing the allocation of marketing resources, which created an interactive, personalized and scenario-based marketing management. In terms of intelligent customer service, we integrated the use of technologies such as natural language processing and speech recognition based on the customer data, achieving customer service intelligence, with the aid of intelligent dialogue, intelligent audio interaction and the intelligent analysis of dialogue. The monthly average number of consultation done by intelligent customer service exceeded 40,000 times, sharing over 20% of business volume of manual customer service. In respect of the intelligent risk and control of transaction, the Bank established an intelligent risk and control system which combined full coverage of transaction process, prevention and control, multi-verifications, professionals' decisions and multiple dimensions model, to effectively balance the customer experience and the safety of transactions. As of the end of 2019, we detected risk alerts for around 1,100 thousand times, blocked nearly 2,000 cases of risk transactions which greatly ensured the capital safety of customer.

### 6. *Adhering to make all-round innovative breakthroughs to build up core competency*

The Bank adhered to the "Self-technology" strategy, exploring ways to achieve major breakthroughs. Focusing on key areas such as AI intelligence, risk control, experience improvement, the Bank started its comprehensive intellectual property protection, and established a "patent pool" (專利池) for core areas. Most of the ideas of the practical and new patents and appearance patents in the "patent pool" were derived from the Bank's daily operations. Currently, Bank had 3 authorized patents, and applications of around 60 patents had been submitted and publicized.

## (VI) Consolidated and Enhanced Financial Business In County Area

County Area is the principle base where the Group carries out Sannong financial services. The financial business in County Area has been a long-term strategic focus, and also one of the Group's major sources of revenue. The Group provides diversified financial services for customers in County Area through 5 branches, 26 first level sub-branches, 99 secondary level sub-branches and their 1,331 distribution outlets, 2 community branch outlets as well as 12 village and township banks located in County Area. During the Reporting Period, the Group took advantage of interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, actively innovated products, and strived to enhance the financial service in County Area, all of which have led to the rapid growth of financial services in County Area.

As of 31 December 2019, the loan balance of the financial business<sup>(1)</sup> of the Group in County Area amounted to RMB209,898 million, representing an increase of RMB34,117 million, or 19.41%, over the end of the previous year. In particular, the corporate loan balance of the financial business in County Area amounted to RMB91,251 million which accounted for 33.20% of the corporate loan balance of the Group, representing an increase of RMB14,955 million, or 19.60%, over the end of the previous year. The personal loan balance of the financial business in the County Area amounted to RMB118,647 million, representing an increase of RMB19,162 million, or 19.26%, over the end of the previous year, accounting for 73.13% of the personal loan balance of the Group. The deposits balance in County Area amounted to RMB466,885 million, representing an increase of RMB44,160 million, or 10.45%, over the end of the previous year.

The Bank firmly developed the new development concepts, complied with the requirements of high-quality development, and supported the rural revitalization strategy as the general focus for Sannong financial services. Adhering to the general keytone of making progress while maintaining stability and based on the new industries, new business normal and new dominance in county areas, channelling of financial resources was propelled to enhance the efficiency of Sannong financial services. As of 31 December 2019, the outstanding balance of agricultural loans<sup>(2)</sup> of the Group amounted to RMB160,759 million.

<sup>1</sup> The loan of the financial business in County Area refers to loans released by branches of the Bank in Chongqing City, other than loans released in major districts. It also includes loans released by 12 village and township banks and Qujing Branch.

<sup>2</sup> The agricultural loans refer to loans to farmers, loans to rural enterprises and various organisations, loans to urban enterprises and various organisations directing to activities related to agriculture, forestry, animal husbandry and fishery industry as well as supporting agriculture and rural development in accordance with the "Special Statistics System of Agricultural Loans" (《涉農貸款專項統計制度》) (Yin Fa [2007] No. 246).

### 1. *Reform and Innovation*

#### (1) Management Reinforcement

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

#### (2) Strengthening Incentives

The Bank further enhanced the capacity of Sannong financial services, solely prepared the credit plan for the agriculture-related financial services, established the revitalisation of rural areas and precise poverty alleviation special assessment scheme and implemented differentiated incentives policy for “Sannong” business. Resources including staff, funds, self-service machines and others were shifted towards the sub-branches providing the financial services in County Area to ensure that the financial services in County Area could become fast and convenient, timely, effective and satisfying.

#### (3) Innovation-driven

With a focus on the improving inclusive financial services, the Bank accelerated innovative product and service models and increased financial supply for “Sannong”. The Bank actively promoted cooperation models such as bank to government and bank to guarantor, promoted the integration and development of “Three Cooperatives”, accelerated the use of new technologies such as cloud computing, big data, and artificial intelligence, and innovated “online + offline” two-way driving, fast and efficient financial service products to meet the needs of customers in rural areas. The Bank also revised existing measures and operating procedures of “Sannong” credit loan based on new situations, new changes and new characteristics of rural areas, so as to promote the integration of products and markets.



## 2. *Personal Banking Business in County Area*

During the Reporting Period, the Bank devised and implemented special marketing plans in a bid to drive the growth of personal banking business in County Area. Targeting the county's individual and private business owners, farmer entrepreneurs, the wealthy people and other excellent customers, the Bank vigorously developed personal products for specific areas and promoted loans secured by rural residential housing and contractual management rights of rural lands at a steady pace, actively invested credit funds to promote the development of characteristic agriculture, secured the supply of important farm produce, integrated Rural Primary-secondary-tertiary Industry and beautiful rural housing construction, etc. in order to satisfy diversified credit needs of individual customers in County Area effectively. In the meantime, the Bank earnestly implemented the national targeted poverty alleviation work requirements, and precisely launched credit support to assist industries, education, employment and electricity suppliers via product, assessment and demonstration innovation, so as to help farmers to cast off poverty.

As the only bank in Chongqing offering the social pension insurance services for urban and rural residents, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11.20 million people. Departments of finance and social insurance of the city and district/county have opened social insurance accounts with the Bank, with a capital balance of RMB14,923 million as of 31 December 2019. In 2019, the number of individual pensions withheld by the Bank amounted to 30,086.4 thousand, totaling RMB9,377 million; the number of individual pensions paid by the Bank as an agent amounted to 49,324.8 thousand, totaling RMB6,832 million. These services provided the Bank with an extensive customer base and helped stabilize the customer resources and facilitate the development of the Bank's businesses.

The Bank made greater efforts in the construction of electronic channels in County Area and vigorously marketed the Jiangyu Card (江渝卡), the Jiangyu Xiangqing Card (江渝乡情卡), the Farmer's Fortune Card (福农卡), credit card, personal internet banking and mobile banking. As of 31 December 2019, the Bank operated 2,987 ATMs, 622 multi-media enquiry machines in County Area and established and operated 491 convenient rural financial self-service centers. The number of debit cards and credit cards issued by the Bank in County Area also increased by 1,681.4 thousand and increased by 261.5 thousand over the end of the previous year, respectively, to 17,422.9 thousand and 778.4 thousand, respectively, which accounted for 78.16% of the debit cards issued by the Bank and 76.75% of the credit cards issued by the Bank, respectively. 2,255.1 thousand customers in County Area opened for personal internet banking service, accounting for 71.20% of the number of customers opening for personal internet banking service of the Bank and representing an increase in 138.6 thousand customers over the end of the previous year. 7,632.6 thousand customers in County Area opened for mobile phone banking service, accounting for 80.01% of the number of customers opening for mobile phone banking service of the Bank and representing an increase of 1,041.0 thousand customers over the end of the previous year. With the gradual enhancement in electronic equipment, the increase in the number of cards and the promotion and marketing on E-banking products, the Bank is well poised to keep expanding its customer base in County Area, increase the penetration of banking business in County Area, and build good business relationship with customers.

### 3. *Corporate Banking Business in County Area*

During the Reporting Period, we centered on the key corporate banking businesses in County Area such as facilitating the integrated development of urban and rural areas and the modernization of agriculture and rural areas. The Bank actively promoted the grassroot-level settlement account through online and offline distinctive financial service, targeting at agricultural industrialisation leading enterprises, whilst continuing to increase financial support for the country and the local poverty alleviation work.

The Bank had been working on the reform of the rural collective property rights system, earnestly opened corporate settlement accounts for the rural collective economic organization in County Area, expediting the facilitation and operation of corporate settlement for the grassroot-level collective economic organization. The Bank continued to tighten classified management of corporate customers in County Area, energetically intensify marketing efforts and strive to foster core customer groups. As of 31 December 2019, the Bank supported 449 agricultural industrialisation leading enterprises, the outstanding balance of loans amounting to RMB9,880 million, representing an increase of RMB667 million as compared to the end of the previous year.

The Bank placed utmost emphasis on poverty alleviation work, offered financial assistance to the nation and local poverty alleviation action plan, and by launching new product Jiangyu anti-poverty loan, the Bank continued to increase its support towards the infrastructure construction projects in underprivileged districts and counties. As of 31 December 2019, the Bank granted Jiangyu anti-poverty loans to 17 customers, adding new input of RMB325 million this year, the outstanding balance of loans amounted to RMB1,103 million, an increase of RMB259 million as compared with the last year. Meanwhile, the Bank offered financial services for beautiful rural construction and kept on its support towards the land reclamation work of rural construction lands. As of 31 December 2019, the Bank granted RMB15,840 million credit in accumulate to the reclamation project, the accumulated amount of loans provided by the Bank was RMB10,022 million, the balance of loans was RMB543 million, representing an increase of RMB308 million, assisting 182.2 thousand acres of rural construction land to undergo reclamation.

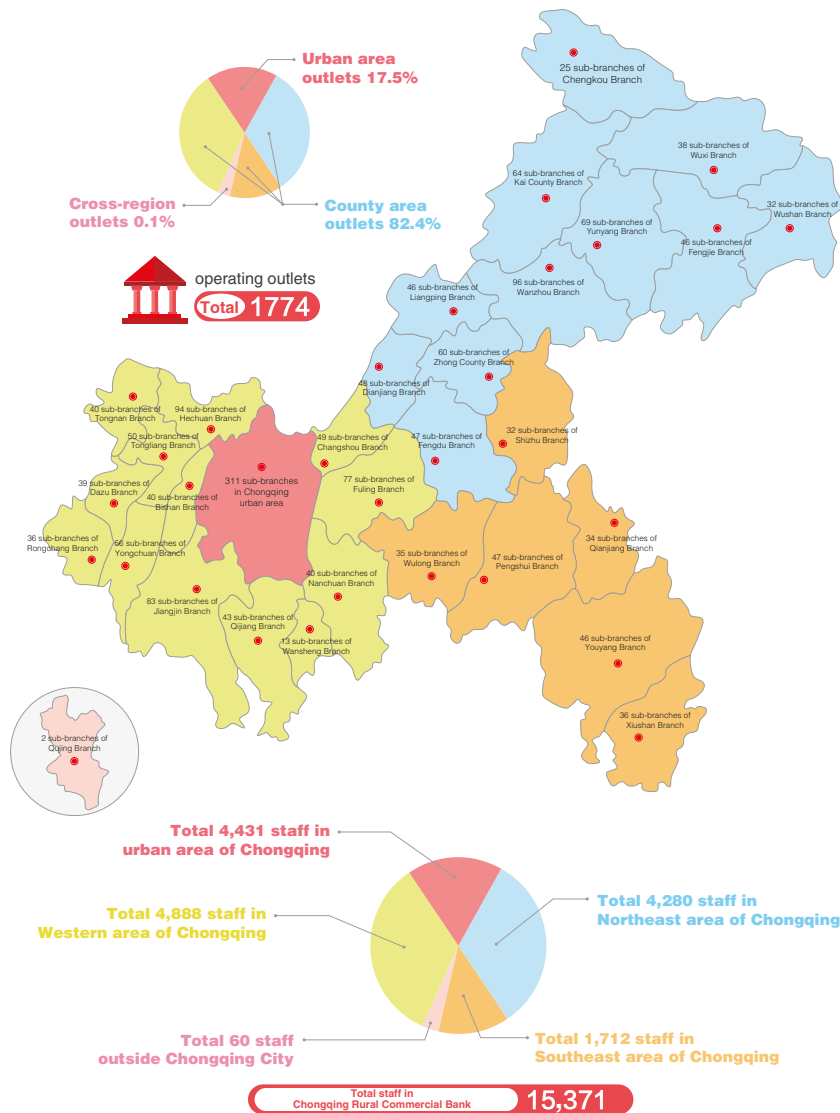
## **(VII) Distribution Channels**

### 1. *Physical Outlets*

Operating outlets are the primary distribution channels of the Bank. As of 31 December 2019, the Bank had 1,774 branches of various kinds, including the headquarter and its business department, 6 branches, 35 first-level sub-branches, 117 second-level sub-branches, 2 community branch outlets and 1,612 branch outlets, among which Qujing Branch in Yunnan became the first cross-region branch of a rural commercial bank in the PRC. The network of sub-branches covers all the 38 administrative districts and counties with 1,461 distribution outlets in the County Area of Chongqing and 311 outlets in the city's urban area. The Bank has put the construction of distribution channels into its medium and long-term strategic development plan and stepped up

optimising the layout of outlets and restructuring to improve its service coverage, service capabilities and operational efficiency. In 2019, the Bank intended to relocate 27 existing branches and refurbish 83 existing branches.

### Distribution map of Branches of Chongqing Rural Commercial Bank



### 2. *Self-service Banking*

In order to expand the scope of customer services and provide customers with more convenient services, as of 31 December 2019, the Bank established 161 24-hour self-service banking centers and the number of ATMs and self-service inquiry terminals reached to 4,911 (including in Qujing City). The proportion of machine to outlet was 2.77:1, among which the number of ATMs put into use amounted to 4,160 units and self-service inquiry terminals put into use amounted to 751 units. The Bank continued to deepen the basic financial services in rural areas and effectively established the “last mile” of financial services in rural areas. As of 31 December 2019, 495 convenient rural financial service centers had been established. As such, the Bank extended its financial service coverage whilst bringing convenience and benefits to the people in rural area. It won widespread recognition from the local government and the general public, achieving both social and economic benefits.

### 3. *Electronic Channels*

#### (1) Telephone Banking

In 2019, the Bank upheld the philosophy of “customer-oriented” and continued to further improve customer satisfaction, our manual telephone access ratio was 92.38%, VIP access ratio was 97.46% and customer satisfaction towards the telephone service reached 99.65%. With the hope to promote the telephone banking business development by financial science and technology, the Bank accelerated the progress of intelligent services development. By the use of different AI technology like big data, speech recognition, natural language understanding, self-learning platform, multi-turn dialogue and contextual understanding, the Bank built up a multi-channels and multimedia intelligent service platform. Not only the expansion of service channels could ease the pressure of the manual telephone responses, it could also provide a more diversified service option for customers.

(2) Mobile Banking

In August 2019, the Bank newly launched the “mobile banking” app 5.0 and by the use of financial innovations such as cloud computing, big data, and artificial intelligence, it enhanced not only the Bank’s competence, but also the experience of mobile banking customers. First, it simplified the process of customers self-registration, taking only three steps for a successful registration; Second, it provided various ways for customer easy login including password, FACE ID/fingerprint, hand gesture and face-scanning; Third, it realized online reservation, card-free cash withdrawal through mobile banking outlet, promoting to process offline business online; Forth, it realized various smart transfer methods such as audio transfer, bulky transfer, transfer appointment; Fifth, it launched distinctive features like wish deposit, wealth assessment, smart investment advisory, single key bill payment and life calendar, providing necessity of life service for the convenience of customers; Sixth, it launched the safer and simpler “simplified version” of mobile banking, by the enlarged the font size and icons, night mode, audio broadcast and instructions, it served the needs of some customers of the Bank who may be elderly or whose eyesight was relatively weaker and greatly enhanced their customer experience.

As of the end of 2019, the number of mobile banking customers of the Group reached 9,573,400, representing an increase of 16.16% as compared to the end of the previous year, the accumulated transaction volume this year achieved a high record which exceeded trillion dollars, reaching RMB1,089,119 million. The number of corporate internet banking customers of the Bank reached 103.0 thousand, representing an increase of 22.7 thousand this year, or 28.30% over the end of the previous year, the accumulated transaction volume reached RMB758,812 million in the current year. The substitution rate of electronic channels financial transactions of the Bank reached 94.59%, an increase of 1.70 percentage point as compared to the end of the previous year.

## (VIII) Employees and Human Resources Management

### 1. Basic Information on Employees

As of 31 December 2019, the Bank had 15,371 regular employees, 11,294 of whom held bachelor's degree or above, representing 73% of all the Bank's regular employees. In addition, the Bank had 463 dispatch workers, 639 internally retired employees and 6,176 retired employees. Furthermore, principal subsidiaries had 282 regular employees.

Unit: Person

#### Employee Information

Number of regular employees of the Bank	15,371
---	--------

#### Position Structure

Management	2,935
Business Personnel	9,267
Risk Control	986
General Management	1,010
Supporting	1,173

#### Age Structure

Below 30	3,060
31-40	6,380
41-50	3,962
Above 51	1,969

#### Academic Background Structure

Master's degree or above	775
Bachelor's degree	10,519
College's degree or below	4,077

### 2. Overview of Human Resources Management

In 2019, the Bank closely follows the working ideas of “strong management, risk control, and stable development”, and actively explores new measures for human resources recruitment, training, deployment, incentives and constraints of the whole bank under the new situation, which led to continuous optimization of staff structure, significant improvement of team vitality and continuous enhancement of talent efficiency.

**Optimizing the team structure.** The Bank carried out the 2019 branch rating of the branches and sub-branches offices, promoted the reform of the staff position system, and formed a mechanism which allows moving up and down, in and out, as well as scaling-up or downsizing; promoted the all staff quality improvement project, deepened the reform of the “three systems” of labor, personnel and distribution, and kept inspiring the Bank's operation vitality and sustainable development capabilities.

**Improving the organizational structure.** The Bank insisted on that the total wages are linked to the effectiveness of the enterprise and determined a uniform salary level across the whole bank. The basic remuneration is composed of basic salary and post salary, of which, the basic salary is determined by the corresponding standards of the different levels matching with working years, academic qualifications, etc.; the post salary is linked to the rank, employee positions are divided into management, technologist, handling and operation streams, and different salary standards are based on different ranks of the employee from the non-management streams. Performance compensation is a type of floating compensation that reflects the Bank's operating efficiency and employee performance. In accordance with the principles of "benefit priority and considering fairness", performance compensation is linked to annual operating performance. By establishing and improving the market-oriented and profit-targeted incentive and restraint mechanism, the Bank fully activated the enthusiasm of employees at all levels to promote the Bank's business development and enhance operating efficiency.

**Promoting talent development.** The Bank actively participated in Chongqing "Talent Program", increased the introduction of professionals from financial innovation, IT, financial markets, credit cards, and so on, and built up the ecology of talent development which satisfies people near and far. Insisting on "Bring in + going out", "online + offline", "on site + video", "head office + lines + branches", the Bank conducted a total of 1,979 offline training sessions with 110,000 participants.

3. *2020 training schemes*

The Bank will implement the "2019-2023 National Party Member Education and Training Work Plan," and incorporate party education into important training content. Utilize the online live broadcast platform to organize training on compliance operations, risk prevention and control in the event of epidemics, ensuring the prevention of epidemics and never neglect learning at the same time. Optimize M-learning, enrich learning courses, and create a characteristic "mobile school". Coordinate and promote continuous education as a whole, constantly improve the level of education, optimize the knowledge structure, and build up a "overpass" for lifelong learning.

## (IX) Information of Principal Subsidiaries

### 1. *Village and Township Bank*

CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as the major promoter. The establishment of village and township banks is of great significance to fulfilling the Rural Revitalization Strategy, performing social responsibility, broadening and deepening the service to new rural construction, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. As of the end of the Reporting Period, the Bank has established 12 CQRC Village and Township Banks in 12 counties (districts/cities) across 5 provinces, of which the shareholding ratio is not less than 51% for all, with aggregate registered capital amounting to RMB1,662 million, assets amounting to RMB3,773 million, net assets amounting to RMB1,728 million, the respective outstanding balance of deposits and loans in aggregate amounting to RMB1,675 million and RMB2,691 million, 1.88% non-performing loan ratio, 244% allowance to non-performing loans, and net profits amounting to RMB168 million. The overall business development was stable, the product system was continuously improved, the number of customers was steadily increasing, the sustainable management capability was continuously enhanced, and the main risk regulatory indicators met regulatory requirements.

### 2. *Financial Leasing Company*

CQRC Financial Leasing Co., Ltd. officially commenced business in December 2014, which is the first financial leasing company with a registered and operating place in the western region of the country and with a registered capital of RMB2,500 million. It was jointly established by the Bank together with Chongqing Liangjiang Financial Development Co., Ltd. and Chongqing Jieli Wheel Manufacturing Co., Ltd., of which the Bank invested RMB1,700 million, holding 68% of the shares. The scope of business includes financial leasing business, transfer and transfer of finance lease assets, fixed income securities investment business, interbank lending, borrowing from financial institutions, sales and disposals of leased property, brokerage consulting, establishment of project companies in domestic bonded districts to conduct leasing business, etc.

In 2019, adhering to the leasing philosophy of “livelihood, green, smart”, CQRC Financial Leasing Co., Ltd., focused on supporting the key projects in the fields of public utilities, energy resources, transportation and equipment manufacturing, as well as three issues of agriculture, the countryside and farmers, and small and medium-sized enterprises, realised “scale benefits continuing to grow, asset quality remaining stable as a whole, internal control compliance management maintaining sound”, and kept a steady development trend. As of the end of 2019, total assets amounted to RMB34,430 million, net assets amounted to RMB3,760 million, and net profit in 2019 amounted to RMB560 million.



3. *Wealth Management Subsidiary*

CQRC Wealth Management Co., Ltd., a wholly-owned company established by the Bank, had been approved for preparing establishment by the CBIRC. The establishment of a wealth management subsidiary is an important measure for the Bank to comply with regulatory requirements, strengthen the risk isolation of wealth management business, and promote the sustainable development of wealth management business, which is beneficial to the Bank to build up a professional wealth management team, realise the transformation and upgrade of wealth management business, broaden profitability and promote the overall operation and development of the Bank. Various of preparations are currently proceeding in an orderly manner. For details, please refer to the “Announcement of Chongqing Rural Commercial Bank Co., Ltd. on the Approval of the Establishment of Wealth Management Subsidiary (Announcement No.: 2020-005)” (《重慶農村商業銀行股份有限公司關於獲批籌建理財子公司的公告》(公告編號:2020-005)) issued by the Bank on 20 February, 2020.

4. *Consumer Finance Corporate*

Chongqing Xiaomi Consumer Finance Corporate, established by the Bank’s equity participation, had been approved for preparing establishment by the CBIRC on 17 January, 2020, with a preparation period of 6 months. The company’s registered place is Chongqing, with registered capital of RMB1,500 million. Shareholders include Xiaomi Communication Technology Co., Ltd., the Bank, Chongqing Jinshan Holdings (Group) Co., Ltd.(重慶金山控股(集團)有限公司), Chongqing Dashun Electric (Group) Co., Ltd.(重慶大順電器(集團)有限公司), and Chongqing Jin Guan Jie Lai Hardware and Electrical Market Co., Ltd. (重慶金冠捷萊五金機電市場有限公司), holding with 50%, 30%, 10%, 9.8%, and 0.2% of the shares respectively. At present, various of preparations are currently proceeding in an orderly manner. For details, please refer to the “Announcement of Chongqing Rural Commercial Bank Co., Ltd. on Investment and Establishment of Chongqing Xiaomi Consumer Finance Co., Ltd.” (Announcement No.: 2020-004) (《重慶農村商業銀行股份有限公司關於投資設立重慶小米消費金融有限公司的公告》(公告編號:2020-004)) issued by the Bank on 21 January, 2020.

## 4. key business concerns

### (1) Net Interest Margin

With the deepening of the marketization of interest rates and the intensified competition in the banking industry, the interest margin on banking has gradually narrowed. Judging from the changes in net interest margin this year, the Bank's net interest margin also decreased in the second half of the year. Looking ahead, facing the dual effects of continuous adjustment of the economic structure and the further advancement of interest rate marketization, the Bank's interest rate differential will continue to be under pressure. The Bank will keep abreast of changes in the macro situation, monetary policy and regulatory policies, and continue to optimize the asset structure and liability structure, keep the net interest margin stable, and maintain a better standard for listed banks.

First, the Bank continued to optimize the structure of assets and liabilities in line with the financial market situation. We will closely track changes in the macro situation, monetary policy and regulatory policies, strengthen the maturity of asset and liability terms and varieties, dynamically adjust the asset and liability structure and interest rate pricing rules, pay more attention to matching input and output, and promote comprehensive benefits. Second, the Bank strengthened its development of credit business and accelerate structural adjustment. Bring into play the role of online and offline double-round development, further increase the credit business, promote the continuous growth of loan business, and realize the continuous increase in the proportion of loans in total assets. Continue to increase the size of micro- and retail credit business development, continuously enhance the ability of differentiated and refined pricing management, and promote the continuous optimization of the loan business structure and the steady improvement of the average yield. Third, the Bank strengthened the traditional advantages of deposits and rationally control the cost of interest payments. The Bank ranks among the top in the deposit market in Chongqing. From the data of recent years, the proportion of deposits in total liabilities has continued to increase. The Bank will actively strengthen the control of the maturity structure of deposits, promote current deposits, regular short-term deposits, and strengthen settlement and turnover, capital deposits to control the cost of liabilities. Fourth, the Bank expand diversified liabilities and effectively reduced the cost of inter-bank debt interest payments. On the one hand, we will make good use of the monetary policy tools of the People's Bank of China to make overall planning for multi-liability business, and actively apply for special refinancing, small refinancing and other funds. To give full play to the Bank's AAA rating advantages, through the issuance of financial bonds, special bonds, inter-bank certificates of deposit, etc., actively expand the low-cost debt channels and effectively reduce debt financing costs.

## (2) Intermediary Business

### 1. *Impact of the new rules on asset management and wealth management*

After the release of the new rules on asset management and new rules on wealth management, the Bank actively promoted the transformation of wealth management business in an orderly manner in accordance with regulatory requirements based on market conditions. Through enhanced product innovation, closed-end net worth and cash management wealth management products were successively launched, which led to the optimization of the Bank's wealth management product structure. The scale of old products continued to decline, and the ratio of net worth products quickly increased to more than 50%. At the same time, the Bank comprehensively optimized the system process mechanism, and in accordance with the requirements of the new regulations, made improvements in aspects of investment management, internal rating, net worth product management, information disclosure, liquidity management, valuation and auditing, technology systems, achieving steady progress in various tasks in the transformation of wealth management business.

In December 2019, the CBIRC and the PBOC issued the “Notice on Regulating Matters Related to the Management of Cash Management Wealth Management Products (Consultation Draft)” (《關於規範現金管理類理財產品管理有關事項的通知(徵求意見稿)》) (hereinafter referred to as the “Notice”), which set out the management requirements for cash management products and set a reasonable transition period. The Bank will actively promote the standardized transformation and smooth transition of wealth management business, including cash management products, in accordance with the requirements of new asset management regulations, new wealth management regulations and the “Notice”, strictly optimize and reform products in accordance with regulatory requirements, and realize the convergence of new and old products in an orderly manner, and continuously consolidate various tasks such as internal control and risk management to promote the stable and healthy development of wealth management business.

### 2. *Growth outlook of intermediary business*

At this stage, the Bank's income from intermediary business mainly comes from customer-driven management fee income, agency insurance and underwriting service fees, and bank card fees. Since the beginning of this year, the Bank has optimized the investment structure of wealth management, issued net-value wealth management products that meet the new regulations, and guided customers to make reasonable investments, so that the Bank's income-generating business has returned to the growth trajectory, and the ratio of net income of intermediate business has increased.

Firstly, the Bank consolidated the traditional middle-income growth pipeline and deepen customer potential, continue to enhance business expansion in wealth management, settlement, bank card, agency business, and focus on upstream and downstream customers and the industrial chain of high-quality customers, vigorously develop transaction banking, strengthen customer cooperation, and increase revenue from intermediate business. Secondly, the Bank enhanced the comprehensive financial services capabilities and increase the contribution of middle income. Focus on the customer, establish a comprehensive marketing thinking, and effectively use existing products such as financial leasing, custody, and investment banking to enhance revenue contribution. Thirdly, the Bank accelerated product innovation and increase sources of income, relying on fintech methods, strengthen data analysis of customer transactions and behaviors, further enrich the product service system, and increase the proportion and contribution of high net worth customers. Accelerate the innovation of credit card products, and introduce market-competitive credit card installment products such as direct-office installment and home improvement installment to continuously increase the growth of credit card revenue. Fourthly, the Bank make good use of various financial licenses to promote new growth in income. Actively play the role of existing financial licenses and increase business expansion. Make good use of existing licenses such as first-tier dealers in the open market and independent lead underwriters to increase sources of income. We will accelerate preparations for the opening of wealth management subsidiaries and consumer finance companies, increase the business of wealth management and installment, and actively explore the development of new businesses such as asset securitization, and further enrich the revenue generation channels of intermediate businesses.

### (3) Impact of the Reform of Loan Prime Rate on the Bank

On 17 August 2019, the PBOC issued the [2019] No. 15 Announcement on the Reform and Improvement of the Loan Prime Rate (LPR) Formation Mechanism, and on 28 December of the same year, the PBOC issued the [2019] No. 30 Requirement to promote the use of LPR as pricing benchmark for entrusted floating rate loans. The reform of the LPR mechanism posed greater challenges to the business model, profitability, and pricing management requirements of the banking industry. By deepening the reform of the LPR interest rate mechanism, the PBOC promoted the combination of two tracks into one track” of the interest rate market, improved the communication efficiency of monetary policy, and promoted the reduction of social financing costs of real economy. In 2019, the LPR mechanism is mainly for new loans issued from 1 October, which has little impact on the overall year of 2019. Starting from 2020, new loans will be priced on the basis of LPR, and in accordance with the requirements of Announcement No. 30, starting from 1 March 2020, the entrusted floating rate loan pricing benchmark is converted to LPR as a basis for points formation. If LPR further decreased, interest income on loans priced on LPR basis will decrease accordingly. Therefore, the Bank will further strengthen loan interest rate pricing management, speed up the construction and improvement of the interest rate risk management mechanism, give full play to the Bank’s liability-side advantages, carry out differentiated pricing of customer loans based on LPR, customer risk, and the customer’s comprehensive contribution rate, improve interest rate risk management capabilities and stabilise spread level.

### (4) Chongqing’s Economic Growth and the Asset Quality of the Group

#### 1. *Macroeconomic situation of Chongqing*

Since 2019, Chongqing’s economic growth has stabilized and rebounded. At the same time, the city focused on big data intelligence to lead the transformation and upgrading of traditional industries, continuously promoted intelligent industries, industrial digitalization, and accelerated the development of big data, artificial intelligence and other 12 intelligent industrial clusters to accelerate the formation of the “3 in one” development pattern of intelligent industry, intelligent manufacturing, and intelligent applications, and fully entered into a new stage of accelerated development momentum.

As of the end of 2019, Chongqing achieved a regional GDP of RMB2,360,577 million, a growth rate of 6.3%, and the added value of industries above designated size was 6.2%, a year-on-year increase of 5.7 percentage points. All nine pillar industries, except automobiles, achieved stable growth, the economy bottomed out, and structural adjustments achieved initial results. Among them, the material industry and the electronics industry achieved double-digit growth, with growth rates of 14.7% and 14.3% respectively; the automotive industry fell by 4.1%, the decline narrowed by 13.2 percentage points from the previous year.

### 2. *Non-performing Loans*

The stabilization and recovery of the regional economy is conducive to the Bank's asset quality control. In 2019, the Group further strengthened credit management, timely released annual credit investment guidelines, and continuously optimized the credit structure. Adhering to the "Retail for Growth" strategy, the retail business continued to develop strength and the asset quality is better than the average level of the entire bank. The Bank strengthened post-loan management, strictly implemented classified management of loan risks, which improved the classification prudence and improved overall asset quality.

**First of all, the non-performing rate first fell and then stabilized.** Since 2019, with the stabilization of the economy in Chongqing, the Group's asset quality has continued to improve. At the end of the year, the non-performing loan ratio was 1.25%, a decrease of 0.04 percentage points from the beginning of the year, and remained the same as the end of the half of 2019. **Secondly, the migration ratio of performing loans to non-performing loans decreased year-on-year.** In 2019, the downward pressure on the Group's asset quality eased. The migration rate of normal, special mentioned loans to non-performing loans throughout the year was 1.44%, a year-on-year decrease of 0.93 percentage points. **Thirdly, the prudence of classification has been further improved.** In 2019, the Group's overdue loans over 60 days and 90 days continued to decline. As of the end of 2019, the Group's overdue loans over 90 days and non-performing loans ratio was 55.89%, a decrease of 15.00 percentage points from the beginning of the year; overdue loans over 60 days and non-performing loans ratio 66.60%, a decrease of 10.66 percentage points from the beginning of the year. **Fourthly, the quality of small and micro enterprises business assets has improved significantly.** In 2019, the Group continued to strengthen credit management, strengthen innovation management of small and micro enterprises businesses, use big data to break information asymmetry, and actively introduce credit enhancement measures to rationally control the risks of small and micro enterprises businesses. The growth rate of small and micro enterprises businesses in 2019 was higher than that of bank-wide loans, and the non-performing loan ratio showed a downward trend, achieving the regulatory goal of "two increases and two controls". **Fifthly, the quality self-developed online product asset is good.** The Group has continuously enhanced the core competitiveness of financial technology and has launched a number of self-developed big data risk control online products. Through the legal introduction of various types of external trusted data and the combination of artificial intelligence technology for the full-process intelligent risk control of credit, the risk management efficiency and customer experience is improved. As of the end of the Reporting Period, the Bank's self-developed online product non-performing loan ratio was better than the average retail business non-performing loan ratio. **Sixthly, loan risk mitigation is maintained at a high level.** The Group adhered to a prudent credit access policy, and secured loans (including mortgages, pledges, and guarantees) maintained a high ratio among bank-wide loans. As of the end of 2019, the Group's secured loans accounted for 87.95% of all loans, an increase of 1.1 percentage points from the beginning of the year, laying a foundation for continuously controllable asset quality of the Group.

### 3. *Changes in the Trend of Overdue and Special-mentioned Loans*

In 2019, the Group's overdue loans showed a trend of rising first and falling afterwards. Although there were some fluctuations in overdue loans in 2019, the Group adopted timely risk mitigation measures and strengthened interest settlement management. At the end of the year, the balance and proportion of overdue loans achieved a “double reduction” compared with the beginning of the year. As of the end of 2019, the Group's overdue loan balance was RMB5,062 million, with overdue loans accounting for 1.16%, down by RMB458 million and 0.29 percentage points from the beginning of the year. Among the overdue loans, the guarantee ratio accounted for 91.09%, of which, the coverage ratio of the value of collateralised loan to loan reached 2.11 times; the ratio of loans that are overdue for more than 60 days and 90 days reached 91.83% and 91.64%, respectively, both higher than the average proportion of guaranteed loans in the whole bank.

Affected by the volatility of overdue loans, the Group's special-mentioned loans has increased from the beginning of the year. As of the end of 2019, the Group's special-mentioned loan balances and proportions were RMB10,161 million and 2.32%, respectively, which increased by RMB2,795 million and 0.39 percentage points from the beginning of the year. The ratio of overdue loans has decreased by 0.09 percentage point from the end of June, and it is concerned that the proportion of secured loans in special-mentioned loans is 93.05%, the overall risk is controllable.

## (5) Impairment Provision

The Group has always adhered to compliant, prudent and stable operations, as well as to the operation principle of “Equal Stress on Benefit and Scale, Quality and Speed, Internal Control and Development” and maintained good provision level. **Firstly, the provision for impairment is sufficient.** As at the end of December, the Group's non-performing loan provision coverage ratio was 380.31%, and the provision-to-loan ratio was 4.75%, ranking the forefront of listed banks. In addition, the Group categorised loans that are overdue for more than 30 days into Phase II and below according to the requirements of the new standards, and makes provision for impairment based on the duration of assets. From the perspective of the provision of overdue loans, the Group's loan provision coverage ratio for loan that are overdue for more than 90 days was 680.48%, and loan that are overdue for more than 60 days was 571.07%, both at a relatively high level in the industry. **Secondly, the Group enhanced the forward-looking management of risks.** The Group has established a professional team to conduct research and judgment on macroeconomics, industry trends, regional economic situations, etc., conduct forward-looking analysis of investment businesses, and use multiple channels to monitor the post-loan risk of assets to maintain continuous attention to the operating conditions of debtors. In 2019, affected by the recent breaking of rigid redemption in the industry and the macroeconomic downturn in some regions, the Group's non-credit asset impairment provision increased by more than RMB1 billion compared with last year, further enhancing the ability of impairment provision to cover risks. **Thirdly, the Group closely monitored the trend of regulation.** The Ministry of Finance issued a draft policy comment on provisions in 2019, and the Group will continue to take follow-up actions. After formal implementation, the Group will strictly implement the document requirements of the Ministry of Finance.

## (6) Impact of Novel Coronavirus Outbreak on the Bank's Asset Quality

The Group's credit assets are mainly concentrated in Chongqing. Since the outbreak of the Novel Coronavirus in January 2020, Chongqing has activated level I – the highest-level response to major public health emergencies in a timely manner. The epidemic prevention and control has achieved good results. From 24:00 on March 10, 2020, the response to major public health emergencies in Chongqing has been lowered from the level I response to the level II response, allowing enterprises and individual industrial and commercial households to orderly resume production. In response to the epidemic, the Government has issued support policy to help enterprises in distress, which is conducive to the Bank's asset quality control during the epidemic. At the same time, the Bank responded quickly and actively responded. First of all is the formulation of policy. According to measures promulgated by the central ministries and regulatory departments such as People's Bank of China, such as Notice on Further Enhancing Financial Support for Controlling the Novel Coronavirus Outbreak (《關於進一步強化金融支持防控新型冠狀病毒感染肺炎疫情的通知》), Twenty Policies and Measures to Support Small and Medium-Sized Enterprises to Solve the Pneumonia Epidemic of New Coronavirus Infection (《關於應對新型冠狀病毒感染的肺炎疫情支持中小企業共渡難關的二十條政策措施》) promulgated by the Chongqing Municipal Government, and Chongqing Municipality Further Strengthens Financial Support to Prevent and Control Epidemics and Implement Financial Services for the Real Economy (《重慶市進一步加強金融支持疫情防控做好實體經濟金融服務實施細則》) promulgated by the Chongqing operation management department of People's Bank of China, the Bank timely formulated relevant policies on credit management in response to the epidemic situation, provided support to customers affected by the epidemic situation to ease their debt repayment pressure. Secondly, the Bank strengthened credit control. For loans due, the Bank actively contacted customers at least one month in advance to strengthen loan term management.

Loans by customers in the wholesale and retail, transportation, accommodation, catering, and tourism industries directly affected by the epidemic in the Group were relatively small in amount. It is expected that the overall impact of the epidemic on the quality of the Bank's assets can be controlled. The Group will continue to assess the impact of the Novel Coronavirus epidemic on the Group's asset quality, and take effective measures to actively respond to the downward pressure on asset quality caused by the epidemic.



## (7) Non-Standard Balances of Investment

As of the end of 2019, the Bank's non-standard assets balance with self-funded investment was RMB13,316 million, which has continued to decline in recent years. After the Bank's investments in non-standard assets were classified into the five-level classification, the balance of the three types of assets was zero, and provisions were made in accordance with the regulatory requirements and the Bank's system requirements.

## (8) Profit distribution

In the future, the Bank will strictly follow the Guidelines of Shanghai Stock Exchange for the Distribution of Cash Dividend by Listed Companies (《上海證券交易所上市公司現金分紅指引》) and the Regulatory Guideline No. 3 for Listed Companies — Cash Dividend of Listed Companies (《上市公司監管指引第3號 – 上市公司現金分紅》) and other relevant laws and regulations, and take into account the Bank's actual operating conditions in distributing dividends. From the perspective of the Bank's dividend distribution over the years, the Bank's dividend level is relatively stable, and the current dividend rate remains above 20%.

## V. RISK MANAGEMENT

During the Reporting Period, the Group continued to improve its comprehensive risk management policies and systems, re-examined, updated and implemented the Group's risk appetite statement. During the reporting period, the Group's capital adequacy ratios at all levels increased significantly, with stable asset quality and adequate liquidity. Various risks were controllable as a whole, and asset impairment provisions were adequate. The Group maintained strong risk mitigation, and in general effectively implemented internal control and risk management that matched the business scale and complexity.

### (1) Risk Management Structure

The Bank's risk management structure consists of the Board of Directors, the Board of Supervisors, senior management and related special committees authorized by it, the head quarter's risk management department, other relevant functional departments, the audit department and various operating agencies (including subsidiaries). The Board of Directors assumed the ultimate responsibility for comprehensive risk management and set up a risk management committee to carry out responsibilities related to comprehensive risk management with the Board's authorization. The senior management assumed the responsibilities for implementing comprehensive risk management, implementing board resolutions, and set up risk management committees to make collective decisions on risk management related matters. The Board of Supervisors assumed the responsibilities for overseeing overall risk management, supervising and inspecting the due diligence performance of the Board of Directors and senior management in respect of risk management and supervising their rectification.

The head quarter's risk management department took the lead in the daily management of comprehensive risks, and was responsible for leading the implementation of comprehensive risk management system and timely reporting to the senior management on the Group's comprehensive risks and various major risks. Each department of the headquarter assumed direct responsibility for the risk management of the line and the department, and managed various risks including credit risk, market risk, liquidity risk, and operational risk in accordance with the division of responsibilities. The audit department of the headquarter is responsible for performing internal audits on relevant performance. Each branch is responsible for the daily management of comprehensive risks of the branch. Under the framework of the Bank's overall risk appetite and risk management policies, each subsidiary institution has established a comprehensive risk management system that is appropriate to the nature, scale and complexity of its business.

## (2) Credit Risk Management

The Group proactively adapted to the new normal of economic development and the new progress of innovation and transformation, continuously improved credit risk management policies, stepped up efforts on preventing and controlling risks in key areas, actively resolved entrusted risks, strengthened the use of risk measurement technologies, and continuously improved credit risk management. During the Reporting Period, the Bank's asset quality remained stable.

Firstly, the Group improved credit risk related systems and methods, and adjusted the annual credit investment policy. The Bank regularly evaluated and revised related credit management, collateral management, credit and investment business and other related systems and methods, formulated large risk exposure management and online credit business management measures, implemented asset risk classification management in strict accordance with regulatory guidelines, and strengthened cooperation with third-party institutions in admission and exit management, implemented dynamic management of interbank counterparties and financial investment and cooperation institutions to further improve credit risk management mechanisms; adjusted and optimized credit investment guidelines, strengthened the guidance of policy, advanced credit business structure adjustment, and actively adapted to the new situation of economic transformation and change in growth momentum.

Secondly, the Bank effectively prevented and controlled risks in key customers and key areas. The Bank closely monitored the risk status of large customers, actively used internal and external data to collect risk information, strengthened the linkage of the total score, and actively carried out the verification and disposal of risk warning signals, regularly monitored the risk situation in key areas such as real estate, industries with high energy consumption, high pollution or overcapacity, concentration risk, overseas customers, financing guarantees, etc., and organized special inspections and risk investigations to find and rectify weak links in management.

Thirdly, the Bank actively resolved the disposal risk of entrusted loan, increased risk loan mitigation and collection efforts, strengthened external communication and coordination, facilitated judicial channels, asset management companies and other disposal channels, effectively played the role of the credit committee with multi-party cooperation and focused on mitigation of risks, and effectively used means such as write-offs and non-performing asset transfers to reduce non-performing loans.

Fourthly, the Bank improved the level of risk measurement technology and its application. The Bank carried out internal rating verification and updates on schedule, continued to develop and optimize risk models to ensure effectiveness; promoted the use of internal ratings in the calculation of impairment provision, automatic credit, customer access, etc.; carried out group-level credit risk stress testing, and increased the refined management of credit risk; coordinated risk control strategies for online and offline products; through the collective decision mechanism of the risk management committee, the Bank controlled product risks, realized standardized risk control, strengthened centralized review and post-evaluation of models and rules, ensuring steady and orderly development of innovative business.

### (3) Market Risk Management

Market risk refers to the risk of losses from on-balance-sheet and off-balance-sheet businesses of the Group arising from adverse changes in the market price (such as interest rate, exchange rate, stock price and commodity price, etc.). The market risks faced by the Group mainly include interest rate risk and exchange rate risk. The purpose of market risk management is to manage and monitor market risks, control potential market risk losses to the extent that the Group can bear, and maximize risk-adjusted returns.

The Group manages its interest rate risk and exchange rate risk in accordance with the regulatory requirements and with reference to the relevant provisions in the “New Basel Capital Accord”. The Group has also formulated a management system for market risk through regulations on authorisation, credit extension and limit of risks, and measures such as monitoring and reporting.

In 2019, the Group continued to improve its proactive market risk management capabilities and steadily advanced various management tasks. Firstly, the Bank further optimized the market risk management system, revised the Comprehensive Market Risk Management Measures, the Market Risk Limit Management Measures, and the Market Risk Emergency Plan to consolidate the system foundation and effectively prevent the compliance risks of policies and systems. Secondly, the Group continuously strengthened the effectiveness of market risk identification, measurement and monitoring tools, improved market risk capital measurement efficiency by optimizing risk-weighted asset management systems, and improved limit monitoring and valuation efficiency by optimizing risk data marts. Thirdly, the Group actively researched and responded to market fluctuations, dynamically adjusted market risk limits, continued to excel itself in risk monitoring and prompting, optimized stress test models, revealed the impact on capital under extreme stress scenarios, improved the forward-looking analysis of market risk, and continuously improved the refined market risk management level.

#### 1. *Interest Rate Risk Analysis*

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

In 2019, the domestic economic development faced complex and changeable external and internal environment, with falling aggregate demand, and the economy is in a downward phase. The major goal of the policy is to maintain economic and financial stability. The People's Bank of China maintained a moderate monetary policy and further relaxed the monetary policy for deepening the market-oriented reform of interest rates, using monetary policy tools more flexibly, accurately placing funds, strengthening counter-cyclical adjustments, and maintaining market stability. On the one hand, the liquidity of the banking system has remained reasonably abundant throughout the year, and the interest rate of monetary market has fallen in general compared to 2018. On the other hand, as the interest rate of monetary market has fallen in general, bond yields have fallen slightly, and government bond yields have risen first before drop. At the beginning of the year, the market was basically static, and the bond market ran smoothly throughout the year, showing a narrow fluctuation pattern. In response to the complicated market situation, the Group kept a close eye on the changes in macro monetary policy and domestic and foreign financial markets. By applying the FTP internal fund transfer pricing system properly, the Group actively responded to the LPR pricing policy, further improved the management of LPR pricing, duly adjusted the pricing of funds with a view to improving the proactiveness of risk management and ensuring the sustained growth in the revenue and market value of the Group.

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

As at 31 December 2019							
(Expressed in RMB million)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Interest rate gap	35,948.8	(73,582.1)	7,446.6	(11,039.1)	102,233.9	23,728.4	84,736.5

As at 31 December 2018							
(Expressed in RMB million)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Interest rate gap	30,792.1	(63,109.6)	5,249.6	21,945.4	62,851.9	11,655.2	69,384.6

As at the end of December 2019, the Group's accumulated gaps of interest rate for all maturities amounted to RMB84.74 billion, representing an increase of RMB15.35 billion over the end of the previous year.

## 2. Interest rate sensitivity analysis

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

(Expressed in RMB million)	The Group As at 31 December 2019		The Group As at 31 December 2018	
	Changes in other net profit	Changes in comprehensive income	Changes in other net profit	Changes in comprehensive income
Change in basis points				
Increase in 100 basis points	1,552.9	49.3	1,522.5	51.5
Decrease in 100 basis points	(1,552.9)	(49.3)	(1,522.5)	(51.5)

## 3. Exchange Rate Risk Analysis

Exchange rate risk primarily results from mismatches in the currency denomination of the Group's assets and liabilities and currency position mismatches caused by currency mismatched between capitals and foreign currency transactions. The Group mainly adopts foreign exchange exposure analysis, sensitivity analysis and other means to measure exchange rate risk. The Group is mainly engaged in the Renminbi business with certain transactions related to US dollars and HK dollars but seldom conducts transactions in other currencies. Transactions in foreign currencies are mainly the Group's business of agency sale and purchase of current and forward foreign exchange and self-operated foreign exchange swaps settlement.

In 2019, the US dollar index rose by 0.39% for the whole year, and the trend rose first and then fell. In 2019, China's economic operation is generally stable with steady progress, and its economic structure continued to be optimized, with major economic indicators in a reasonable range. The RMB exchange rate has become more elastic and basically stable, and the exchange rate is expected to be generally stable. In 2019, China's cross-border capital flows are generally stable, and the foreign exchange market supply and demand are basically balanced. The Group strengthened its management capability of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilization of foreign exchange capital reasonably. It also actively explored the usage of financial instruments for exchange rate to hedge against exchange rate risk.

As at the end of December 2019, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

As at 31 December 2019					
(Expressed in RMB million)	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	Total
Net position	80,558.3	4,016.7	37.7	123.8	84,736.5

As at 31 December 2018					
(Expressed in RMB million)	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	Total
Net position	68,394.4	742.6	109.5	138.1	69,384.6

4. *Exchange rate sensitivity analysis*

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

**Exchange rate sensitivity analysis**

<i>RMB million</i>		
Exchange rate changes	As at 31 December 2019 Changes in net profit	As at 31 December 2018 Changes in net profit
5% appreciation	(150.6)	(27.8)
5% depreciation	150.6	27.8

#### (4) Liquidity Risk Management

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

The Board of Directors of the Group is ultimately responsible for liquidity risk management. The Asset and Liability Management Commission and Risk Management Commission under senior management is responsible for establishing policies and strategies relating to the Group's overall management of liquidity risk. The Risk Management Department, the Financial Planning Department, the Capital Operation Department, the Asset Management Department and other related departments cooperated with each other to form an organizational structure of liquidity risk management with division of work and cooperation, clear responsibilities and efficient operation.

The Group ensured payment through continuous monitoring and management of positions across the bank. The Group, leveraging its unremitting efforts in strengthening liquidity monitoring as well as the application of the FTP, a system for internal fund transfer pricing, had improved the management of internal fund allocation under the system. The Group updated liquidity pressure tests scenarios annually and carried out liquidity pressure tests quarterly to examine the ability of the Group to withstand risks under extreme pressure. The results showed that the management of liquidity risks under pressure, though more difficult, was controllable.

In 2019, the Group insisted on the business ideology of prudence and compliance, continuously optimized the structure of assets and liabilities, formulated and implemented the liquidity risk appetite and limit management and control plan for 2019, and use this as a guide to continue to conduct forward-looking liquidity risk index management, deployed and dynamically adjusted liquidity risk management strategies in advance, and promoted liquidity Risk indicators continue to meet standards. The Group enhanced daytime liquidity risk management, and further optimized liquidity risk management information system to facilitate the refined management, improved emergency management capabilities, and on the basis of the bank-level Liquidity Risk Emergency Plan (《流動性風險應急預案》), formulated supporting related department-level emergency plans as emergency sub-plans and incorporated into the Bank's emergency system framework, and the emergency mechanism has been continuously improved.



1. *Liquidity Risk Analysis*

In 2019, the People's Bank of China maintained a moderate monetary policy, flexibly used and accurately launched a variety of monetary policy tools and strengthened countercyclical adjustments. It implemented 5 targeted RRR cuts and 3 comprehensive RRR cuts throughout the year, maintaining reasonable and sufficient liquidity in the banking system. The Group strictly complied with the liquidity quota management mechanism and maintained a satisfactory liquidity. As at the end of 2019, all the key indicators reflecting the liquidity status of the Group met the supervision requirements.

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. At the end of December 2019, the liquidity gap analysis of the Group is as follows:

Undiscounted contractual cash flows categorised by contractual maturities:

		As at 31 December 2019							
(Expressed in RMB million, unless otherwise stated)	Past due/Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	
Net position of assets and liabilities	66,995.4	(248,227.3)	(3,682.3)	(70,618.6)	58,675.9	117,008.4	344,722.9	264,874.4	

		As at 31 December 2018							
(Expressed in RMB million, unless otherwise stated)	Past due/Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	
Net position of assets and liabilities	71,954.0	(243,439.6)	(926.5)	(66,389.8)	54,714.0	126,008.6	261,344.1	203,264.8	

Note: Please refer to "Notes to the Consolidated Financial Statements: 49. Risk Management".

The Group measured and disclosed its liquidity ratio, liquidity coverage ratio and net stable funding ratio in accordance with the relevant requirements of Methods for Liquidity Risk Management in Commercial Banks (Provisional) (《商業銀行流動性風險管理辦法》) issued by the CBIRC.

## Management Discussion and Analysis

As at the end of December 2019, the liquidity ratio of the Group is as follows:

Liquidity ratio(%)	31 December 2019	31 December 2018	31 December 2017
Renminbi	<b>57.12</b>	51.71	44.14
Foreign Currency	<b>29.94</b>	33.00	57.43

As at the end of December 2019, the net stable funding ratio of the Group is as follows:

(Expressed in RMB million, unless otherwise stated)	31 December 2019	30 September 2019
Available stable funding	<b>702,686.16</b>	<b>712,774.16</b>
Required stable funding	<b>649,207.14</b>	<b>640,278.30</b>
Net stable funding ratio (%)	<b>108.24</b>	<b>111.32</b>

As at the end of December 2019, the liquidity coverage ratio of the Group is as follows:

(Expressed in RMB million, unless otherwise stated)	31 December 2019
Qualified and high-quality liquid assets	<b>116,334.42</b>
Net cash outflows in future 30 days	<b>51,525.93</b>
Liquidity coverage (%)	<b>225.78</b>

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

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

## (5) Operational Risk Management

Operational risk refers to the risk of loss due to imperfections or errors in internal procedures, personnel and scientific and technological information systems, or external events.

During the Reporting Period, the Bank continued to consolidate and improve its operational risk management system to fully identify and control operational risks in various operations and management activities. Firstly, the Bank improved its methods to enhance the effectiveness of operational risk management. The Bank orderly reported monitoring data of key risk indicators, collected data on operational risk losses, and carried out post-evaluation of business management operation procedures to evaluate the effectiveness of risk measures; secondly, the Bank carried out risk inspection and rectification in key areas. Through carrying out a number of inspections including case risk investigation, special credit inspection, and counter business inspection to identify rectification risk shortcomings, strictly regulated employee behavior, and ensured the steady development of the Bank's business. Thirdly, the Bank deepened the use of system tools. On one hand, the Bank used risk data marts to achieve statistical display of operational risk monitoring index data. On the other hand, the Bank established smart bank risk monitoring and anti-fraud systems to identify and intercept suspicious transactions in real time, and realised the risk control requirements into business applications to achieve system constraints. Fourthly, the Bank maintained the bottom line of business continuity risk. It completed a comprehensive business impact analysis and assessment, fully identified important business and key resources, coordinated the formulation of a bank-wide exercise plan and implemented it in an orderly manner. Various departments collaborated to carry out the real switching exercise of important business to verify the effectiveness of the emergency response mechanism. Fifthly, the Bank further standardized outsourcing risk management, developed outsourcing risk inspection plans. Organizations at all levels throughout the Bank implemented the plan to require full-process risk monitoring and control of outsourced businesses under their jurisdiction, established outsourcing rectification accounts and issues, and comprehensively monitored and prevented outsourcing risks.

## (6) Reputation Risk Management

Reputation risk refers to the risk of negative evaluation of the Bank by stakeholders due to the Bank's operations, management and other actions or external events.

During the Reporting Period, the Bank established a sound reputation risk management mechanism, actively and effectively prevented reputation risk and responded to negative public opinion events, and actively maintained the Bank's good market image to achieve the overall objective of reputation risk management.

## (7) Information Technology Risks

Information technology risks refer to operational, legal, and reputational risks arising from the use of information technology during commercial operation of banks due to natural factors, human factors, technical loopholes, and management defects.

During the Reporting Period, the Bank's information technology risk management system operated efficiently. The standard implementation of risk monitoring and identification, analysis and evaluation, and reporting and disposal mechanisms effectively ensured the smooth commissioning of major project constructions and promoted the safe and stable development of various IT activities. Firstly, the Bank consolidated the three lines of defense to grasp the situation. The Ministry of Science and Technology took the lead in organising a number of security inspections, penetration tests and equal assurance assessments. The risk management department independently implemented outsourcing, business continuity and overall risk assessments and the audit department carried out a special audit to evaluate the effectiveness of risk control. Secondly, the Bank refined risk monitoring and analysis by constantly updating and optimizing the information technology risk monitoring indicator system, regularly collection and summarizing indicator data in various fields of information technology activities and analyzing and reporting the risk status. Thirdly, the Bank expanded the scope of risk assessment. It not only carried out the quantitative evaluation of the risk level of the main modules and key processes of information technology, but also conducted risk assessment of major projects such as smart banks, credit and investment management systems. While fully covering all aspects of information technology work, the Bank carried out precise management and control of major projects in key areas. Fourthly, the Bank improved the construction level of infrastructure resources. In accordance with the Bank's three centers' strategic planning in two areas, the Bank completed equipment relocation and functional layout, increased network equipment with expanded capacity and bandwidth, completed network security system construction, strengthened threat detection and awareness capabilities, and gave full play to the role of support and security protection.

## (8) Anti-Money Laundering Risks

During the Reporting Period, the Bank followed the philosophy of risk orientation, actively performed anti-money laundering duties and further improved the money laundering risk management system, continuously consolidated the foundation of anti-money laundering management, and effectively prevented money laundering risk.

During the Reporting Period, the Bank adopted a number of measures to ensure compliance with and effectiveness of anti-money laundering measures. These measures include, but are not limited to, amendments to new anti-money laundering rules and regulations to improve the anti-money laundering internal control system; continuous strengthening of the construction of anti-money laundering systems to enhance the ability to monitor the risk of money laundering; implementation of the management of entrusted customer identity information to improve the quality of customer data; introduction of money laundering and terrorist financing third-party risk assessment to promote the construction of a self-assessment system for money laundering risks; acceleration of the construction of anti-money laundering centers to improve the professionalism of anti-money laundering; increase in efforts of customer due diligence to strictly control the first line of defense against anti-money laundering; strengthened control of high-risk customers to clarify the working mechanism of follow-up risk management and control measures for suspicious transaction reports; continuous anti-money laundering training to strengthen the construction of anti-money laundering talent team; more vigorous promotion of the propaganda of anti-money laundering targeting the public and specific non-financial institutions and actively fulfilled social responsibilities.

#### **(9) Implementation Of The Basel Capital Accord**

The Group further promoted the new capital accord in accordance with the requirements of the regulatory authorities. In 2019, the Group mainly completed the annual update on the internal rating of non-retailing sector, promoting the wide use of the retailing scorecard model for online innovative products and offline traditional business. The Group continuously carried out internal rating system monitoring and verification, prepared retailing and non-retailing internal rating analysis reports on a quarterly basis, and comprehensively analyzed the overall rating status from the perspectives of rating distribution, default analysis, quota analysis and model verification monitoring to ensure that the internal rating system was functioning properly. The Group continuously optimised the risk model and developed and updated the model that met the monitoring threshold and the data accumulation requirements in a timely manner to ensure the availability of the model. It continually optimised various systems such as rating system management, internal rating model, risk parameter quantitative management and financial tools impairment management to promote the standardised and efficient use of the results of the construction of new capital accord. The Group officially put the risk data collection into operation, basically built a data collection source that covered the main risk data and unified theme models of the Group, laying a solid foundation for achieving unified and accurate analysis and utilisation of risk data to implement comprehensive risk management. The risk-weighted assets (RWA) system is based on risk data collection, realising the automatic calculation of risk-weighted assets of the Bank, and providing the function of capital planning and RWA planning and management, thereby providing an effective tool for enhancing the capital management ability of the Bank. The impairment measurement under the new IFRS 9 standard was in stable operation, which achieved automation of impairment measurement and improved the refinement level of risk management.

## (10) Internal Audit

The Group has established a sound internal audit system according to laws and regulations. The Articles of Association clearly stipulated that the Board was responsible for ensuring that internal audit had sufficient independence. Internal audit department was responsible and reported to the Board. The internal audit departments were respectively set up at headquarter and branch offices, and the subsidiaries had internal audit departments or were equipped with internal audit personnel. Internal audit personnel accounted for 2% of the total number of employees, which was twice the regulatory requirements.

The Bank paid attention to the innovation of internal audit in information technology, mechanism and process, team building and other aspects to improve the quality and efficiency of internal audit. Firstly, the Bank emphasized information technology innovation, using big data technology to develop audit models to achieve accurate and efficient audits with round-the-clock, organization-wide and all-data supervision. Secondly, the Bank stressed the innovation of mechanism and process. It formulated menu-type working papers, compiled audit manuals, implemented standardized audit processes and five-level audit quality control. Thirdly, the Bank carried out team innovation, dual management of audit lines, dual reporting, overall coordination and deployment and consolidation of manpower. The Bank promoted the professionalization of auditors, more than a hundred people had obtained qualifications such as internationally certified internal auditors, certified public accountants, and titles of senior and middle-ranking, achieving excellent team quality.

During the Reporting Period, internal audit departments adhered to the goals of serving the organization, paid more attention to the implementation of national policies, paid more attention to the implementation of strategies of the headquarter, paid more attention to risk prevention and control, and paid more attention to the improvement of internal control. On the basis of systematically reviewing regulatory requirements, the Bank took into account its own actual conditions, and achieved excellent performance in a variety of audit items such as internal control evaluation, economic responsibility audit, special audit, audit investigation, and consolidated audit. The Bank took the lead in carrying out special tasks according to the requirements of regulation such as “consolidating the results of risk control and promoting compliance construction”, strengthened audit supervision, performed the duties of the third line of defense supervision, focused on the conversion of audit results, continued to improve the long-term mechanism for problem rectification, and improved self-correction capabilities, which effectively prevented and controlled risks, improved the Bank’s internal control level, and promoted high-quality development.

## (11) Large Risk Exposures

Pursuant to the requirements of the Administrative Measures for Large Risk Exposures of Commercial Banks (《商業銀行大額風險暴露管理辦法》) issued by the CBIRC, the Bank established a management mechanism for large risk exposures and included the mechanism into the comprehensive risk management system of the Group. The system measured and monitored the status and changes of large risk exposures, which effectively controlled customer concentration risk. As of the end of the Reporting Period, the Bank’s indicators of large risk exposures were better than the regulatory requirements.

## (12) Related Party Transactions

During the Reporting Period, in accordance with the requirements for listing of A shares, the Bank further improve the Bank's management of related party transactions: Firstly, the Bank revised the Administrative Measures for the Related Party Transactions (《關聯交易管理辦法》) and fully complied with the regulations of CBIRC, Shanghai Stock Exchange, Hong Kong Stock Exchange, and relevant accounting standards. Based on its actual needs on related party transaction management in recent years, the Bank revised the related party transaction management system in terms of related party identification standards, list collection and updates, review and approval authority and procedures, and information disclosure. The Bank strictly implemented regulatory requirements, and at the same time optimized management processes, providing system guarantee for the compliance management of related party transactions of the Bank. Secondly, the Bank strengthened the identification of related parties and the approval of related party transactions. In accordance with CBIRC, Shanghai Stock Exchange, Hong Kong Stock Exchange, and relevant accounting standards, etc., the Bank implemented dynamic management and regular review of the list of related parties. The related-party transaction control committee of the Board completed the filing of multiple related-party transactions, reviewed the related-party transactions submitted to the Board for approval, promoted the coordinated reporting of credit to related party group, carried out classification review and hierarchical approval of related-party transactions which improved the efficiency of related party transaction management while effectively controlling the actual risks and compliance risks of related party transactions. Thirdly, the Bank strengthened the awareness of risk control of related party transactions, timely and effectively communicated with shareholders and senior supervisors about the importance and principles of related party transaction management, and organized related-party transaction trainings for major business departments, branches and subsidiaries, so as to continuously improve the Bank's related party transaction management.

During the Reporting Period, the Bank's related party transactions were reviewed and approved in accordance with regulatory requirements and the Bank's management system. As of the end of 2019, the Bank had no non-performing related party transactions, and the concentration of related party transactions was continuously within the CBIRC's regulatory requirements.

### 1. *Related party transactions during the ordinary course of business*

During the Reporting Period, the Bank conducted related party transactions by strictly following the relevant regulations of local and overseas regulatory authorities and the Administrative Measures for the Related Party Transactions (《關聯交易管理辦法》) of the Bank, the related party transactions were priced fairly and in line with the overall interests of the Bank and shareholders.

## Management Discussion and Analysis

- (1) Pursuant to the relevant provisions of the CBIRC, during the Reporting Period, there were 21 proposals on significant related party transactions approved by the Board of Directors, 15 of which were credit-related and 6 of which were non-credit-related. The related party transactions were entered into with Chongqing Yufu Assets Management Group Co., Ltd. (重慶渝富資產經營管理集團有限公司) and its related companies, Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Loncin Holdings Limited and its related companies, Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司) and its related companies and CQRC Financial Leasing Co., Ltd..
- a. At the end of the reporting period, the balance of credit-related significant related party transactions that occurred during the Reporting Period was RMB19,042 million, as follows:

Unit: RMB million

No.	Name of related party	Transaction type	Credit balance	Percentage of net capital
1	Loncin Holdings Limited and its related companies <sup>2</sup>	Credit	6,493.03	6.12%
2	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司)	Credit	3,500.00	3.30%
3	Bank of Chongqing Co., Ltd.	Credit	3,030.64	2.86%
4	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Credit	2,838.25	2.68%
5	Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	Credit	1,400.00	1.32%
6	Chongqing Caixin Credit Environmental Protection Investment Co., Ltd. (重慶市財信環保投資股份有限公司)	Credit	535.30	0.50%
7	Chongqing Casin Environment Resources Co., Ltd. (重慶財信環境資源股份有限公司)	Credit	512.28	0.48%
8	Chongqing Shanshui Urban Tourism Development Co., Ltd. (重慶山水都市旅遊開發有限公司)	Credit	477.00	0.45%
9	Chongqing Yin Hai Finance Leasing Co., Ltd. (重慶銀海融資租賃有限公司)	Credit	137.18	0.13%
10	Chongqing Jiaolv Construction Engineering Co., Ltd. (重慶交旅建設工程有限公司)	Credit	90.00	0.08%
11	Chongqing Baohui Steel Structure Engineering Co., Ltd. (重慶寶匯鋼結構工程有限公司)	Credit	84.75	0.08%
12	Chongqing Jianzhou Garden Art Engineering Co., Ltd. (重慶建洲園林藝術工程有限公司)	Credit	28.00	0.03%
13	重慶亞慶機械製造有限公司	Credit	10.40	0.01%
14	Sino-Australian International Trust Co., Ltd. (華澳國際信託有限公司)	Credit	0.00	0.00%
15	Yinhua Fund Management Co., Ltd. (銀華基金管理股份有限公司)	Credit	0.00	0.00%



Notes:

1. The credit balance does not include accrued interest, but deposit has been deducted.
  2. Under the credit granted to Loncin Holdings Limited and its related companies, including Chongqing Baohui Steel Structure Engineering Co., Ltd. (重慶寶匯鋼結構工程有限公司), Chongqing Yaqing Machinery Manufacturing Co., Ltd. (重慶亞慶機械製造有限公司). Duplicates have been excluded from the calculation of the balance of major related transactions of credit grants.
- b. The transaction amount of the non-credit significant related party transactions of the Bank during the Reporting Period was RMB551 million, as follows:

Unit: RMB million

No.	Name of related party	Transaction type	Transaction amount	Business type
1	Sino-Australian International Trust Co., Ltd. (華澳國際信託有限公司)	Non-credit	538.00	Transferee of trust assets
2	Chongqing Caxin Infrastructure Investment Group Co., Ltd (重慶財信基礎設施投資集團有限公司)	Non-credit	6.48	Charge service fee
3	Chongqing Yufu Assets Management Group Co., Ltd.(重慶渝富資產經營管理集團有限公司)	Non-credit	3.66	Property lease
4	Dazu Rock Carving Movie & TV Culture Co., Ltd.(大足石刻影視文化有限責任公司)	Non-credit	2.10	Charge service fee
5	CQRC Financial Leasing Co., Ltd.	Non-credit	0.35	Charge service fee
6	Chongqing Guoxing Real Estate Co., Ltd. (重慶國興置業有限公司) <sup>1</sup>	Non-credit	0.00	Property purchase

Note: 1. At the end of the Reporting Period, the company has been renamed Chongqing Caxin Hongye Real Estate Development Co., Ltd. (重慶財信弘業房地產開發有限公司). The approval of related party transaction did not actually occur due to objective reasons, and no transaction amount was incurred.

- (2) According to the relevant regulations of the Shanghai Stock Exchange, during the Reporting Period, the balance of the Bank's loans to related natural persons under the relevant regulations of the Shanghai Stock Exchange was RMB77 million; the cumulative total amount of connected transactions between the Bank and a related party exceeded RMB30 million and accounted for more

than 5% of the Company's audited net asset value of the latest period, which is the credit granted by the Bank to Loncin Holdings Limited. The loan balance at the end of the Reporting Period was RMB5,197 million (excluding accrued interest), which accounted for 1.19% of the total loan of the Bank (excluding accrued interest), and the weighted average loan interest rate is 4.91%. The Bank's loan to Loncin Holdings Limited is reasonably determined based on fair principles, after comparison with interbank loan rates confirmed.

2. *Related party transaction in connection with purchase or sale of assets or equity interests*

During the Reporting Period, the Bank was not involved in related party transaction in connection with purchase or sale of assets or equity interest.

3. *Related party transaction in connection with joint external investment*

During the Reporting Period, the Bank was not involved in related party transaction in connection with joint external investment.

4. *Claims, Debt Transactions with Related Parties*

During the Reporting Period, the Bank was not involved in claims or debt transactions of a non-operating nature with related parties.

## VI. Capital Management

The Group implemented comprehensive capital management, including the formulation of capital management policies, capital planning, capital adequacy ratio management plans, capital measurement, internal capital adequacy assessment, capital allocation and capital assessment management. The goal of the Group's capital management is to mainly accumulate internal capital, with external capital as supplement, to effectively balance capital supply and demand, to strengthen capital restrictions and guidance to the business, so as to maintain a capital level that is consistently higher than regulatory requirements, and to reserve a certain room for margin and buffer as security.

In 2019, the Group continued to promote the refinement of capital management, rationally arrange risk-weighted asset plans, optimize business structure, improve capital utilization efficiency, maintain internal growth of capital, expand external capital supplement channels, further consolidate the Bank's capital strength, constantly enhance the service capability for real economy. The capital indicators throughout the year were good, which was a steady increase from the beginning of the year, providing a strong guarantee for the Group's stable business development and strategic implementation.

## (1) Capital Adequacy Ratio

The Group calculates the core tier 1 capital adequacy ratios, tier 1 capital adequacy ratios, and capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the CBIRC, among which, the credit risk was measured at weight method, the market risk was measured at standard method and the operational risk was measured at basic indicator approach. The calculation range of capital adequacy ratio includes all branches of the Bank and its subsidiary village banks, and financial leasing companies.

As at December 31, 2019, the Group's capital adequacy ratio was 14.88%, an increase of 1.36 percentage points from the end of the previous year; the core tier 1 capital adequacy ratio and the tier 1 capital adequacy ratio were 12.42% and 12.44%, respectively, an increase of 1.47 and 1.48 percentage points respectively from the end of the previous year. At the end of 2019, the Group's capital adequacy ratio increased steadily from the beginning of the year. The main reasons are that firstly the profit has maintained steady growth. Secondly, the Bank successfully listed on the Shanghai Stock Exchange in October 2019. The net proceed of RMB9,888 million after deducting the issuance cost was used to supplement core tier 1 capital, which effectively enhanced capital strength. Thirdly, the Bank strengthened the risk-weighted assets planning and assessment mechanism with capital as the core, strengthened capital refinement management, and risk-weighted assets recorded moderate increase.

The following table sets forth the relevant capital adequacy ratio of the Group and the Bank at the dates indicated.

### Calculation results of capital adequacy ratio of the Group and the Bank

(Expressed in RMB million, unless otherwise stated)	31 December 2019		31 December 2018	
	The Group	The Bank	The Group	The Bank
Core tier 1 capital, net	88,559.0	83,772.1	70,886.3	66,705.5
Net tier 1 capital	88,680.0	83,772.1	70,978.8	66,705.5
Net capital	106,070.5	100,534.8	87,541.2	82,731.9
Risk-weighted assets	712,885.7	678,740.2	647,419.3	617,389.8
Include: Credit risk weighted assets	661,053.9	628,786.3	597,565.5	569,134.9
Market risk weighted assets	3,955.0	3,955.0	5,076.5	5,076.5
Operational risk weighted assets	47,876.8	45,998.9	44,777.3	43,178.4
Core tier 1 capital adequacy ratio (%)	12.42	12.34	10.95	10.80
Tier 1 capital adequacy ratio (%)	12.44	12.34	10.96	10.80
Capital adequacy ratio (%)	14.88	14.81	13.52	13.40

### Capital Adequacy Ratio

(Expressed in RMB million, unless otherwise stated)	31 December 2019	31 December 2018
<b>Core tier 1 capital</b>	<b>89,120.9</b>	71,442.1
Portion of paid-in capital that may be included	<b>11,357.0</b>	10,000.0
Portion of capital reserve that may be included	<b>20,572.0</b>	12,228.8
Surplus reserve and general risk reserve	<b>23,918.9</b>	22,572.2
Unappropriated profit	<b>32,365.6</b>	25,947.3
Non-controlling interests	<b>907.4</b>	693.8
<b>Core tier 1 capital deductible items</b>	<b>(561.9)</b>	(555.8)
Goodwill, net of relevant deferred tax liabilities	<b>(440.1)</b>	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	<b>(121.8)</b>	(115.7)
<b>Core tier 1 capital, net</b>	<b>88,559.0</b>	70,886.3
<b>Other tier 1 capital</b>	<b>121.0</b>	92.5
Non-controlling interests	<b>121.0</b>	92.5
<b>Net tier 1 capital</b>	<b>88,680.0</b>	70,978.8
<b>Tier 2 capital</b>	<b>17,390.5</b>	16,562.4
Tier 2 capital instruments and related premium that may be included	<b>9,000.0</b>	9,000.0
Excessive loan allowances	<b>8,161.2</b>	7,377.4
Non-controlling interests	<b>229.3</b>	185.0
<b>Net capital</b>	<b>106,070.5</b>	87,541.2
<b>Total risk-weighted assets</b>	<b>712,885.7</b>	647,419.3
<b>Core tier 1 capital adequacy ratio (%)</b>	<b>12.42</b>	10.95
<b>Tier 1 capital adequacy ratio (%)</b>	<b>12.44</b>	10.96
<b>Capital adequacy ratio (%)</b>	<b>14.88</b>	13.52

The following table shows the credit risk exposures of the Group as measured by weighting method on the dates indicated.

(Expressed in RMB million, unless otherwise stated)	31 December 2019		31 December 2018	
	Risk exposure	Unmitigated risk exposure	Risk exposure	Unmitigated risk exposure
On balance sheet credit risk	<b>1,023,361.6</b>	<b>999,099.9</b>	943,935.0	927,930.0
Off balance sheet credit risk	<b>19,313.6</b>	<b>15,751.7</b>	22,495.0	12,863.4
Counterparty credit risk	<b>24,825.9</b>	<b>24,825.9</b>	7,629.7	7,629.7
<b>Total</b>	<b>1,067,501.1</b>	<b>1,039,677.5</b>	974,059.7	948,423.1

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

## (2) Leverage Ratio

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

As at 31 December 2019, the Group’s leverage ratio was 8.45%, an increase of 1.15 percentage points from the end of the previous year, mainly because the growth rate of tier 1 capital, net was higher than the growth rate of on-balance sheet and off-balance sheet assets.

The following table sets out the Group’s related accounting items corresponding with the regulatory items of leverage ratio and the differences between regulatory items and accounting items as at the date indicated:

	As at 31 December 2019
(Expressed in RMB million, unless otherwise stated)	
Consolidated total assets	<b>1,030,230.2</b>
Consolidated adjustments	–
Customer assets adjustments	–
Derivatives adjustment	<b>211.8</b>
Securities financing transactions adjustments	–
Off balance sheet item adjustments	<b>19,638.6</b>
Other adjustments	<b>(561.9)</b>
The balance of assets on and off-balance sheet after adjustments	<b>1,049,518.7</b>

## Management Discussion and Analysis

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2019
Assets on the balance sheet (excluding derivatives and securities financing transactions)	1,030,138.0
Less: tier 1 capital deduction	(561.9)
<b>The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)</b>	<b>1,029,576.1</b>
Replacement cost of various types of derivatives (net of qualified margins)	92.3
Potential risk exposure in various derivatives	211.8
The sum of collaterals deducted from the balance sheet	-
Less: assets receivables formed due to qualified margins	-
Less: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	-
Notional principal for sold credit derivatives	-
Less: the balance of sold credit derivatives assets which can be deducted	-
<b>The balance of derivatives assets</b>	<b>304.1</b>
The balance of accounting assets for securities financing transactions	-
Less: the balance of securities financing transactions assets which can be deducted	-
Counterparty credit risk exposure to securities financing transactions	-
The balance of securities financing transactions assets formed due to securities financing transactions by proxy	-
<b>The balance of securities financing transactions assets</b>	<b>-</b>
The balance of items off balance sheet	35,591.1
Less: the balance of items off balance sheet reduced due to credit conversion	(15,952.5)
<b>The balance of items off balance sheet after adjustments</b>	<b>19,638.6</b>
Tier 1 capital, net	88,680.0
The balance of assets on and off-balance sheet after adjustments	1,049,518.8
<b>Leverage ratio (%)</b>	<b>8.45</b>

## VII. FINANCIAL CONSUMER RIGHTS PROTECTION

In 2019, the Bank strictly abided by the regulatory rules, adhered to the Company's development strategy, and proactively implemented the measures of financial consumer rights protection by improving the mechanism and system construction, regulating sales behavior, enhancing complaint management, stepping up financial propaganda, effectively fulfilling the duties of the business and the responsibility of consumer rights protection.

**Strengthen institutional protection.** The Bank incorporated the setup of consumer protection system into the Bank's development strategic plan, and the business philosophy of "equal emphasis on business development and protection of financial consumer rights and interests" was established at a strategic level. The Consumer Rights Protection Committee set up by the Board of Directors and the working leading group of the consumer rights protection set up at the senior management level regularly held special meetings, to clarify the overall thinking of consumer rights protection in 2019, organize, deploy and coordinate the development of consumer protection in the Bank. The Bank also launched the "Consumer Rights Protection Tamping Year" in the whole area, and proposed working requirements in the aspects of sound working mechanism and system construction, consumer rights protection assessment, "double-recording and one-zone" management, product information disclosure, customer complaint management, publicity and education, etc.

**We improved the mechanism and system construction.** Firstly, the Bank established the consumer rights protection institutional system of "programmatic document + specific management system +several product management measures", improved more than 20 rules and regulations such as the "Operational Regulations for the Agency Insurance Business of Chongqing Rural Commercial Bank" to ensure that the entire process of internal management and business operations were in line with regulatory requirements and consumer protection concepts. Secondly, the Bank proceeded with the five steps of product design and development, product project approval, product introduction, product pricing, product system and promotional materials to carry out consumer protection reviews, implement consumer protection measures and strive to achieve full product process management and control. More than 460 consumer protection reviews of various types were completed throughout the year. Thirdly, the Bank implemented consumer rights protection assessment proposals to set assessment indicators such as sales behavior, information protection, "double-recording and one-zone", financial knowledge propaganda, and complaint management, include performance evaluation of branches and business departments, allocate more than 10 million special manpower performance costs, and achieve full coverage of position and personnel evaluation.

**We improved service level.** The Bank implemented the requirements of intelligent, miniaturized and light-weight outlets, increased the pilot placement of self-service machines such as cash recycling for agricultural customers counters and smart counters, set "Courtesy Service Counter" or "Green Channels", equipped with reading glasses, priority seats, children's entertainment facilities, constructed gentle slopes, handrails, guardrails, and other convenient facilities at certain outlets. At the same time, the Bank launched a special action of enhancing counter service and solidly promoted the evaluation of "top thousand", "top hundred" and "star" outlets to better meet the daily financial service needs of financial consumers.



## Management Discussion and Analysis

**We carried out financial knowledge propaganda.** The Bank established a bank-wide financial consumer promotion database and created a promotion brand of “Jiangyu Consumer Rights Protection Micro- Classroom”, to form a financial knowledge campaign across the Bank. The Bank also organised special promotional activities such as “3.15”, “Spreading Financial Knowledge to Keep Money Safe” (普及金融知識，守住錢袋子), “Financial Knowledge Walkathon” and “Preventing Illegal Fund Raising”. Over 7,100 outreach publicity events were conducted throughout the year, involving more than 1.7 million audiences, more than 1.43 million publicity materials were distributed.

**We strengthened customer complaint management.** We established a complaint linkage mechanism and adopted various methods to prevent complaint escalation. At the same time, we strengthened the analysis of complaints and regularly screened the complaint information data in multiple dimensions. We improved and optimised product quality, business process and internal management according to the targeted evaluation. A total of 4,588 complaints were received throughout the year, and the total number of complaints fell by 18% year-on-year. The complaint settlement rate, timely settlement rate, and customer satisfaction reached 98.56%, 98.47%, and 99.87%, respectively.

**We regulated product sales behavior.** We sorted out the key points of review of product marketing recommendation data, evaluated the policies, business rules and pricing that may affect consumers, and strictly prevented irregular marketing promotion behaviors that damage the legitimate rights and interests of financial consumers. The “double-recording and one-zone” optimisation project was launched to ensure that the sales process can meet regulatory requirements and meet the Bank’s business development needs by filming education videos, electronising product information inquiry platform, conducting district construction assessments, and improving “double-recording” counter transactions. During 2019, no effective complaint about misleading product sales was received.



## VIII. OUTLOOK

### (I) Macroenvironment and Industry Outlook

2020 is a year for China to build a well-off society in an all-round way as well as a year for the Thirteenth Five-Year Plan to come to its conclusion. The COVID-19 outbreak has brought adverse impacts to numerous industries, affecting them to a certain extent, while the economy of China is confronting a more complicated situation both internally and externally. The General Secretary Xi Jinping stated that there was no change in the fundamentals for the positive growth of China's economy, the hit caused by the COVID-19 outbreak was a short-term one and it was generally controllable. He also pointed out the importance of tightening the "six stabilities" (六穩) measures and control policies, so that the enormous development potential and momentum of China could be fully unleashed and the economic and social development goals this year could as well be achieved.

For banking industry, they have to take on further responsibilities, improve quality and efficiency of serving entities, enhance their support against major national strategies and increase their small and micro enterprise loans. By making full use of financial technology, banking industry should keep innovating, accelerate transformation and explore technical functions of blockchains, big data and AI intelligence, to provide extra security for financial products and services at the end to efficiently boost the real economy. In the meantime, in order to facilitate a new round of high quality and sustainable development of banking industry, they should strictly comply to all regulatory requirements, improve corporate governance system and standards of risk management.

## (II) Strategy Planning

In 2020, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, not only Chongqing Rural Commercial Bank will closely follow the changes in policies and comply with the improved standards and requirements, the Bank will also focus on the strategy of “establishing banks with retail, prospering banks with technology and strengthening banks with talents”, that we can unwaveringly enter the new trillion journey.

For establishing banks with retail, we keep seeing retail as a fundamental element of development and continuation. The Bank has been cultivating in county areas and serving the public for years, and our outlets cover the entire Chongqing. Rooted and based in the retail market, we gain unsurpassed resources and advantages, that we remain a close distance with customers and have thorough understanding of and instant response to the changes in the market demands, which facilitate our provision of quality “customer-oriented” financial service. In the future, we will further exercise our strength which is our huge customer base, with the aim of achieving establishing banks with retail through establishing banks with customers and creating an enormous, customer-centered retail system. Furthermore, the Bank will greatly enhance its assessment and guidance, earnestly spot the needs of customers, help developing customers’ habits and provide differentiated services to customers by category, by tier and by channel. Blending customers’ needs into our products and services, we turn low viscosity customers to loyal, from inactive to active.

For prospering banks with technology, we keep seeing technology as a booster for innovation and driver for growth. We exert utmost efforts to create good conditions for innovation and increase our investment in financial technology, under the innovation in financial technology, our operation as well as management can be facilitated in one go. Utilizing technical methods such as more intelligent and efficient counter services and platform-based application scenarios, we streamline services towards retail and small and micro customers. The Bank retains existing customers and attracts new customers by advanced technology. In addition, we has been increasing the usage of big data, by professional processing of and exploring into the customers’ data and transaction data accumulated for years, the Bank can therefore achieve “added-values” after “processing”.

For strengthening banks with talents, we keep seeing talents as our core resources and future hope. Through increasing our effort in recruitment, introduction and training, offering incentives and enforcing disciplines, letting young and professional talents to experience and be responsible in multiple positions, we fully utilize the advantages of talents and establish a profound atmosphere in personnel selection and appointment. In addition, we continue our market-oriented reform and seek ways to promote professional managers system which focuses on maximizing staff efficiency and performance, so as to cultivate a group of real talents and real professionals, securing human resources for the transformation of rural commercial bank.



# Corporate Social Responsibility

In 2019, in the face of the complex and changing economic and financial situation, the Bank guided by Xi Jinping's new era of socialist ideas with Chinese characteristics and the spirit of the 19th National Congress of the Party, and seriously implemented the work requirements of "strengthening management, controlling risks, and stabilizing development". We persist in striving for progress, forge ahead, and work hard to prevent and mitigate risks. We continue to implement the "Three Transformation" strategy of "characteristic operation, streamlining the management and fostering good corporate culture", solidly fulfill social responsibilities, and comprehensively promote the sustainable development of enterprises.

On 29 October 2019, the Bank was successfully listed on the main board of the Shanghai Stock Exchange, becoming the "first A + H-share listed rural commercial bank in the country" and the "first A + H-share listed bank in the west", which attracted much market attention. The Bank will also proactively assume more social responsibilities.

**Implement national strategies and promote economic development.** The Bank actively implements national strategies, implements national macro-control policies, supports local economic development, supports supply-side structural reforms, vigorously promotes industrial transformation and upgrading, continuously optimizes credit structure, and encourages financial service reform and innovation. We strengthen the service of the real economy and the private economy, promote the steady development of the "sannong" economy, improve the small and micro financial service system, pay full attention to the cause of people's livelihood, practice corporate social responsibility, and contribute to the sustainable development of society.

**Help green finance and strengthen environmental protection operations.** The Bank attaches great importance to the development of green credit, implements the country's strategy for building a green financial system, closely follows national policies and issues supporting systems, and promotes green transformation of business development across the bank through various measures such as priority support, green channels, cost reduction, and enhanced assessment. The Bank vigorously promotes the concept of green environmental protection, actively organizes green public welfare activities, strengthens employees' sense of responsibility and mission to protect ecological balance and green homes, and promotes the development of green public welfare. The Bank vigorously promotes green office and low-carbon operations, uses energy-saving and consumption-reducing equipment, creates a green and environmentally-friendly working environment, and fulfills its green social responsibility.

**Serve the general public and fulfilling social responsibilities.** The Bank continued to promote the "customer-centric" service concept, improve the quality of customer service, comprehensively protect consumer rights and interests, protect the security of customers' personal information and assets, and provide customers with assured and considerate financial services. The Bank adheres to the people-oriented concept of employee training, is committed to building harmonious labor relations, protecting the legitimate rights and interests of employees, establishing a diverse workforce, and achieving common growth between the company and employees. The Bank takes social responsibility as its responsibility, meets the public service requirements of the community, conducts financial knowledge publicity activities, actively participates in community public welfare, implements targeted poverty alleviation, persists in serving the society and returns to society, and contributes to the construction of a harmonious society.



## Corporate Social Responsibility

**Actively fulfill economic, environmental and social responsibilities, integrate organic development with social development, become a responsible and responsible commercial bank, and make greater contributions to regional economic development.** 2020 is the end of the Bank's five-year development strategy. The Bank will implement the spirit of the 19th National Congress of the Communist Party of China in accordance with its strategic planning goals, consolidate the foundation, make innovations, and further promote the coordinated development of the economy, the environment, and society.

# Changes in Shares and Particulars of Shareholders

## I. Changes in Share Capital of Ordinary Shares

### (I) Movement in Ordinary Shares

#### 1. Movement in Ordinary Shares

Unit: share, %

	Before this movement		Increase/(decrease)+/(-) in this movement					After this movement	
	Number of shares	Percentage	Issuance of new shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
<b>I. Shares with selling restrictions</b>	7,486,663,959	74.87	256,730,532				256,730,532	7,743,394,491	68.18
1. State-owned shares									
2. Shares held by state-owned legal persons	2,811,862,459	28.12	7,869,132				7,869,132	2,819,731,591	24.83
3. Shares held by other domestic investors	4,674,801,500	46.75	248,760,382				248,760,382	4,923,561,882	43.35
Among which: Shares held by domestic non-state-owned legal persons	3,112,186,100	31.12	192,475,117			328,398,628	520,873,745	3,633,059,845	31.99
Shares held by domestic natural persons	1,562,615,400	15.63	56,285,265			(328,398,628)	(272,113,363)	1,290,502,037	11.36
4. Shares held by foreign investors			101,018				101,018	101,018	0.00
Among which: Shares held by foreign legal persons			101,018				101,018	101,018	0.00
Shares held by foreign natural persons									
<b>II. Tradable shares without selling restrictions</b>	2,513,336,041	25.13	1,100,269,468				1,100,269,468	3,613,605,509	31.82
1. RMB-denominated ordinary shares			1,100,269,468				1,100,269,468	1,100,269,468	9.69
2. Domestic listed foreign shares									
3. Overseas listed foreign share	2,513,336,041	25.13						2,513,336,041	22.13
4. Others									
<b>III. Total ordinary shares</b>	<b>10,000,000,000</b>	<b>100.00</b>	<b>1,357,000,000</b>				<b>1,357,000,000</b>	<b>11,357,000,000</b>	<b>100.00</b>

Note: "Shares with selling restrictions" set out as after this movement, the "shares held by domestic non-state-owned legal persons" includes the shares in the "specified account for securities held by unidentified person" of the Bank.



## Changes in Shares and Particulars of Shareholders

### 2. *Explanation of changes in ordinary shares*

According to the CSRC's Approval on the Initial Public Offering of Chongqing Rural Commercial Bank Co., Ltd. (CSRC License [2019] No. 1657), the total share capital of 1,357,000,000 A shares of the Bank's initial public offering on 29 October 2019 increased to 11,357,000,000.

Among the shares subject to restrictions on sales, changes in the number of shares held by domestic non-state-owned legal persons and domestic natural persons. Except for the reason for issuing new shares, the "other" changes are due to changes in the nature of shareholders, and the shares in the special account of the securities holders of unrecognized holders being incorporated into domestic non-state-owned legal persons.

### 3. *The impact of changes in ordinary shares on financial indicators such as earnings per share and net assets per share in the latest year and period*

The Bank made an initial public offering of 1,357,000,000 A shares in October 2019 at an issue price of RMB7.36 per share. At the end of 2019, basic earnings per share were RMB0.95, and net assets per share attributable to shareholders of the parent company were RMB7.77. If calculated based on the shares before issuance, the basic earnings per share for the Reporting Period was RMB0.98, and the net assets per share attributable to shareholders of the parent company was RMB8.82.

## (II) **Changes in restricted shares**

As the Bank listed on the initial public offering of A Shares during the Reporting Period, 7,486,663,959 original domestic shares have registered as restricted shares. The locked up periods were 6 months, 12 months, 36 months, and more from the date of listing; the new 256,730,532 restricted shares were locked up six months shares in the initial public offering of A Shares. 7,743,394,491 shares are restricted shares. During the Reporting Period, all restricted shares did not reach the date when the restricted shares were lifted, and there were no changes in the restrictions.

## II. Securities Issuance and Listing

### (I) Securities issuance during the Reporting Period

Unit: share, RMB

Types of stocks and derivatives	Issue date	Issue price	Number of issued shares	Listing date	Number of approved listing transactions
Ordinary shares	14 October 2019	7.36	1,357,000,000	29 October 2019	1,357,000,000

### (II) Changes in the total number of ordinary shares of the Company and changes in shareholder structure and changes in the Company's assets and liabilities structure

In October 2019, the Bank made an initial public offering of 1,357,000,000 A shares. After the issue, the total share capital increased to 11,357,000,000 shares. The total amount of funds raised was RMB9,987,520,000.00. After deducting the issuing expenses, the net amount of funds actually raised was RMB9,887,710,890.87, all of which were used to supplement the capital of the Bank.

### (III) Existing internal employee shares

As of the end of the Reporting Period, the total number of internal employee shares of the Bank was 152,822,303, accounting for 1.35% of the total share capital of the Bank, which complies with the "Notice on Regulating the Internal Employee Shareholding of Financial Enterprises" (Caijin 2010 No. [97]). Shares held by internal employees are mainly obtained through the following methods: 1. at the time of the establishment of the Bank, the former 39 districts and counties' on-the-job full-time employees or short-term contract workers in the business category participated in the establishment of the Bank as promoters and shareholders, and 2. after the establishment of the Bank, the Bank's shares obtained through agreement transfer, inheritance and judicial judgments.

## III. Particulars of Shareholders

### (I) Total number of shareholders

As at the end of the Reporting Period, the total number of shareholders of the Bank was 394,155 holders. Of which, 392,874 was the shareholders of A shares and 1,281 was the shareholders of H shares. As of 29 February 2020 (ie. the end of the previous month on the publication date of the Bank's A-share annual report), the total number of shareholders of the Bank was 332,330 holders. Of which, 331,053 was the shareholders of A shares and 1,277 was the shareholders of H shares.

## Changes in Shares and Particulars of Shareholders

### (II) Top ten shareholders and top ten shareholders holding tradable shares (or shareholders without selling restrictions) as of the end of the Reporting Period

#### Particulars of Shareholdings of the Top Ten Shareholders

Unit: Share, %

Name of Shareholder (Full name)	Increase/(Decrease) during the Reporting Period	Number of shares held at the end of the period		Number of shares held with selling restrictions	Pledged or frozen		Nature of shareholder
		Percentage			Condition of shares	Number of shares	
Hong Kong Securities Clearing Company Nominees Limited <sup>(1)</sup>	0	2,513,336,041	22.13	0	Nil		Overseas legal person
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	(10,000,000)	988,000,000	8.70	988,000,000	Nil		State-owned legal person
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	10,000,000	797,087,430	7.02	797,087,430	Nil		State-owned legal person
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	0	589,084,181	5.19	589,084,181	Nil		State-owned legal person
Loncin Holding Co., Ltd. (隆鑫控股有限公司)	0	570,000,000	5.02	570,000,000	Pledged/ judicial freezing	570,000,000	Domestic non-state-owned legal person
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	0	443,100,000	3.90	443,100,000	Pledged	221,500,000	Domestic non-state-owned legal person
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	0	300,000,000	2.64	300,000,000	Pledged	219,900,000	Domestic non-state-owned legal person
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	0	200,000,000	1.76	200,000,000	Nil		Domestic non-state-owned legal person
Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司)	0	150,000,000	1.32	150,000,000	Pledged	135,000,000	Domestic non-state-owned legal person
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	0	150,000,000	1.32	150,000,000	Pledged	74,900,000	Domestic non-state-owned legal person



## Changes in Shares and Particulars of Shareholders

The number of shares held by Hong Kong Securities Clearing Company Nominees Limited refers to the total number of shares in the shareholders of H shares' account of the Bank in the trading system represented by Hong Kong Securities Clearing Company Nominees Limited.

### Particulars of Shareholdings of the Top Ten Shareholders Without Selling Restrictions

Unit: share

Name of shareholder	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
Hong Kong Securities Clearing Company Nominees Limited	2,513,336,041	Overseas listed foreign shares	2,513,336,041
Ou Linmin	3,198,800	RMB-denominated ordinary shares	3,198,800
Wu Zhifei	2,200,000	RMB-denominated ordinary shares	2,200,000
Hong Kong Securities Clearing Company Limited	2,184,729	RMB-denominated ordinary shares	2,184,729
Li Juchun	1,917,500	RMB-denominated ordinary shares	1,917,500
Wang Huafeng	1,901,000	RMB-denominated ordinary shares	1,901,000
Lu Yuanheng	1,832,672	RMB-denominated ordinary shares	1,832,672
Wang Hang	1,638,300	RMB-denominated ordinary shares	1,638,300
Hao Xiuying	1,616,000	RMB-denominated ordinary shares	1,616,000
Zhang HuanBo	1,588,300	RMB-denominated ordinary shares	1,588,300
Statement on the connected relations and concerted actions between the shareholders above	Not aware of connected relations or concerted actions exist between		

## Changes in Shares and Particulars of Shareholders

### Number of Shares Held By and Selling Restriction of the Top Ten Shareholders With Selling Restrictions

Unit: Share

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions		
			Time available for trading	Additional number of approved tradable shares	Selling restrictions
1	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	988,000,000	April 2023	0	42 months from the date of the Bank's listing
2	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	797,087,430	April 2023	0	42 months from the date of the Bank's listing
3	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	589,084,181	April 2023	0	42 months from the date of the Bank's listing
4	Loncin Holding Co., Ltd. (隆鑫控股有限公司)	570,000,000	April 2023	0	42 months from the date of the Bank's listing
5	Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	443,100,000	October 2020	0	12 months from the date of the Bank's listing
6	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	300,000,000	October 2020	0	12 months from the date of the Bank's listing
7	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	200,000,000	October 2020	0	12 months from the date of the Bank's listing
8	Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司)	150,000,000	October 2020	0	12 months from the date of the Bank's listing
9	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	150,000,000	October 2020	0	12 months from the date of the Bank's listing
10	Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司)	125,000,000	October 2020	0	12 months from the date of the Bank's listing

Statement on the connected relations and concerted actions between the shareholders above

Chongqing River & Holiday Hotel Management Co., Ltd. (重慶兩江假日酒店管理有限公司) and Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司), the related parties of Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), hold 2,000,000 and 10,000,000 A shares of the Bank respectively, jointly hold 1 billion A shares of the Bank, accounting for 8.81% of the total share capital collectively.

Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司), a related party of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), holds 30,000,000 A shares of the Bank, jointly holds 827,087,430 A shares of the Bank, accounting for 7.28% of the total share capital collectively.

Chongqing Casin Real Estate Development Co., Ltd. (重慶財信房地產開發股份有限公司), a related party of Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), holds 110,700 A shares of the Bank, jointly holds 443,210,700 A shares of the Bank, accounting for 3.90% of the total share capital collectively.

### (III) Explanation of the absence of controlling shareholders and actual controllers of the Company

The shareholding structure of the Bank is diversified, as of the end of the Reporting Period, the percentage of shareholding of the largest shareholder was 8.70%, and there are no controlling shareholders holding more than 50% of the shares. For major shareholders holding more than 5% of the shares, their respective shares do not exceed 10% of the total share capital, and their total shareholding does not exceed 50%. As the voting rights enjoyed by the shares held by them are not sufficient to make a material impact to resolutions approved on general meetings, no controlling shareholder of the Bank is existed. The Bank does not have any person who can actually control the Bank through investment relations, agreements or other arrangements, although not being a shareholder of the Bank, so the Bank has no actual controller.

### (IV) Particulars of Major Shareholders

#### 1. Major shareholders holding more than 5% of the shares

As of the end of the Reporting Period, Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) and Loncin Holding Co., Ltd. (隆鑫控股有限公司) held 988,000,000 shares, 797,087,430 shares, 589,084,181 shares and 570,000,000 shares of the Bank, respectively, representing 8.70%, 7.02%, 5.19% and 5.02% of total share capital of the Bank respectively, and are major shareholders of the Bank. Except for the aforesaid shareholders, there were no other legal person shareholders of the Bank 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.

- (1) Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (formerly known as “Chongqing Yufu Assets Management Company Limited” (重慶渝富資產經營管理有限公司)), which was established on 27 February 2004, currently has a registered capital of RMB10 billion. It is a solely state-owned comprehensive assets operation and management company organised under the approval of Chongqing Municipal Government and is under supervision of Chongqing State-owned Assets Supervision and Administration Commission as a municipal state-owned key enterprise.
- (2) Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) (formerly known as “Chongqing City Construction Investment Company” (重慶市城市建設投資公司)), which was established on 26 February 1993, currently has a registered capital of RMB20 billion. It is a solely state-owned enterprise established under the approval of Chongqing Municipal Government and is authorised to raise and manage capital for city construction.



## Changes in Shares and Particulars of Shareholders

- (3) Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) (formerly known as “Chongqing High-grade Highway Construction and Investment Co., Ltd.” (重慶高等級公路建設投資有限公司)), which was established on 6 December 2002, is a large solely state-owned enterprise established with the fund from Chongqing Municipal Government and is engaged in the construction of secondary roads in Chongqing and the development and management of tourism resources in Chongqing. In 2019, its 100% equity is transferred to Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) and is directly managed by the Municipal Finance Bureau. It currently has a registered capital of RMB2,462,917,353.
- (4) Loncin Holding Co., Ltd. (隆鑫控股有限公司) is a key private enterprise in Chongqing city. It was established on 22 January 2003 and currently has a registered capital of RMB1 billion. It has been listed among “Top 500 Chinese Enterprises”.

### 2. Other major shareholders under regulations

Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司), Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司) and Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) may appoint Directors and supervisors of the Bank, and hold 443,100,000 shares, 300,000,000 shares, 200,000,000 shares and 150,000,000 shares of the Bank, respectively, representing 3.90%, 2.64%, 1.76% and 1.32% of total share capital of the Bank respectively, and are also major shareholders of the Bank.

- (1) Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), which was established in 1997, currently has a registered capital of RMB1.116 billion. It is a group company relating to diversified industries and investment. Its major investment sectors include: construction and operation of infrastructure, environmental protection, real estate development and provision of investment services. The group has now established regional subsidiaries in Chongqing, Beijing, Shanghai, Shenzhen, Chengdu, Zhengzhou, China Hong Kong, Australia, North America and other places. It is a group that won “Top 100 Creditworthy Enterprises in China”, “Enterprise with AAA Corporate Credit Rating”, “Top 500 Service Industry Enterprises in China” and “Outstanding Private Enterprise in Chongqing”.
- (2) Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司) was established in April 1997 with a current registered capital of RMB0.1 billion. It is engaged in real estate development and sale of commodity housing; sale of general merchandise, knitwear, metal hardware, chemical product, arts and crafts (except fireworks), medical device, machine and electrical equipment, electronic component, construction material; residential leasing; interior decoration; public parking service for motor vehicles; real estate consultation; technology consultation, technical service, etc.

## Changes in Shares and Particulars of Shareholders

- (3) Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司) (formerly known as “Xiamen Laierfu Trading Co., Ltd.” (廈門來爾富貿易有限責任公司)) was established in May 2001 with a current registered capital of RMB0.1 billion, and is engaged in non-securities equity investment and advising on equity investment.
- (4) Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) was established in December 2003, and currently has a registered capital of RMB0.1 billion. The company successively received the titles of “Reliable and Credible Enterprise in Chongqing” and “Property Developer with AAA Credit Rating in Chongqing” and other awards.

Name of shareholder	Controlling shareholder	Actual controller	Parties acting in concert	Ultimate beneficiary
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司)	Chongqing State-owned Assets Supervision and Administration Commission	Nil	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Chongqing State-owned Assets Supervision and Administration Commission	Chongqing State-owned Assets Supervision and Administration Commission	Nil	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	The Finance Bureau of Chongqing City	Nil	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)
Loncin Holding Co., Ltd. (隆鑫控股有限公司)	Loncin Group Co., Ltd. (隆鑫集團有限公司)	Tu Jianhua	Nil	Loncin Holding Co., Ltd. (隆鑫控股有限公司)
Chongqing Casin Group Co., Ltd (重慶財信企業集團有限公司)	Lu Shengju	Lu Shengju	Nil	Chongqing Casin Group Co., Ltd (重慶財信企業集團有限公司)
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Huaxin Century Investment Group Co., Ltd. (華新世紀投資集團有限公司)	Zhao Yanguang	Nil	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Xiamen Sifang Jiasheng Trade Co., Ltd. (廈門四方嘉盛貿易有限公司)	Zhou Zehui	Nil	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Chongqing Huayu Group Co., Ltd. (重慶華宇集團有限公司)	Jiang Yehua	Nil	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)

## Changes in Shares and Particulars of Shareholders

### Notes:

- (1) At the end of the Reporting Period, there were no substantial Shareholders holding 10% or more of the shares (as defined under the Listing Rules) of the Bank.
- (2) For definitions of controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiary of major Shareholders of the Bank, please refer to the relevant requirements under Provisional Regulation Governing Equity Interest of Commercial Banks by the CBIRC (the former "CBRC").

## Substantial Interests and Short Positions

As at the end of the Reporting Period, to the knowledge of the Bank, the following individuals (other than the directors, supervisors and chief executives) had an interest and short position in the shares of the Bank which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank under Section 336 of the SFO were as follows:

### A Shares

		<i>Unit: share, %</i>		
Name of shareholder	Capacity	Number of A shares held (long position)	% of the total share capital of issued A shares of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	988,000,000	11.17	8.70
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	797,087,430	9.01	7.02
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Beneficial Owner	589,084,181	6.66	5.19
Loncin Holding Co., Ltd. (隆鑫控股有限公司)	Beneficial Owner	570,000,000	6.45	5.02
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	Beneficial Owner	443,100,000	5.01	3.90
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Beneficial Owner	300,000,000	3.39	2.64
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Beneficial Owner	200,000,000	2.26	1.76
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Beneficial Owner	150,000,000	1.70	1.32

## Changes in Shares and Particulars of Shareholders

### H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held <sup>(3)</sup>	% of the total share capital of issued H share of the Bank	% of the total share capital of the Bank
BlackRock, Inc. <sup>(1)</sup>	Interest of controlled corporations	224,352,047(L)	8.93%	1.98%
		188,000 (S)	0.01%	0.002%
BlackRock Global Funds	Beneficial owner	132,885,000 (L)	5.29%	1.17%
Citigroup Inc.	Interest of controlled corporations/ approved lending agent	180,082,723 (L)	7.16%	1.59%
	Interest of controlled corporations	2,399,006 (S)	0.09%	0.02%
	Approved lending agent	177,017,059 (P)	7.04%	1.56%
Guo Guangchang <sup>(2)</sup>	Interest of controlled corporations	176,048,000 (L)	7.00%	1.55%
Fosun International Holdings Ltd. <sup>(2)</sup>	Interest of controlled corporations	176,048,000 (L)	7.00%	1.55%
Fosun Holdings Limited <sup>(2)</sup>	Interest of controlled corporations	176,048,000 (L)	7.00%	1.55%
Fosun International Limited <sup>(2)</sup>	Interest of controlled corporations	176,048,000 (L)	7.00%	1.55%

#### Note:

- (1) According to BlackRock, Inc.'s Notice of Disclosure of Corporate Major Shareholders' Interests filed on 7 November 2019, BlackRock, Inc. is deemed to hold a long position of 224,352,047 H shares and a short position of 188,000 H shares. These shares are held jointly by Trident Merger, LLC, BlackRock Holdco 2, Inc. that are directly or indirectly controlled by BlackRock, Inc., and other controlled corporations. In accordance with the SFO, BlackRock, Inc. is deemed to have interests in the shares held by such companies.
- (2) Guo Guangchang holds 64.45% equity interests in Fosun International Holdings Ltd. Fosun International Holdings Ltd. holds 100% equity interests in Fosun Holdings Limited. Fosun Holdings Limited holds 71.70% equity interests in Fosun International Limited. Therefore, Guo Guangchang, Fosun International Holdings Ltd. and Fosun Holdings Limited are all deemed to be interested in the shares of the Bank held by Fosun International Limited and various corporations controlled by it. Guo Guangchang holds jointly a long position in 176,048,000 H shares of the Bank through Fosun International Limited and other corporations controlled by it.
- (3) (L) – Long position, (S) – Short position, (P) – Lending pool

# Directors, Supervisors and Senior Management

## Information on Directors, Supervisors and Senior Management

### Existing Directors

Name	Position	Gender	Age	Term of office
Liu Jianzhong	Secretary to the Party Committee, Chairman of the Board of Directors, Executive Director	Male	56	June 2008 –
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	Male	47	August 2014 –
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director	Male	45	December 2018 –
Zhang Peng	Non-executive Director	Male	45	August 2019 –
Luo Yuxing	Non-executive Director	Male	57	January 2018 –
Chen Xiaoyan	Non-executive Director	Female	47	November 2015 –
Wen Honghai	Non-executive Director	Male	54	June 2008 –
Yuan Zengting	Independent Non-executive Director	Male	44	November 2014 –
Cao Guohua	Independent Non-executive Director	Male	52	November 2014 –
Song Qinghua	Independent Non-executive Director	Male	54	September 2017 –
Zhang Qiaoyun	Independent Non-executive Director	Male	57	December 2018 –
Lee Ming Hau	Independent Non-executive Director	Male	42	June 2019 –

### Outgoing Directors

Name	Position	Gender	Age	Term of office
Duan Xiaohua	Non-executive Director	Male	45	August 2014 – June 2019
Sun Leland Li Hsun	Independent Non-executive Director	Male	58	July 2012 – June 2019
Yin Mengbo	Independent Non-executive Director	Male	64	July 2012 – June 2019



### Existing Supervisors

Name	Position	Gender	Age	Term of office
Zeng Jianwu	Shareholder Representative Supervisor	Male	44	June 2008 –
Zuo Ruilan	Shareholder Representative Supervisor	Female	44	June 2008 –
Wang Hong	External Supervisor	Male	53	October 2014 –
Hu Shuchun	External Supervisor	Male	50	October 2014 –
Pan Like	External Supervisor	Male	46	October 2014 –
Zheng Yi	Employee Representative Supervisor	Male	54	November 2011 –
Zhu Yuzhou	Employee Representative Supervisor	Male	54	November 2011 –
Le Xiaoming	Employee Representative Supervisor	Male	43	June 2019 –

### Outgoing Supervisors

Name	Position	Gender	Age	Term of office
Ni Yuemin	Chairwoman of the Board of Supervisors	Female	53	February 2015 – May 2019

## Directors, Supervisors and Senior Management

### Senior Management

Name	Position	Gender	Age	Term of office
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	Male	47	December 2013 –
Wang Min	Member of the Party Committee, Vice President	Male	56	July 2015 –
Dong Lu	Member of the Party Committee, Vice President	Female	44	May 2011 –
Shu Jing	Member of the Party Committee, Vice President	Female	47	October 2015 –
Liu Jiangqiao	Member of the Party Committee, Vice President	Male	49	October 2015 –
Zhang Peizong	Secretary to the Board Member of the Party Committee, Vice President Executive Director Director of CQRC Financial Leasing Co., Ltd.	Male	45	September 2016 – September 2016 –
Gao Song	Member of the Party Committee, Vice President	Male	40	September 2016 –

*Note:* The term of office shown this table was the time appointed or nominated by SASAC.

## Major Work Experience of Directors, Supervisors and Senior management

### 1. Directors of the Bank

#### **LIU Jianzhong**

*Secretary to the Party Committee, Chairman of the Board of Directors, Executive Director*

Mr. Liu Jianzhong has been the secretary to the party committee, chairman of the Board of Directors and executive director of the Bank since June 2008 (currently as the chairman of the strategic development committee, the chairman of Sannong financial service committee and a member of the nomination committee). Mr. Liu received a master's degree in Industrial Engineering from Chongqing University in 2005. He received a doctorate degree in economics of finance major from Southwestern University of Finance and Economics in 2015. He is currently a senior economist accredited by Chongqing Municipal Government. Between December 2014 and March 2016, Mr. Liu served as the Secretary to the Party Committee and the Chairman to the Board of CQRC Financial Leasing. Between November 2002 and June 2008, Mr. Liu held a number of positions at the Chongqing Rural Credit Cooperative Union, including secretary and deputy secretary to the Party committee, director-general, director and deputy director. Prior to joining the Bank and between September 1992 and November 2002, Mr. Liu held several positions at the Chongqing business management department of the PBOC Chongqing Operations Office, including division director and deputy division director of the Cooperative Financial Institution Regulatory Division, a director and deputy director of the logistics services center and deputy division director of the Administration Office, office cadre and principal staff member. Mr. Liu worked for the frontier inspection station at the Chongqing Airport between February 1985 and September 1992.

#### **XIE Wenhui**

*Deputy Secretary to the Party Committee, President, Executive Director*

Mr. Xie Wenhui has been the deputy secretary to the party committee and the president of the Bank since December 2013. He has been served as an executive Director of the Bank since August 2014. He currently serves as the chairman of the risk management committee, the chairman of the consumer rights protection committee, the member of the strategic development committee, the member of the nomination committee and the member of Sannong financial service committee. Mr. Xie obtained a bachelor's Degree of Engineering in precision instrument and mechanism from Chongqing University in 1994 and obtained a master's degree in precision instrument and machinery engineering from Chongqing University in July 1997 and is currently an economist and engineer. Mr. Xie had been a member of the Party committee and a deputy president of the Bank from May 2011 to December 2013. Mr. Xie served as the general manager and the deputy general manager (in charge of work) of the Technology Department at the headquarters of the Bank from August 2008 to May 2011. Mr. Xie also served as the deputy general manager and assistant to general manager at the Technology Department in Chongqing Rural Credit Cooperative Union from January 2007 to August 2008. Prior to joining the Bank, Mr. Xie served as a deputy director of the Technology Division at the Chongqing Branch of Industrial and Commercial Bank of China from March 1998 to January 2007. Mr. Xie worked in Zhuhai Software Development Centre of Industrial and Commercial Bank of China from July 1997 to March 1998.



## Directors, Supervisors and Senior Management

### **ZHANG Peizong**

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

Mr. Zhang Peizong has served as the member of the party committee and vice president of the Bank since September 2016 and a Director of CQRC Financial Leasing Co., Ltd. since July 2018, as well as an executive director of the Bank since December 2018. He currently serves as the member of the risk management committee, the member of the related party transaction supervision committee. Mr. Zhang obtained a Bachelor of Arts in Chinese language and literature from Chongqing Normal Academy(重慶師範學院) in July 1998 and a Master's Degree in project management from Chongqing University in December 2008. He is currently a senior economist. Mr. Zhang served as the secretary to the Party Committee and the chairman of CQRC Financial Leasing Co., Ltd. from March 2016 to January 2017, deputy secretary to the party committee and the president of of CQRC Financial Leasing Co., Ltd. from November 2014 to March 2016. He assumed various positions in the Bank from August 2008 to November 2014, including secretary to the party committee and the person in charge of Beibei Branch, secretary to the party committee, the person in charge, general manager of Development Research Department and general manager of Development Planning Department of Tongliang Branch. He served various positions in Chongqing Rural Credit Cooperative Union, including general manager of department of investigation and statistics, council secretary (general manager level), deputy head of the general office from June 2004 to August 2008 and secretary to the general office of Chongqing Rural Credit Cooperative Union from February 2001 to June 2004. He served as secretary to the general office of Chongqing Bishan Rural Credit Cooperative Union from February 1999 to February 2001, and worked at the Hebian Rural Credit Cooperative of Chongqing Bishan Rural Credit Cooperative Union from July 1998 to February 1999.

### **Zhang Peng**

*Non-executive director*

Mr. Zhang Peng has served as a non-executive director of the Bank since August 2019. He studied at the Accounting School of the Southwestern University of Finance and Economics majoring in CPA from September 1994 to July 1998 and obtained a bachelor's degree of economics; currently serves as the vice secretary of the Party Committee, general manager and director of Chongqing City Construction Investment Group Co., Ltd. (重慶市城市建設投資(集團)有限公司). He served as the Party Committee member and deputy general manager of Chongqing City Construction Investment Group Co., Ltd. from March 2016 to September 2019. (During which, he also served as a member of the investment decision committee and a member of the fund management committee of Chongqing Huaben Electronic Information Venture Capital Center, as well as the chairman of the board of directors and secretary of Party Branch of Chongqing City Investment Gold Card Information Industry Co., Ltd.). He served as a director of Chongqing Yu Kang Company (重慶渝康公司) from July 2016 to May 2019 and was re-elected to be removed as the director of Chongqing Gangjiu Co., Ltd (重慶港九股份有限公司) in March 2018. He served as the deputy chief accountant and the head of the finance department of Chongqing City Construction Investment Group Co., Ltd. and director of Chongqing Gangjiu Co., Ltd from October 2014 to July 2015. He has served as the Party Committee member, deputy general manager, deputy chief accountant and the head of the finance department of Chongqing City Construction Investment Group Co., Ltd. from July

2015 to March 2016 (During which, he also served as a chairman of the board of directors and secretary of Party Branch of Chongqing City Investment Gold Card Information Industry Co., Ltd (重慶市城投金卡資訊產業股份有限公司) and director of Chongqing Gangjiu Co., Ltd). He has served as the deputy chief accountant and the manager of the planning and finance department of Chongqing City Construction Investment Group Co., Ltd. and director of Chongqing Gangjiu Co., Ltd from August 2012 to October 2014. He served as the deputy chief accountant and the manager of the planning and finance department of Chongqing City Construction Investment Group Co., Ltd., chairman of the board of supervisors of Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司) and director of Chongqing Gangjiu Co., Ltd from December 2011 to August 2012. He served as the manager of the planning and finance department of Chongqing City Construction Investment Group Co., Ltd., chairman of the board of supervisors of Chongqing Yukaifa Co., Ltd. and director of Chongqing Gangjiu Co., Ltd from January 2011 to December 2011. He served as the head of the finance department of Chongqing City Construction Investment Company (重慶市城市建設投資公司), chairman of the board of supervisors of Chongqing Yukaifa Co., Ltd. and director of Chongqing Gangjiu Co., Ltd from December 2008 to January 2011. He served as the deputy manager of the finance department of Chongqing City Construction Investment Company from September 2002 to December 2008, and served as the chairman of the board of supervisors of Chongqing Yukaifa Co., Ltd. since March 2006. He has participated in various positions since July 1998. He served as the officer of the finance department of Chongqing City Construction Investment Company from July 1998 to September 2002.

### **LUO Yuxing**

#### *Non-executive Director*

Mr. Luo Yuxing has served as a non-executive director of the Bank since January 2018. He is a member of the risk management committee and remuneration committee of the Bank. Mr. Luo has been a director of Casin Real Estate Development Group Co., Ltd. (財信地產發展集團股份有限公司) since December 2018. Mr. Luo has been the chairman of the board of directors and legal person of Casin Financial Investment Group Co., Ltd. (財信投資集團有限公司) and Chongqing Caixin Environmental Protection Investment Co., Ltd. (重慶市財信環保投資股份有限公司) since December 2017. Mr. Luo has been a director of Sino-Australian International Trust Co., Ltd. (華澳國際信託有限公司) since May 2016. He has been a director of Chongqing Casin Environment Resources Co., Ltd. (重慶財信環境資源股份有限公司) since January 2016. He served as the senior vice president of Chongqing Casin Group Co., Ltd. from May 2015 to October 2016, as well as the general vice president of the same company from October 2016 to January 2019. He has been the secretary to the party committee of Chongqing Casin Group Co., Ltd. since December 2017. From July 2007 to February 2015, he served as the secretary to the Party committee and general manager of Ancheng Property & Casualty Insurance Co., Ltd. (安誠財產保險股份有限公司). From June 2005 to February 2008, Mr. Luo served as the secretary to the Party committee and general manager of Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司). From December 2004 to February 2015, he served successively as a member of the Party committee and the director of legal audit department of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司). From June 2003 to December 2004, he served as the secretary to Party working committee and chairman of the Municipal Greening Management Committee of Jiangbei District, Chongqing. From April 2003 to June 2003, he served as the deputy director of general office and director of the Policy Study Office (政策研究室) of the Government of Jiangbei



## Directors, Supervisors and Senior Management

District, Chongqing. From October 1993 to April 2003, he served as a member of the Party group and the vice president of the Court of Jiangbei District, Chongqing. From May 1982 to October 1993, he served successively as a prosecutor and deputy chief procurator in the Procuratorate of Jiangbei District, Chongqing.

### **CHEN Xiaoyan**

#### *Non-Executive Director*

Ms. Chen Xiaoyan was appointed as the non-executive director of the Bank from November 2015. She also served as the member of the risk management committee and the Related Party Transaction Control Committee of the Bank. Ms. Chen graduated from Chongqing College of Technology (重慶工學院) with a bachelor degree in accounting in June 2000, and is currently a senior accountant. Ms. Chen is currently the vice president (in charge of work) of the asset management department of Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司). Ms. Chen Xiaoyan served as the chief financial officer of Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) from August 2014 to August 2019 and concurrently served as the head of Financial Department of the same company from May 2012 to August 2014. She worked at the Financial Department of Chongqing Land Group (重慶市地產集團) from April 2011 to May 2012, and worked at the Financial Department of Chongqing International Construction Corporation (重慶對外建設總公司) from January 1999 to April 2011 during which she consecutively served as the deputy chief clerk, deputy head and the head of Financial Department. From September 1989 to January 1999, she worked at the financial office of Chongqing Wandefu Food Company Limited (重慶市萬得福食品有限公司).

### **WEN Honghai**

#### *Non-Executive Director*

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

## **YUAN Zengting**

### *Independent Non-Executive Director*

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

## **CAO Guohua**

### *Independent Non-Executive Director*

Mr. Cao Guohua has served as an independent non-executive Director of the Bank since November 2014. He is a chairman of the audit committee, a member of the nomination committee, the remuneration committee and sannong financial service committee of the Bank. Mr. Cao obtained a bachelor's degree in the Department of Mathematics, Anhui Normal University in July 1989. He obtained a master's degree in the Department of Mathematics, Sichuan University in July 1992 and obtained a PhD degree in the School of Economics and Business Management, Chongqing University in December 1999. Mr. Cao has been a professor and PhD tutor of the Department of Finance, School of Economics and Business Management, Chongqing University since September 2006 until now. Mr. Cao has served as an external director of Chongqing Machinery and Electronic Holding Group Xinbo Investment Management Co., Ltd. (重慶機電控股信博投資管理有限公司) since June 2015. Mr. Cao has served as an external director of Chongqing Tourism Investment Group Co., Ltd. (重慶旅遊投資集團有限公司), a listed company of Shenzhen Stock Exchange (stock code: 000514), since June 2014, an independent director of Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司) since August 2012 and an independent director of Dongfeng Sci-Tech Group Co., Ltd. (東豐科技集團股份有限公司), a listed company of Shenzhen Stock Exchange and formerly known as Chengde Nanjiang Co., Ltd. (承德南江股份有限公司) (stock code: 200160), from April 2012 to June 2018. Mr. Cao served as an independent director of Chongqing Jingke Property Group Co., Ltd. (重慶金科地產集團股份有限公司), a listed company of Shenzhen Stock Exchange (stock code: 000656), from May 2015 to May 2017 and an independent director of Chongqing Jian Feng Chemical Co., Ltd. (重慶建峰化工股份有限公司), a listed company of Shenzhen Stock Exchange (stock code: 000950), from January 2015 to September 2017. He once served as an



## Directors, Supervisors and Senior Management

independent director of Balance Automobile Insurance Co., Ltd. (天平汽車保險股份有限公司) from March 2010 to March 2013. Mr. Cao served as an independent director of Guizhou Bailing Group Pharmaceutical Co., Ltd. (貴州百靈企業集團製藥股份有限公司), a listed company of Shenzhen Stock Exchange (stock code: 002424), from December 2007 to December 2013. He once served as an associate professor of the Department of Finance, School of Economics and Business Management, Chongqing University from December 2000 to September 2006. From April 1993 to December 2000, he served as an assistant lecturer and lecturer of the School of Economics and Business Management, Chongqing University. From July 1992 to April 1993, he served as an assistant lecturer of the Department of Mathematics, Chongqing University.

### **SONG Qinghua**

#### *Independent Non-Executive Director*

Mr. Song Qinghua has served as an independent non-executive director of the Bank since September 2017. He is the chairman of the remuneration committee, a member of the audit committee, the related party transaction supervision committee and the consumer rights protection committee of the Bank. Mr. Song graduated from Zhongnan University of Finance and Economics (majoring in finance) in June 1985, obtained a Master's Degree in economics from Zhongnan University of Finance and Economics in June 1988, a Doctor's Degree in economics from Zhongnan University of Finance and Economics in June 2000 and quit the Postdoctoral Research Station in applied economics from Renmin University of China in January 2003. Mr. Song has been teaching in Zhongnan University of Finance and Economics (which merged with Central South Institute of Law (中南政法學院) to form Zhongnan University of Economics and Law in May 2000) since July 1988, and is now an expert entitled to special government subsidies granted by the State Council, a professor and a tutor of doctorate candidate of School of Finance of Zhongnan University of Economics and Law. Mr. Song served as the president of School of Finance of Zhongnan University of Economics and Law from August 2008 to November 2016. Mr. Song was a visiting scholar of Saint Mary's University in Canada from June 2004 to December 2004, a visiting scholar of University of Rhode Island in the United States from August 2007 to August 2008 and a senior research scholar of University of Cincinnati in the United States from August 2018 to February 2019. Mr. Song has served as the chairman of the board of supervisors of Zhongnan Jing Ying (Wuhan) Enterprise Management Consulting Co., Ltd. (中南菁英(武漢)企業管理諮詢有限公司) since May 2018. Mr. Song was an independent director of Wuhan Urban Commercial Bank (武漢市商業銀行) from February 2004 to April 2007, an independent director of Huangshi Commercial Bank (黃石市商業銀行) (later renamed Huangshi Bank (黃石銀行)) from April 2007 to April 2010, an independent director of Zhejiang Ningbo Yuyao Rural Cooperative Bank (浙江寧波餘姚農村合作銀行) from April 2011 to April 2014, an external supervisor of Hankou Bank Co., Ltd. (漢口銀行股份有限公司) from July 2011 to October 2015, an independent director of Hubei Huanggang Rural Commercial Bank (湖北黃岡農村商業銀行) from September 2014 to October 2015, an independent director of Hubei Financial Leasing Co., Ltd. (湖北金融租賃股份有限公司) from June 2015 to October 2015, and an independent director of Wuhan Keqian Biological Co., Ltd. (武漢科前生物股份有限公司) from September 2014 to October 2015.



## **ZHANG Qiaoyun**

### *Independent Non-Executive Director*

Mr. Zhang Qiaoyun has served as an independent non-executive director of the Bank since December 2018. He is the chairman of the nomination committee, a member of the strategic development committee, the audit committee and the consumer rights protection committee of the Bank. Mr. Zhang was admitted to the Department of Mathematics of Yibin Normal College in September 1980. He was admitted to the Finance Department of Southwestern University of Finance and Economics in 1991 to pursue a master's degree in currency banking, completed a doctoral degree at the School of Finance, Southwestern University of Finance and Economics from 1999 to 2002. Mr. Zhang is concurrently a member of the Chengdu Financial Center Construction Expert Committee, a deputy director committee of Financial Cooperation Group of Higher Financial & Economic Education Branch of China Association of Higher Education and a committee member of the National Financial Professional Degree Steering Committee. Mr. Zhang served as an independent director of Luzhou Laojiao Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000568) from July 2013 to November 2015. He served as an independent director of Chengdu Xingrong Investment Co., Ltd. (a company listed on the Shenzhen Stock Exchange and currently known as Chengdu Xingrong Environmental Co., Ltd., stock code: 000598) from October 2010 to March 2015. He served as an independent director of Yibin Tianyuan Group Co., Ltd. from May 2013 to February 2015. He served as an independent director of Guangxi Beibu Gulf Bank from January 2015 to November 2015. Mr. Zhang has served as a professor and doctoral advisor in School of Finance of Southwestern University of Finance and Economics since January 2017. Mr. Zhang served as the Executive Dean of the School of Finance of Southwestern University of Finance and Economics from May 2007 to January 2017. He served as the deputy director and director of the Graduate School of Southwestern University of Finance and Economics from October 2000 to May 2007, during which he served as a visiting scholar of University of California, San Diego from December 2006 to May 2007. He served as a teacher in School of Finance of Southwestern University of Finance and Economics from July 1994 to October 2000, during which he served as a visiting scholar of Duquesne University in the United States from November 1998 to May 1999. He served as a teacher in Dagan Vocational High School in Nanxi County, Sichuan Province from July 1983 to September 1991. Mr. Zhang concurrently serves as a committee member of the advisory committee of Sichuan Province, the counselor of Chengdu Municipal People's Government and a committee member of the National Financial Professional Degree Steering Committee.

## **Lee Ming Hau**

### *Independent Non-Executive Director*

Mr. Lee Ming Hau has served as an independent non-executive director of the Bank since June 2019, he is currently the chairman of the nomination committee, a committee member in the audit committee and the remuneration committee. Mr. Lee Ming Hau is a Singaporean, he obtained an LLB (Hons) degree from the National University of Singapore in June 2003 and a master's degree in business administration from the Wharton School of the University of Pennsylvania in July 2009. Currently, he serves as an investment director of Clearwater Capital Partners under Fiera Capital Corporation. From September 2003 to February 2011, Mr. Lee was a project manager of The Boston



## Directors, Supervisors and Senior Management

Consulting Group, where he was responsible for assisting in the Sovereign Wealth Fund, Private Equity Fund and analyzing enterprises who have been listed on the Fortune 500 and carrying out large-scale mergers and acquisitions strategies and transactions. He has served as an investment director of Clearwater Capital Partners since April 2011, of which he leads the China team of Clearwater and is responsible for the investment business in China, and simultaneously engages in other secondary market investments, overseas high-interest debt and bond investments, and non-performing asset investment businesses.

## 2. Supervisors of the Bank

### ZENG Jianwu

#### *Shareholder Representative Supervisor*

Mr. Zeng Jianwu has served as the shareholder representative supervisor of the Bank since June 2008. He is also the member of the audit committee under the Board of Supervisors of the Bank. Since December 2017, he has served as the director of Shenzhen Qianhai Huixin Million Fund Company Limited (深圳前海匯鑫富貴金屬有限公司). He has served as the legal representative, executive director and general manager of Dulong Deqing Yizhuo Investment Management Co., Ltd. (堆龍德慶奕卓投資管理有限公司) since March 2016. He has served as the general manager of Xiamen Septwolves Wealth Management Co., Ltd. (廈門七匹狼財富管理有限公司) since June 2015 (he has served as the legal representative and executive director of Xiamen Septwolves Wealth Management Co., Ltd. since March 2018). He has served as the director of Quanzhou Septwolves Private Capital Management Co., Ltd. (泉州市七匹狼民間資本管理股份有限公司) since March 2013. He has served as the supervisor of Quanzhou Baiying Finance Holdings Limited (泉州市百應金融控股有限公司) since January 2013. Mr. Zeng has been serving as the deputy general manager of Xiamen Gaoxinyu Equity Investment Co., Ltd. (formerly Xiamen Laierfu Trading Co., Ltd.) since May 2001. Mr. Zeng has obtained a PhD in Applied Economics (Financial Engineering) from Xiamen University in June 2008 and a master's degree of Science from Xiamen University in July 2000.

### ZUO Ruilan

#### *Shareholder Representative Supervisor*

Ms. Zuo Ruilan has served as the shareholder representative supervisor of the Bank since June 2008. She is also a member of the nomination committee under the board of supervisors of the Bank. Since May 2018, Ms. Zuo has served as the director of Yeru Financial Holdings Limited (業如金融控股有限公司). Ms. Zuo served as the chairman of Chongqing Huayu Property Services Co., Ltd. (重慶華宇物業服務有限公司), the chairman of Chongqing Yerui Real Estate Development Co., Ltd. (重慶業瑞房地產開發有限公司) and the executive director of Sichuan Huayuyehao Real Estate Development Co., Ltd. (四川華宇業昊房地產開發有限公司). Ms. Zuo worked at the Chongqing Jiangjin Branch office of the Construction Bank of China (中國建設銀行重慶江津支行辦公室) from February 1998 to July 2000 and worked at the Saving Agency of Chongqing Jiangjin Branch of the Construction Bank of China (中國建設銀行重慶江津支行東門儲蓄所) from July 1995 to February 1998. Ms. Zuo graduated from Southwest University majoring in Economics Management in December 1999.

## **WANG Hong**

### *External Supervisor*

Mr. Wang Hong has served as the external supervisor of the Bank since October 2014. He is also the chairman of the nomination committee of the Board of Supervisors of the Bank. Mr. Wang has served as the independent director of Chongqing Gas Group Corporation Ltd. (重慶燃氣集團股份有限公司) since November 2018. He has served as the independent director of PKU HealthCare Corp., Ltd., a listed company of Shenzhen Stock Exchange (stock code: 000788) since May 2015, the independent director of Chongqing Construction Investment (Group) Co., Ltd. since January 2015 and the independent director of Guizhou Bailing Group Pharmaceutical Co., Ltd. (貴州百靈企業集團製藥股份有限公司) since December 2013. Mr. Wang has worked at the Southwest University of Political Science & Law since September 2009, and currently serves as its professor, PhD tutor of the Civil and Commercial Law School and deputy head of the Institute of Civil Law (Teaching and Research Office). He has served as the professor, master tutor and PhD tutor of the Civil and Commercial Law School, Southwest University of Political Science & Law since September 2005. He studied at the graduate faculty of the Civil and Commercial Law School, Southwest University of Political Science & Law from September 2001 to June 2005 and obtained a doctorate degree. From April 1991 to September 2000, he served as a teacher of the Division of Civil Law, Department of Law, Southwest University of Political Science & Law. Mr. Wang is currently the member of China Democratic National Construction Association, the arbitrator of the China International Economic and Trade Arbitration Commission, the arbitrator of the Arbitration Center Across the Straits, the arbitrator of the Arbitration Commissions of Chongqing, Chengdu, Nanning and Hohhot and the part-time lawyer of Chongqing Juxing Law Firm (重慶聚興律師事務所).

## **HU Shuchun**

### *External Supervisor*

Mr. Hu Shuchun has served as the external supervisor of the Bank since October 2014. He is also the chairman of the internal control review committee and the due diligence supervisory committee under the Board of Supervisors of the Bank. Mr. Hu has served as the executive director of Chongqing Bestone Law Firm (重慶百事得律師事務所) since January 2019 and the chairman of board of supervisors of Chongqing Gaolian Venture Capital Enterprise Management Consulting Co., Ltd. (重慶高聯創投企業管理諮詢有限公司) since May 2017. Mr. Hu served as the director of Chongqing Da Neng Law Firm (重慶達能律師事務所) from March 2013 to January 2019, an attorney and partner of Chongqing Zhi Yuan Law Firm (重慶智圓律師事務所) from July 2003 to March 2013, an attorney of Chongqing Jing Bo Law Firm (重慶經博律師事務所) from December 2002 to July 2003, an attorney of Chongqing Jing Sheng Law Firm (重慶靜升律師事務所) from October 2001 to December 2002, a procurator of the People's Procuratorate of Chongqing from July 1998 to October 2001 and a law teacher at the Party School of the CPC Hegang Municipal Committee from July 1992 to September 1995. From September 1995 to July 1998, Mr. Hu studied at the graduate faculty of Southwest University of Political Science & Law and obtained a master's degree in economic law. He is currently the CPC member, holder of master's degree in law and arbitrator of the Chongqing Arbitration Commission.

## **PAN Like**

### *External Supervisor*

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

## **ZHENG Yi**

### *Employee Representative Supervisor*

Mr. Zheng Yi has been an employee representative supervisor of the Bank since November 2011. He is also a member of the audit committee and the internal control review committee under the Board of Supervisors of the Bank. Mr. Zheng currently serves as the chief credit approval officer of the Bank. Mr. Zheng served as a chief credit approval officer and general manager of the credit approval department of the Bank from June 2019 to August 2019, a general manager of the credit approval department of the Bank from May 2016 to June 2019, a general manager of the credit management department of the Bank from April 2011 to May 2016, a general manager of the compliance management department of the Bank from August 2008 to April 2011, a general manager of the operation management department of Chongqing Rural Credit Cooperative Union from July 2007 to August 2008, a vice general manager of the operation management department of Chongqing Rural Credit Cooperative Union from January 2007 to July 2007, a vice general manager of the risk management department of Chongqing Rural Credit Cooperative Union from December 2006 to January 2007, a deputy director of the credit management division of Chongqing Rural Credit Cooperative Union from June 2004 to December 2006. He engaged in the credit management work of Chongqing Rural Credit Cooperative Union from May 2000 to June 2004, worked at the Leading Group for Reform of Chongqing Rural Financial System from August 1998 to May 2000, engaged in credit work at Chongqing Hechuan Rural Credit Cooperative Union (重慶市合川農村信用聯社) from April 1984 to August 1998. Mr. Zheng graduated from the Correspondence College of Chongqing Municipal Party Committee in December 1999, majoring in Economics and Management, and is currently an economist.

## ZHU Yuzhou

### *Employee Representative Supervisor*

Mr. Zhu Yuzhou has been an employee representative supervisor of the Bank since November 2011. He is also a member of the due diligence supervisory committee and the internal control review committee under the Board of Supervisors of the Bank. Mr. Zhu currently serves as the director of disciplinary inspection and supervision department of the Bank. Mr. Zhu has worked as the director of disciplinary inspection and supervision department of the Bank since April 2017. He worked as a director of security monitoring department of the Bank from October 2011 to April 2017, a general manager of small enterprise business department of the Bank from April 2011 to October 2011, a general manager of small enterprise credit department of the Bank from January 2010 to April 2011 and a general manager of real estate business department of the Bank from August 2008 to January 2010. Mr. Zhu was fully in charge of work at Chongqing Fuling District Credit Union (重慶涪陵區信用聯社) from June 2002 to July 2002, and was fully in charge of work and served as a secretary to the Party committee of Chongqing Fuling District Credit Union from July 2002 to December 2002. Moreover, he served as a chairman and secretary to the Party committee of Chongqing Fuling District Credit Union from December 2002 to August 2008. Mr. Zhu successively served as a director, chairman and secretary to the Party committee of Fengdu County Rural Credit Cooperative Union (豐都縣農村信用合作聯社) from June 1998 to June 2002. Mr. Zhu successively served as an accountant, auditor, a head of credit group and deputy director and director of business department of Fuling Rural Credit Cooperative Union (涪陵農村信用合作聯社) from July 1983 to June 1998. Mr. Zhu graduated from College of Chongqing Municipal Party Committee in June 2001, majoring in Regional Economics, and is currently an economist.

## Le Xiaoming

### *Employee Representative Supervisor*

Mr. Le Xiaoming has been an employee representative supervisor of the Bank since June 2019. He is also a member of the due diligence supervisory committee and the nomination committee under the Board of Supervisors of the Bank. Mr. Le is currently the director of the party-masses work department and director of the party committee office of the Bank. Mr. Le Xiaoming has served as the director of the party committee office of the Bank since November 2019. He served as a director of the security department of the Bank from April 2017 to August 2018. He has served as a director of the party-masses work department of the Bank since December 2013. Mr. Le served in various positions in the Research Office of Chongqing Municipal People's Government from July 2007 to December 2013, including the division chief of the Personnel Secretariat, deputy division chief of the Personnel Secretariat, deputy division chief of the General Division, principal staff member of the General Division and principal staff member of the Industrial Division. He served in various positions in the Office of People's Government of Liangping County, Chongqing from March 2003 to July 2007, including principal staff member, senior staff member and staff member, during the period from March 2007 to May 2007, he was seconded to the Industrial Division of



## Directors, Supervisors and Senior Management

the Research Office of Chongqing Municipal People's Government; He served as the Rural Land Management Position of the Agricultural and Economic Station of the Agricultural Bureau of Zhong County, Chongqing from January 2000 to March 2003. Mr. Le graduated from Sichuan Agricultural University, majoring in Agricultural Economic Management, and obtained a bachelor's degree in management in July 1999; he undertook the master's degree majoring in Agricultural Promotion in Southwest University, and obtained a master's degree in Agricultural Extension from January 2009 to June 2012.

### 3. Senior Management of the Bank

#### **XIE Wenhui**

*Deputy Secretary to the Party Committee, President, Executive Director*

Please refer to the section headed "Directors, Supervisors and Senior Management – 1. Directors of the Bank" of this annual report for biographic details of Mr. Xie Wenhui.

#### **WANG Min**

*Member of the Party Committee, Vice President*

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

## **DONG Lu**

*Member of the Party Committee, Vice President*

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

## **SHU Jing**

*Member of the Party Committee, Vice President*

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



## Directors, Supervisors and Senior Management

### **LIU Jiangqiao**

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

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

### **ZHANG Peizong**

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

Please refer to the section headed "Directors, Supervisors and Senior Management — 1. Directors of the Bank" of this annual report for biographic details of Mr. Zhang Peizong.



## **GAO Song**

*Member of the Party Committee, Vice President*

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

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

Mr. Zhang Peng became a non-executive director of the fourth session of the Board of Directors upon approval by the CBIRC Chongqing Office on 29 August 2019. Mr. Lee Ming Hau became an independent non-executive director of the fourth session of the Board of Directors upon approval by the CBIRC Chongqing Office on 6 June 2019.

Mr. Sun Leland Li Hsun and Mr. Yin Mengbo, whose term of office expired, ceased to be an independent non-executive director of the Bank after the election of the Board of Directors on 21 September 2018. However, due to the departure of the director Mr. Sun Leland Li Hsun, which does not meet the regulatory requirements of overseas listed companies under the Hong Kong Listing Rules, Mr. Sun Leland Li Hsun and Mr. Yin Mengbo continued to serve as independent directors before the appointment of Mr. Lee Ming Hau. Mr. Duan Xiaohua resigned as a director of the Bank on 12 June 2019 due to personal reasons.

In May 2019, Ms. Ni Yuemin resigned as the employee representative supervisor of the Bank and the chairwoman of the Board of Supervisors due to reassignment by the Company. Mr. Le Xiaoming was newly appointed as the employee representative supervisor of the Bank in June 2019.

## Directors, Supervisors and Senior Management

# Remuneration of Directors, Supervisors and Senior Management of the Bank in 2019

### Present

Name	Position	Paid Remuneration (before tax)	Social Insurance/ Housing Provident Fund/Supplementary Medical Insurance/ Corporate Annuity Unit Payment Part	Other Monetary Income	Part-time Fee	Total Salary Before Tax (ten thousands)	Whether to get paid from Associated Company
Liu Jianzhong	Chairman, Executive Director	37.02	12.12	-	-	49.14	No
Xie Wenhui	President, Executive Director	37.02	12.12	-	-	49.14	No
Zhang Peizong	Vice-President, Executive Director, Director of CQRC Financial Leasing	29.62	11.40	3.84	-	44.86	No
Zhang Peng	Non-executive Director	-	-	-	3.00	3.00	No
Luo Yuxing	Non-executive Director	-	-	-	9.00	9.00	No
Chen Xiaoyan	Non-executive Director	-	-	-	9.00	9.00	No
Wen Honghai	Non-executive Director	-	-	-	9.00	9.00	No
Yuan Zengting	Independent Non-executive Director	-	-	-	18.00	18.00	No
Cao Guohua	Independent Non-executive Director	-	-	-	18.00	18.00	Yes
Song Qinghua	Independent Non-executive Director	-	-	-	18.00	18.00	No
Zhang Qiaoyun	Independent Non-executive Director	-	-	-	18.00	18.00	Yes
Lee Minghau	Independent Non-executive Director	-	-	-	10.50	10.50	Yes
Zeng Jianwu	Shareholder Representative Supervisor	-	-	-	7.50	7.50	Yes
Zuo Ruilan	Shareholder Representative Supervisor	-	-	-	7.50	7.50	Yes
Wang Hong	External Supervisor	-	-	-	12.00	12.00	Yes
Hu Shuchun	External Supervisor	-	-	-	12.00	12.00	No
Pan Like	External Supervisor	-	-	-	12.00	12.00	No
Zheng Yi	Employee Representative Supervisor	-	-	-	-	-	No
Zhu Yuzhou	Employee Representative Supervisor	-	-	-	-	-	No
Le Xiaoming	Employee Representative Supervisor	-	-	-	-	-	No
Wang Min	Vice President	29.62	12.01	3.84	-	45.47	No
Dong Lu	Vice President	29.62	11.98	3.84	-	45.44	No
Shu Jing	Vice President	29.62	12.03	3.84	-	45.49	No
Liu Jiangqiao	Vice President, Secretary to the Board	29.62	12.03	3.84	-	45.49	No
Gao Song	Vice President	29.62	11.49	3.84	-	44.95	No

## Resignation

Name	Position	Paid Remuneration (before tax)	Social Insurance/ Housing Provident Fund/Supplementary Medical Insurance/ Corporate Annuity Unit Payment Part	Other Monetary Income	Par-time fee	Total Salary Before Tax (ten thousands)	Whether to get paid from Associated Company
Duan Xiaohua	Non-executive Director	-	-	-	3.75	3.75	Yes
Sun Leland Li Hsun	Independent Non-executive Director	-	-	-	7.50	7.50	Yes
Yin Mengbo	Independent Non-executive Director	-	-	-	7.50	7.50	Yes
Ni Yuemin	Head of Supervisor	-	-	-	-	-	Yes

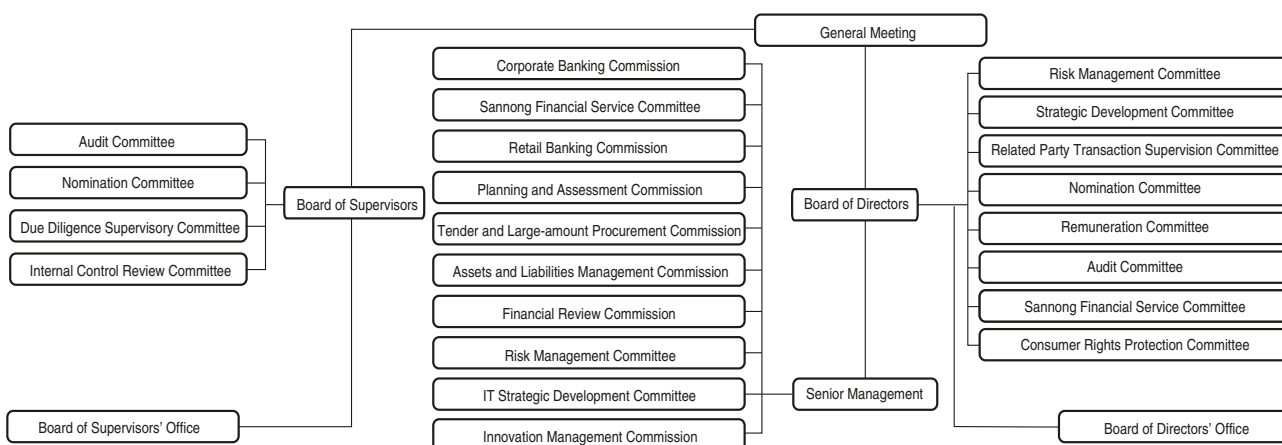
### Notes:

1. According to relevant regulations, from January 1, 2015, the remuneration of the Chairman, President, Head of Supervisor and other responsible persons of the Bank will be implemented in accordance with the opinions on the supervision of the remuneration system reform of the responsible persons of relevant enterprises.
2. Some directors, supervisors and senior management of the Bank are still in the process of confirming their final assessment of remuneration in 2019. The Bank will issue a separate announcement.
3. Paid remuneration refers to paid remuneration to directors, supervisors, and senior management in the current year approved by the regulatory body in accordance with internal and external regulatory requirements, including the basic annual salary and advance performance salary for 2019 that was issued in accordance with external regulatory requirements.
4. The Bank also provides remuneration for directors, supervisors and senior management, including wages, bonuses, social insurance, corporate annual bonus, supplementary medical insurance and the department contribution of housing provident fund, and other monetary income.
5. The employee representative supervisors of the Bank do not receive remuneration as employee representative supervisors.
6. Other monetary income is the business transportation subsidy issued in the form of currency for senior management in accordance with the regulations of the management.

# Corporate Governance Report

## Corporate Governance Structure

Corporate Governance Structure of the Bank is as follows:



## Overview of Corporate Governance

During the Reporting Period, the Bank convened a total of 81 important meetings, at which 239 proposals were considered and approved and 91 reports were heard and reviewed. Among which, there were 1 shareholders' general meeting (16 proposals were considered and approved), 20 meetings of the Board of Directors (109 proposals were considered and approved and 42 reports were heard and reviewed), 5 meetings of the Board of Supervisors (19 proposals were considered and approved and a total of 7 reports were heard), 49 meetings of the specialised committees of the Board of Directors (88 proposals were considered and approved and 42 reports were heard and reviewed), 6 meetings of the specialised committees of the Board of Supervisors (7 proposals were considered and approved). In addition, 2 surveys and researches of projects were organized by the Board of Directors, and 1 surveys and researches of projects was organized by the Board of Supervisors.

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

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

To the best of the directors' of the Bank knowledge, there is no reasonable statistic indicating that the Bank is or was in violation of the code provisions as set out in the CG Code during the year ended 31 December 2019.

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

## General Meetings

### Details of the General Meetings

During the year of 2019, the Bank held one general meeting, being the 2018 annual general meeting of the Bank. Details are as follows:

On 26 April 2019, the Bank held the 2018 annual general meeting. At the 2018 annual general meeting, 16 resolutions mainly regarding 2018 work report of the Board of Directors, the 2018 work report of the Board of Supervisors, the 2018 annual financial final proposal, the 2018 profit distribution plan, the 2019 financial budget, the 2018 annual report and the appointment of the external auditors for 2019 and determination of their remuneration were considered and approved. The annual general meeting was held in compliance with relevant legal procedures. During the Reporting Period, 7 directors of the Bank, namely executive director Mr. Liu Jianzhong and Mr. Xie Wenhui, non-executive directors Mr. Duan Xiaohua and Mr. Luo Yuxing, independent non-executive directors Mr. Yuan Zengting, Mr. Cao Guohua and Mr. Song Qinghua, attended the 2018 annual general meeting in person.

In 2019, the Bank convened 1 general meeting. The attendance of the directors at the meeting are set out below:

Directors	Attendance required	Attendance required	Attendance by proxy	Attendance rate
Liu Jianzhong	1	1	0	100%
Xie Wenhui	1	1	0	100%
Zhang Peizong	1	0	0	0
Zhang Peng	–	–	–	–
Chen Xiaoyan	1	0	0	0
Duan Xiaohua	1	1	0	100%
Luo Yuxing	1	1	0	100%
Wen Honghai	1	0	0	0
Sun Leland Li Hsun	1	0	0	0
Yin Mengbo	1	0	0	0
Yuan Zengting	1	1	0	100%
Cao Guohua	1	1	0	100%
Song Qinghua	1	1	0	100%
Zhang Qiaoyun	1	0	0	0
Lee Ming Hau	–	–	–	–

During the Reporting Period, the appointment of Mr. Zhang Peng as a non-executive director of the Bank was approved by the CBIRC Chongqing Office on 29 August 2019. The appointment of Mr. Lee Ming Hau as an independent non-executive director of the Bank was approved by the CBIRC Chongqing Office on 6 June 2019.

## Board of Directors and Special Committees

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

In 2019, the Board of Directors strictly implemented the resolutions passed at the general meeting of 2018, earnestly implemented the resolutions regarding 2018 annual profit distribution, financial budget for 2019, appointment of accounting firm for 2019 and extension of the term of the resolution of initial public offering and listing of RMB ordinary shares (A Shares) and election of Mr. Qiao Changzhi and Mr. Zhang Peng as the non-executive directors of the Bank.

### Composition of the Board of Directors

As of the end of the Reporting Period, the Board of Directors of the Bank comprised 12 directors, including 3 executive directors, namely, Mr. Liu Jianzhong (chairman of the Board), Mr. Xie Wenhui (president) and Mr. Zhang Peizong (vice president); 4 non-executive directors, namely, Mr. Zhang Peng, Ms. Chen Xiaoyan, Mr. Luo Yuxing and Mr. Wen Honghai; 5 independent non-executive directors, namely, Mr. Yuan Zengting, Mr. Cao Guohua, Mr. Song Qinghua, Mr. Zhang Qiaoyun and Mr. Lee Minghau.

During the Reporting Period, the appointment of Mr. Zhang Peng as a non-executive director of the Bank was approved by the CBIRC Chongqing Office on 29 August 2019. The appointment of Mr. Lee Ming Hau as an independent non-executive director of the Bank was approved by the CBIRC Chongqing Office on 6 June 2019.

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

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

The Board of Directors is also responsible for the performance of the functions of corporate governance. As of 31 December 2019, the Board of Directors performed the functions of corporate governance as set out in code provision D.3.1 in the CG Code.

## Operation of the Board of Directors

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

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

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

Communication and reporting mechanism has been established between the Board of Directors, directors and senior management. The president of the Bank reports his work to the Board of Directors on a regular basis, and under its supervision. Relevant senior management are invited to attend board meetings from time to time to give explanations or reply to enquiries.

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

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

## Board Meetings

According to the Corporate Governance Code (“CG Code”), the Board of Directors should meet regularly and board meetings should be held at least 4 times a year at approximately quarterly intervals. A regular meeting does not include obtaining board consent by way of written resolutions.

During the Reporting Period, the Bank convened a total of 20 board meetings including written resolutions. 151 resolutions were considered and passed at such meetings included those regarding 2018 annual report, 2019 interim report and the 2018 work report of the Board of Directors.

The Board of Directors examined and approved 2018 Report on Social Responsibilities of Chongqing Rural Commercial Bank Co., Ltd., and had no objection on the report content. During the Reporting Period, the Bank bore the economic development responsibility, served the real economy, and made the positive contributions in terms of agricultural loans, green credit and community activities, etc.

## Corporate Governance Report

During the Reporting Period, the Bank convened 20 board meetings, including 9 on-site conferences and 11 meetings by a written resolution. The attendance of the directors at the board meetings (directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present) are set out below:

Directors	Attendance required	Actual attendance	Attendance by proxy	Attendance rate
Liu Jianzhong	20	19	1	100%
Xie Wenhui	20	19	1	100%
Zhang Peizong	20	19	1	100%
Zhang Peng	7	6	1	100%
Duan Xiaohua	9	9	0	100%
Chen Xiaoyan	20	20	0	100%
Luo Yuxing	20	17	3	100%
Wen Honghai	20	17	3	100%
Sun Leland Li Hsun	9	6	3	100%
Yin Mengbo	9	6	3	100%
Yuan Zengting	20	20	0	100%
Cao Guohua	20	20	0	100%
Song Qinghua	20	20	0	100%
Zhang Qiaoyun	20	17	3	100%
Lee Ming Hau	11	11	0	100%

### Notes:

1. The Bank received the qualification approval for appointment as a director of the CBIRC Chongqing Office for Mr. Lee Ming Hau on 6 June 2019. Meanwhile, according to the announcement of the 2018 first Extraordinary General Meeting, Sun Leland Li Hsun and Yin Mengbo ceased to perform their duties as an independent director.
2. The Bank received a letter of resignation from Duan Xiaohua on 12 June 2019. The Bank made an announcement and reported to CBIRC Chongqing Office in written form in accordance with relevant regulations. Duan Xiaohua ceased to serve as a director since the date of receiving the letter of resignation from him by the Bank.



Attendance records of each of the directors at meetings of the Board of Directors and the special committee under the Board of Directors (directors who involved in connected transactions and required to be abstained from the meeting are also deemed as attending directors) in 2019 are set out as follows:

The Names of Directors	Actual attendance/meetings required to attend during the term of office								
	Board of Directors	Strategic Development Committee	Risk Management Committee	Transaction Supervision Committee	Nomination Committee	Remuneration Committee	Audit Committee	Sannong Financial Services Committee	Consumer Rights Protection Committee
Liu Jianzhong	20/20	7/7	/	/	1/1	/	/	2/2	/
Xie Wenhui	20/20	7/7	10/10	/	1/1	/	/	2/2	2/2
Zhang Peizong	20/20	/	10/10	13/13	/	6/6	/	/	/
Zhang Peng	7/7	/	/	/	/	/	/	/	/
Duan Xiaohua	9/9	/	/	/	/	/	/	1/1	1/1
Chen Xiaoyan	20/20	/	9/9	13/13	/	/	/	/	/
Luo Yuxing	20/20	/	9/9	/	/	6/6	/	/	/
Wen Honghai	20/20	/	/	13/13	/	/	/	/	2/2
Sun Leland Li Hsun	9/9	/	/	/	1/1	2/2	/	/	/
Yin Mengbo	9/9	/	/	/	/	/	/	/	/
Yuan Zengting	20/20	7/7	10/10	13/13	/	/	/	2/2	/
Cao Guohua	20/20	/	/	/	1/1	6/6	8/8	2/2	/
Song Qinghua	20/20	/	/	13/13	/	6/6	8/8	/	2/2
Zhang Qiaoyun	20/20	7/7	/	/	1/1	/	8/8	/	2/2
Lee Ming Hau	11/11	/	/	/	/	4/4	5/5	/	/

Notes:

- The fifth meeting of the risk management committee of the fourth session of the Board was an on-the-spot risk symposium. In accordance with relevant regulatory requirements, members of the special committee, Chen Xiaoyan, the director of Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) and Luo Yuxing, the director of Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司) did not attend the meeting due to abstention;
- The director Yin Mengbo were not arranged for any position of the special committee due to the end of the term of office;
- The director Zhang Peng received the qualification approval for appointment of the CBIRC on 29 August 2019. As of the end of 2019, the Board did not appoint the director for any relevant duties as a member of the special committee of the Board.

## Independent Non-executive Directors

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

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

## Directors' Responsibility for the Preparation of Financial Reports

The directors acknowledge their responsibility for preparing the financial statements of the Bank for the year ended 31 December 2019. Directors are responsible for monitoring financial reports of each accounting or fiscal period to make sure such financial reports give a true and fair view of the Bank's financial conditions, operation results and cash flows. The directors adopted and implemented the applicable accounting policies and exercised prudent and reasonable judgment when preparing financial reports for the year ended 31 December 2019.

## Continuous Professional Development Programme for Directors

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

The training for directors shall be carried out on an on-going basis. The Bank encourages directors to participate in continuous professional development for developing and updating their knowledge and skills. During the Reporting Period, 15 directors of the Bank, namely executive directors Mr. Liu Jianzhong, Mr. Xie Wenhui and Mr. Zhang Peizong, non-executive directors Mr. Zhang Peng, Ms. Chen Xiaoyan, Mr. Duan Xiaohua, Mr. Luo Yuxing and Mr. Wen Honghai, independent non-executive directors Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting, Mr. Cao Guohua, Mr. Song Qinghua, Mr. Zhang Qiaoyun and Mr. Lee Ming Hau, all received relevant trainings on the Guidelines for the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), directors' duties, accountability for violations and requirements regarding inside information organized by the Bank. The Bank also from time to time provided information to the directors on the latest development of the Hong Kong Listing Rules and the other applicable regulatory requirements, so as to ensure the directors are equipped with comprehensive information and are in line with the actual needs for their contribution to the Board of Directors and satisfactorily comply with the CG Code, as well as to enhance their sense of the corporate governance practices.

## Special Committees of the Board

As of the end of the Reporting Period, there are eight committees established under the Board of Directors of the Bank, namely the strategic development committee, risk management committee, related party transaction supervision committee, nomination committee, remuneration committee, audit committee, Sannong financial services committee and consumer rights protection committee. Compositions of these committees are set out as follows:

### (I) *Strategic Development Committee*

During the Reporting Period, the strategic development committee comprised 4 directors with Mr. Liu Jianzhong as the chairman, and Mr. Xie Wenhui, Mr. Yuan Zengting and Mr. Zhang Qiaoyun being its committee members.

The main responsibilities of the strategic development committee include:

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

During the Reporting Period, the strategic development committee of the board convened 7 meetings in total at which 14 proposals regarding the 2019 organizational network planning, 2019 operation plans and financial budgets, preliminary plan for the initial public offering of A share, participation in the establishment of Chongqing Xiaomi Consumer Finance Company (重慶小米消費金融公司) were considered. All the then members of the strategic development committee were present at the meetings mentioned above.

## (II) Risk Management Committee

The risk management committee of the Bank currently comprises 5 directors, with Mr. Xie Wenhui as the chairman, and Mr. Zhang Peizong, Ms. Chen Xiaoyan, Mr. Luo Yuxing and Mr. Yuan Zengting being its committee members.

The main responsibilities of the risk management committee include:

1. to review the risk management policy, risk preference and overall structure of risk management of the Bank based on the overall strategy of the Bank, and give advice to the Board of Directors;
2. to guide the construction of risk management and compliance management system;
3. to monitor and evaluate the risk management, risk resistance and consumer rights protection and anti-money laundering of the Bank, and provide advice on improvement;
4. to review the risk management and compliance management reports of the Bank, carry out regular assessment on the risks and compliance of the Bank, and provide advice on improvement of the risk and compliance management of the Bank;
5. to put forward the overall requirements for risk prevention, review the general precaution policy on risky cases and work report on risk prevention of the Bank, carry forward the construction of risky case management system, and ensure that necessary measures are adopted by senior management to effectively supervise, warn and deal with risky cases, make assessment on the effectiveness of risky cases management of the Bank and ensure that effective inspection and supervision are conducted on risky case management by internal audit;
6. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed;
7. to assess and supervise the development of new products, major change to existing products, expansion in new business sectors, establishment of new institutions, entering into material acquisition and investment and other risky matters of the Bank; to review our annual financial innovation plan/review our annual financial innovation project implementation report and submit the same to the Board of Directors for consideration/review; to consider and approve single innovative financial productions and improved financial products that require approval from or filing with external regulatory authorities. The above major change to existing products is considered to be improved financial products that require approval from or filing with external regulatory authorities; and
8. to perform such other duties and powers as authorized by the Board of Directors.

During the Reporting Period, the risk management committee convened 10 meetings in total at which 21 proposals including 2019 innovation plan, 2018 report on the implementation of innovative products, 2018 compliance management evaluation report, 2018 report on anti-money laundering works were considered and reviewed. In response to regulatory requirements, except that the members of the special committee, such as director Chen Xiaoyan (travel and leisure) and Luo Yuxing (Finance), who did not attend the fifth meeting of the fourth board risk management committee due to avoidance, All the members of the risk management committee were present at the meetings mentioned above.

### **(III) Related Party Transaction Supervision Committee**

The related party transaction supervision committee of the Bank currently comprises 5 directors, with Mr. Yuan Zengting (independent non-executive director) as the chairman, Mr. Zhang Peizong, Ms. Chen Xiaoyan, Mr. Wen Honghai and Mr. Song Qinghua being its committee member.

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

1. to review the fundamental system of related transaction management and give advice to the Board of Directors;
2. to identify the related parties of the Bank and report to the Board of Directors and the Board of Supervisors;
3. to conduct preliminary examination on major related party transactions of the Bank and submit the same to the Board of Directors for approval, and to the Board of Supervisors in a timely manner after obtaining the approval from the Board of Directors;
4. to receive filings of general related party transactions;
5. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed;
6. to perform such other duties and powers as authorized by the Board of Directors.

During the Reporting Period, the related party transaction supervision committee convened 13 meetings in total. 21 proposals regarding the major related party transactions of the increment of credits and loans such as lease of 106 properties of Yufu Holding Group (渝富控股集團), the major related party transaction of renewal for the credits of RMB3.5 billion of Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司), major related party transaction involving RMB3.9154 billion of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), major related party transactions in trust investment business of interbank comprehensive credits of RMB7.8 billion and RMB538 million of Sino-Australian International Trust Co., Ltd. (華澳國際信託有限公司) and major related party transaction of renewal for the credits of RMB1.4 billion of Chongqing Casin Group Co., Ltd (重慶財信企業集團有限公司) were reviewed. 30 reports on filing of general related party transactions such as the report on filing of general related party transaction of Rao Junwei (饒峻巍), report on filing of general related party transaction of

Chongqing Casin Environment Resources Co., Ltd. (重慶財信環境資源股份有限公司) and report on filing of general related party transaction of Chongqing Huayu Hotel Management Co., Ltd. (重慶華宇酒店管理有限公司) were reviewed. All the then members of the related party transaction supervision committee were present at the 13 meetings mentioned above.

#### **(IV) Nomination Committee**

The nomination committee currently comprises 5 directors, with Mr. Zhang Qiaoyun (independent non-executive director) as the chairman, and Mr. Liu Jianzhong, Mr. Xie Wenhui, Mr. Cao Guohua and Mr. Lee Ming Hau being its committee members. Majority of the members are independent non-executive directors.

The main responsibilities of the nomination committee include:

1. to assess the structure, size and composition of the Board of Directors and make recommendations on any proposed changes to the Board of Directors to complement the Bank's corporate strategies;
2. to formulate the standard and procedures for the selection of directors and senior management members of the Bank, as well as submit the same to the Board of Directors for consideration;
3. to select suitable candidates with relevant qualifications for directors and senior management members;
4. to review and make recommendations candidates on the candidates for directors and senior management members;
5. to formulate, review and discuss the diversity policy of the Board of Directors, make recommendations to the Board of Directors on the necessary amendments, and supervise the implementation of the diversity policy of the Board of Directors;
6. to assess the independence of independent non-executive directors;
7. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
8. to perform such other duties and powers as authorized by the Board of Directors.

During the Reporting Period, the nomination committee held 1 meeting in total at which 2 proposals regarding the nomination of the candidates for non-executive directors were considered. All the then members of the nomination committee were present in person at the meetings mentioned above.

## Diversity Policy on the Composition of the Board of Directors

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

### 1. Purpose

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

### 2. Prospect

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

### 3. Policy statement

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

### 4. Measurable Objectives

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

(2) The composition of the Board of Directors (including gender, age and service tenure) will be disclosed in the corporate governance report each year.

5. Monitoring and Reporting of the Policy

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

6. Review and Revision of the Policy

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

7. Policy to Take Effect

(1) The policy will take effect from the date of approval by the Board of Directors and the Board of Directors reserves the right of interpretation under the policy.

(2) The summary of the policy and the measurable objectives for implementation of such policy will be disclosed in the corporate governance report each year.

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

Working procedures of the nomination committee:

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

Procedures for electing directors and senior management members:

1. the nomination committee shall, in consideration of the Bank's actual conditions, present the Bank's requirements for new directors and senior management members;
2. the nomination committee shall collect the information about the candidates' occupations, education backgrounds, professional titles, work experiences and their part-time jobs, etc.;
3. the nomination committee shall seek the nominated persons' agreement of the nomination, or they may not be selected as candidates for directors or senior management members;



4. the nomination committee shall call a meeting of the nomination committee to review the qualifications of the preliminary elected candidates for the positions of directors and senior management members according to their credentials, and make recommendation to the Board of Directors;
5. the nomination committee shall carry out other subsequent work according to the Board of Directors' decision and feedback.

Major work of the nomination committee in 2019:

The nomination committee convened 1 meeting. The second meeting of the fourth session of the nomination committee considered and approved the resolution of the nomination of Mr. Qiao Changzhi as a candidate for the non-executive director of Chongqing Rural Commercial Bank Co., Ltd. and the resolution of the nomination of Mr. Zhang Peng as a candidate for the non-executive director of Chongqing Rural Commercial Bank Co., Ltd.

#### **(V) Remuneration Committee**

The remuneration committee currently comprises 5 directors, with Mr. Song Qinghua (independent non-executive director) as the chairman and Mr. Zhang Peizong, Mr. Luo Yuxing, Mr. Cao Guohua and Mr. Lee Ming Hau being its committee members. Majority of the members are independent non-executive directors.

The main responsibilities of the remuneration committee include:

1. to review and consider the Bank's fundamental system and policy of remuneration management and submit the same to the Board of Directors for consideration;
2. to study and review the remuneration policies for the directors and senior management and submit to the Board of Directors for consideration;
3. to prepare, study and review the remuneration plans for directors and senior management, submit the same to the Board of Directors for consideration and supervise their implementation;
4. to review the appraisal of performance of duties of directors and senior management, make recommendation on remuneration allocation of directors and senior management according to the appraisal of performance of duties and remuneration allocation policy and submit the same to the Board of Directors for approval;
5. to perform relevant responsibilities and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
6. to perform such other duties and powers as authorized by the Board of Directors.

During the Reporting Period, the remuneration committee convened 6 meetings in total at which 7 proposals including 2018 report on appraisal of directors and mutual evaluation of independent directors by the Board of Directors, evaluation on the head of the headquarters of the Bank in 2018 were considered and reviewed. All the then members of the remuneration committee were present at the 6 meetings above.

Working procedures of the remuneration committee:

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

- (I) the key financial indicators and progress in reaching the business objectives of the Bank;
- (II) the information about the extent to which the objectives of the work performance appraisal system are reached by the directors and the senior management;
- (III) the information about the directors' and senior management's business innovation ability and operation performance based on such ability; and
- (IV) the basis of calculation in the formulation of the remuneration allocation plans and method in accordance with the performance of the Bank.

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

To consider and examine the information submitted by the office of the Board one by one; to submit to the Board of Directors for consideration the recommendation on the remuneration for the directors and senior management, and the rewarding method in accordance with the result of appraisal of performance of duties and the remuneration allocation policy, after it is passed by voting.

Major work of the remuneration committee in 2019:

The remuneration committee convened 6 meetings in total. Among which, the first meeting of the fourth session of the remuneration committee of the Board of Directors considered and approved the resolution of the incentive income for the term of 2015-2017 for the head of the headquarters of Chongqing Rural Commercial Bank Co., Ltd. and 2016 report on appraisal of directors and mutual evaluation of independent directors of the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd. The second and fifth meeting of the fourth session of the remuneration committee considered and approved the resolution of the establishment of corporate annuity system and the resolution of the review on corporate annuity plan, respectively. The third meeting of the fourth session of the remuneration committee considered and approved the resolution of the adjustment in the payment of large mutual medical insurance for retirees. The fourth meeting of the fourth session of the remuneration committee considered and approved the resolution of the progress in reaching the operational objectives in 2018 of Chongqing Rural Commercial Bank Co., Ltd. The sixth meeting of the fourth session of the remuneration committee considered and approved the resolution of the review on 2018 performance assessment of the head of the headquarters of Chongqing Rural Commercial Bank Co., Ltd.

**(VI) Audit Committee**

The audit committee currently comprises 4 directors, with Mr. Cao Guohua (independent non-executive director) as the chairman, and Mr. Song Qinghua, Mr. Zhang Qiaoyun and Mr. Lee Ming Hau being its committee members and majority of the members are independent non-executive directors, which is in compliance with the requirements under Rule 3.21 of the Hong Kong Listing Rules.

The main responsibilities of the audit committee include:

1. to supervise the internal control of the Bank, and examine and evaluate the compliance of significant operating activities of the Bank;
2. to review the major financial policies of the Bank and their implementation, supervise the financial operation, monitor the truthfulness of financial reports and the effectiveness of implementing the financial report procedure by the management;
3. to supervise and evaluate the internal audit work of the Bank as well as the internal audit system of the Bank and its implementation;
4. to propose to appoint or change the external auditor, adopt appropriate measures to supervise the performance of the external auditor and ensure the independence of the audit work;
5. to review the annual audit report, interim report on financial review and other financial and accounting reports of the Bank and other disclosable financial information prepared by the external auditor, and make a judgment report on the truthfulness, accuracy and completeness of such reports and information and submit such judgment report to the Board of Directors for consideration;
6. to review important regulations and reports such as the internal audit charter, medium and long-term audit plans and annual audit plans, and submit to the Board of Directors for consideration;
7. to coordinate between the internal audit department and the external auditor;
8. to ensure that attention will be drawn to the improprieties of the employees of the Bank that may occur in financial reporting, internal control or other areas, and procure the Bank to carry out fair and independent investigation and take appropriate actions in respect of such matters;
9. to review the financial information of the Bank and its disclosure;

10. to supervise and evaluate the internal control of the Bank;
11. to perform relevant duties and powers stipulated by the securities supervision and administration institutions and relevant laws and regulations of the places where the Bank's shares are listed; and
12. to perform such other duties and powers as authorized by the Board of Directors.

During the Reporting Period, the audit committee held 8 meetings in total, at which 27 proposals including 2019 internal audit work plan, report on 2018 internal audit work, 2018 annual report and results announcement were considered and reviewed. All the then members of the audit committee (except for Mr. Lee Ming Hau) were present at the 8 meetings mentioned above. Mr. Lee Ming Hau attended the 5 meetings mentioned above since he obtained the qualification approval for appointment on 6 June 2019. In addition, the Bank also convened 2 meetings for audit committee and external auditors in accordance with the provisions of CG Code.

#### **(VII) Sannong Financial Services Committee**

The sannong financial services committee currently consists of 4 directors, with Mr. Liu Jianzhong as the chairman, and Mr. Xie Wenhui, Mr. Yuan Zengting and Mr. Cao Guohua being the committee members.

The main responsibilities of sannong financial services committee are:

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

During the Reporting Period, sannong financial service committee convened 2 meetings to consider the 2018 Work Report on Sannong Financial Services of Chongqing Rural Commercial Bank Co., Ltd. and the first half of 2019 Work Report on Sannong Financial Services of Chongqing Rural Commercial Bank Co., Ltd., respectively. All the then members of Sannong Financial Services Committee attended the 2 meetings mentioned above.

### **(VIII) Consumer Rights Protection Committee**

The consumer rights protection committee currently comprises 4 directors, with Mr. Xie Wenhui as the chairman, and Mr. Wen Honghai, Mr. Cao Guohua and Mr. Zhang Qiaoyun being the committee members.

The main responsibilities of Consumer Rights Protection Committee are:

1. To review the management measures for the consumer rights protection of the Bank according to the general plan of the Bank and make recommendations to the Board of Directors;
2. To review the Bank's plan on consumer rights protection, evaluate the Bank's consumer rights protection work and provide comments on enhancing the Bank's consumer rights protection work;
3. To review the audit of consumer rights protection according to the annual audit plan for consumer rights protection;
4. To review the Bank's report on consumer rights protection and the rectification report on consumer rights protection; and
5. Other functions and powers conferred by the Board of Directors.

During the Reporting Period, the consumer rights protection committee convened 2 meetings to review and consider 3 resolutions regarding the Opinion on financial consumer rights protection work for 2019, Appraisal results of consumer rights protection work for 2019 and conclusion of consumer rights protection work for 2019. All the then members of the consumer rights protection committee were present at the 2 meetings mentioned above.

## **Board of Supervisors**

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

As of the end of the Reporting Period, the Board of Supervisors of the Bank comprised 8 supervisors, including 2 shareholder representative supervisors, namely Mr. Zeng Jianwu and Ms. Zuo Ruilan, 3 external supervisors, namely Mr. Hu Shuchun, Mr. Pan Like and Mr. Wang Hong; 3 employee representative supervisors, namely Mr. Zheng Yi, Mr. Zhu Yuzhou and Mr. Le Xiaoming. Mr. Zeng Jianwu and Ms. Zuo Ruilan were nominated by Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門高鑫泓股權投資有限公司) and Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司), respectively.

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

## Chairwoman of the Board of Supervisors

In May 2019, Ms. Ni Yuemin resigned as the employee representative supervisor of the Bank and the chairwoman of the Board of Supervisors due to reassignment by the Company.

## Meetings of the Board of Supervisors

In 2019, the Board of Supervisors held 5 meetings at which 19 proposals mainly including annual conclusion of the Board of Supervisors, report on centralized supervision and inspection, various types of special investigation reports, financial budgets and accounts, profit distribution and report on internal control evaluation were considered and approved and 7 reports were heard.

Attendance records of the supervisors at meetings of the Board of Supervisors during the Reporting Period are set out as follows:

Supervisors	Actual attendance/meetings required to attend during the term of office
Zeng Jianwu	5/5
Zuo Ruilan	5/5
Wang Hong	5/5
Hu Shuchun	5/5
Pan Like	5/5
Zheng Yi	5/5
Zhu Yuzhou	5/5
Le Xiaoming	4/4

## Chairman and President

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

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

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

## Appointment of Directors

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

## Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by directors and supervisors, the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors confirmed that they have complied with the Model Code for the year ended 31 December 2019.

## External Auditors’ and Auditors’ Remuneration

It was considered and approved at the 2018 general meeting of the Bank that the Bank continued the engagement of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Bank for 2019.

The Group’s financial statements for 2019 prepared in accordance with China Accounting Standards have been audited by PricewaterhouseCoopers Zhong Tian LLP, and financial statements prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers.

The Group paid an amount of RMB4.50 million as remuneration (inclusive of tax) (including service fees of RMB800,000 for internal control audit) and other non-audit service fees (inclusive of tax) of RMB2.148 million to PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers for their audit of its financial statements for the year ended 31 December 2019. During the Reporting Period, the Bank paid an amount of RMB1.495 million as remuneration (inclusive of tax) to PricewaterhouseCoopers Zhong Tian LLP for its review of the Banks’s A-share listing fillings. Save for the abovementioned, there were no other significant non-audit services.

## Sponsor and Remuneration

In 2019, the Group paid an amount of RMB74.91 million (excluding value-added tax) to its sponsor, China International Capital Corporation Limited, as remuneration for the public offering of new shares.

## Risk Management and Internal Control

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



## Corporate Governance Report

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

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

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

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

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



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

As of 31 December 2019, the Board of Directors have completed the semi-annual and annual assessment on the effectiveness of the internal control and risk management systems of the Bank (twice per year on a regular basis). The assessment covered all the major control of the Group, including financial control, operation control and compliance control as well as the functions of risk management. The Board of Directors believes that, the overall operation of the Bank's risk management and internal control systems is sufficient and effective in respect of resources, staff qualification and experience, training programme as well as accounting, internal audit and budgeting of financial report. No major issues should be concerned with during the year.

## Company Secretary

Ms. Chu Wai Ha (朱慧霞女士) was appointed as the company secretary of the Bank on 16 November 2018. Ms. Chu is engaged from external service provider and has complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules of receiving relevant professional training for not less than 15 hours during the Reporting Period.

The main contact person in the Bank to liaise with Ms. Chu was Ms. Huang Wei, head of the office of the Board of Directors for the year of 2019.

The Bank convened the thirty-first meeting of the third session of the Board of Directors in October 2016 to appoint Mr. Liu Jiangqiao as the secretary to the Board of the Bank. Mr. Liu Jiangqiao had obtained the qualification certificate of board secretary after receiving the 80th board secretary qualification training organised by the Shanghai Stock Exchange in November 2016.

## Rights of Shareholders

### Request for Convening Extraordinary General Meeting

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

### Proposals in General Meeting

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

Shareholders can refer to the procedure for the nomination of candidates for directors and the prevailing effective Articles of Association published on the websites of Hong Kong Stock Exchange and the Bank for the procedures of nominating directors.

## Shareholders' Enquiries

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

Shanghai branch of China Securities Depository and Clearing Company Limited  
Level 3, China Insurance Building, No. 166 Lujiazui East Road, Pudong New District, Shanghai  
Tel: 4008058058 (customer service center)

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

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong  
Telephone: (852) 2862 2863  
Facsimile: (852) 2865 0990/(852) 2529 6087

## Information Disclosure

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

## Investor Relations

### Amendments to the Articles of Association

The resolutions on amendments to the Articles of Association, among others, were considered and approved at the 2018 first extraordinary general meeting of the Bank which was held on 21 September 2018. The Approval of Change of Registered Capital and Amendments to the Articles of Association by Chongqing Rural Commercial Bank (Yu Yin Bao Jian Fu [2019] No. 11) (《關於重慶農村商業銀行變更註冊資本和修改公司章程的批覆》(渝銀保監覆[2019]11號)) was approved and issued subsequently by the CBIRC Chongqing Office on 7 January 2019, approving the amended Articles of Association passed at the 2018 first extraordinary general meeting of the Bank and further amended by the Board of Directors within the scope of authorization. The amended Articles of Association has become effective since the date of the approval from the CBIRC Chongqing Office. The amendments to the Articles of Association of the Company mainly include: (I) In accordance with the relevant requirements of the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》), the Bank amended the obligations of ordinary shareholders of and the regulations that such shareholders shall comply with as required by the regulatory requirements, and emphasized the obligations of substantial shareholders, so as to prevent the shareholders from carrying out improper related transactions and further standardize the relevant provisions of holding shares and transferring shares by the shareholders. (II) In accordance with the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), the Hong Kong Listing Rules and the the Implementation Measures for Administrative Licensing Issues of Rural Small and Medium-sized Financial Institutions by the CBRC (《中國銀監會農村中小金融機構行政許可事項實施辦法》), the Bank amended the relevant requirements concerning the

time of performance of duties of directors, the prohibition of being independent directors as well as the qualification requirements of directors, supervisors, president and other senior management. (III) In accordance with the Notice on Circulating Green Loan Guidelines (《關於印發綠色信貸指引的通知》), the Notice on Circulating Management Guidelines of Practitioners of Banking Financial Institutions (《關於印發銀行業金融機構從業人員行為管理指引的通知》) and the Notice on Circulating Data Governance Guidelines of Banking Financial Institutions (《關於印發銀行業金融機構數據治理指引的通知》), the Bank added corresponding powers of the Board of directors and the president into powers of the Board of directors and the president. (IV) In accordance with the Guiding Opinions on Comprehensively Advancing the Rule of Law of the Municipal State-owned Enterprises in Cities (《關於全面推進市屬國有企業法治建設的指導意見》) by Chongqing State-Owned Assets Supervision and Administration Commission, firstly, the section headed “General Counsel” was added to clearly set up the position of general counsel and determine the duties of general counsel; secondly, the idea of “running enterprises according to law” was incorporated into the Articles of Association, improving the level of making decisions by the Board of directors according to law and promoting the construction of the rule of law in the Bank. (V) In accordance with Supervision and Management Measures for Unlisted Public Companies (《非上市公眾公司監督管理辦法》) and other relevant requirements, firstly, the Bank added requirements concerning the transfer of domestic shares; secondly, the Bank added specific provisions to prevent shareholders and their related parties from occupying or transferring corporate funds, assets and other resources; thirdly, the Bank added relevant requirements on information disclosure and reporting to regulatory bodies. (VI) In accordance with the Constitution of the Communist Party of China (《中國共產黨黨章》) revised in 2017, the Bank amended the description of the Party Committee to conform to the Constitution. (VII) Combining with the actual situation, the Bank added relevant provisions and responsibilities of the Sannong Financial Service Committee and Consumer Rights Protection Committee.

The Bank considered and approved, among others, the resolution of the amendments to the Articles of Association at the twenty-fifth meeting of the fourth session of the Board of Directors held on 6 December 2019. The amendments to the Articles of Association of the Company mainly include: (I) In accordance with the Official Reply of the State Council regarding Adjusting the Application of Provisions to Matters Including the Notice Period for Convention of Shareholders’ Meetings by Overseas Listed Companies (Guo Han [2019] No.97) (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) issued by the State Council, the Bank amended the time of dispatching written notice of general meetings: 20 days in advance of the annual general meeting, 10 business days or 15 days in advance (whichever earlier) of the extraordinary general meeting; the shareholders of H shares and shareholders attending the general meeting through the Internet do not need to submit the reply slip; if the voting shares held by the intending shareholders are less than 1/2 of its total number of voting shares of the Bank, the Bank does not need to meet the relevant requirements to reissue a notice and publish on the newspapers. (II) In accordance with articles 23-25 of the Guidance for the Articles of Association of Listed Companies (《上市公司章程指引》) issued by CSRC, the Bank amended relevant provisions of repurchase of shares in issue of the Bank. (III) In accordance with the article 107 of the Guidance for the Articles of Association of Listed Companies issued by CSRC, the Bank is intended to add a relevant provision, “the independent directors are the majority and act as conveners of the audit committee, nomination committee and remuneration committee, and the convener of the audit committee are accounting professionals. The Board is responsible for the formulation of the working rules and procedures of each special committee to regulate the operation of the special committees.”, in the article 201 of the original Articles of Association. (IV) In accordance with the relevant provisions of the Guidelines on the Articles of Association of Chongqing Municipal State-owned Enterprises (《重慶市市屬國有企業章程指引》), the Bank added relevant provisions regarding the right to propose held by

the Party Committee and the municipal SASAC which can be exercised at the interim board meetings, the management of the working funds for the Party organisation, the leadership system of “Dual Entry and Cross Appointment” implemented by the Bank; and amended relevant contents about the Party Committee’s participation in decision-making process. (V) According to regulatory requirements and the actual situation of the Bank, the Bank deleted the requirement in the Articles of Association that the chief supervisors of the Bank “shall start to perform its duties after being approved by banking regulatory authorities in China.”. (VI) According to the Guidance on Independent Directors and External Supervisors of Joint-Stock Commercial Banks (《股份制商業銀行獨立董事和外部監事制度指引》) and the Hong Kong Listing Rules, the Bank amended the scope of independent directors’ independent opinions to the Board or general meetings on major matters of the Bank and the qualifications for appointment as an independent director. The revised draft of the Articles of Association would become effect after being reviewed and approved at 2019 annual general meeting and submitted to CBIRC for approval.

### Investor Relations Contact Information

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

Office of the Board of Directors of the Bank  
No. 36 Jinshamen Road, Jiangbei District, Chongqing, China  
Telephone: (8623) 6111 1637, (8623) 6111 1524  
Facsimile: (8623) 6111 0844  
Email: ir@cqrcb.com

Principal Place of Business in Hong Kong of the Bank:

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

This annual report is available on the websites of the Bank ([www.cqrcb.com](http://www.cqrcb.com)), Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and Shanghai Stock Exchange (<http://www.sse.com.cn>).

### Other Information

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



# Report of The Board of Directors

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

## Principal Activities

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

## Profit and Dividends

The income of the Group for the year ended 31 December 2019 and the Group's financial position as at that date are set out in the section entitled "Financial Statements" of this annual report.

According to the Articles of Association of Chongqing Rural Commercial Bank Co., Ltd., the Bank may distribute dividend in the form of cash, share, or a combination of cash and share. The dividend distribution policy of the Bank shall be focused on generating reasonable return for investors. The dividend distribution policy shall maintain its continuity and stability and, meanwhile, give consideration to the long-term interests of the Bank, the interests of the shareholders as a whole and the sustainable development of the Bank. Cash shall be the main form of dividend distributed by the Bank. If required under the regulatory requirements of the securities regulatory authorities at the places where the shares of the Bank are listed, the Bank shall provide online voting platform when the profit distribution plan is considered and deliberated. The Bank may distribute interim dividend if the situation permits. Except under special circumstances, the Bank shall distribute dividend to shareholders of ordinary shares in the form of cash every year with an aggregate amount not less than 10% of the net value attributed to shareholders of the Bank.

Pursuant to the resolution passed at the annual general meeting of 2018 on 26 April 2019, the Bank had distributed cash dividends in an aggregate amount of RMB2,000 million (tax inclusive) for 2018 to all the shareholders at a par value of RMB0.20 per share (tax inclusive). Such dividends were distributed to holders of domestic shares and holders of H shares whose names appeared on the register of members on 8 May 2019. The above dividends were denominated in RMB. Dividends payable to holders of A shares were paid in RMB, whereas dividends payable to holders of H shares were paid in HKD. The exchange rate for dividends payable in HKD adopted was the average of the central parity rates of RMB to HKD of the five business days preceding the date of declaration of such dividends at the 2018 annual general meeting of the Bank (26 April 2019, including the date thereof) as announced by the Central Bank. The above-mentioned dividends were distributed on 11 June 2019.

On the basis of the audited after tax profit of the Bank for 2019 in the amount of RMB9,366 million, 10% of such profit (being RMB937 million) be appropriated for statutory reserve and on the basis of a margin of 1.5% of the remaining amount of risk assets, RMB1.293 billion be provided for the general risk reserve. The Board of Directors recommended a distribution of cash dividends in an aggregate amount of RMB2.612 billion (tax inclusive) for 2019 to all the Shareholders at a par value of RMB0.23 per share (tax inclusive). The Bank is in the stage of strategic transformation and development, the reserved undistributed profits will be used to replenish capital, support the implementation of the development strategies of the Bank, optimise and adjust business structure, improve its own profitability and enhance resistance to risks. The dividend distribution plan will be submitted to the annual general meeting of 2019 for consideration and approval. If such proposal obtains approval from the annual general meeting of 2019, the A share dividend is expected to be paid on 19 June 2020, and H share

## Report of The Board of Directors

dividend is expected to be paid on 13 July 2020. Such proposed dividends will be denominated in RMB. Dividends payable to holders of A shares shall be paid in RMB, whereas dividends payable to holders of H shares shall be paid in HKD. The applicable exchange rate for dividends payable in HKD shall be the average of the central parity rates of RMB to HKD of the five business days preceding the date of declaration (including first date) of such dividends at the 2019 annual general meeting of the Bank as announced by the Central Bank.

The amounts of cash dividends in the past four years are as follows:

RMB: in million	2019	2018	2017	2016
Cash dividends	2,612	2,000	2,000	1,860
As a percentage of profit for the year	<u>26.15%</u>	<u>21.82%</u>	<u>22.20%</u>	<u>23.25%</u>
As a percentage of net profit attributable to ordinary shareholders	<u>26.76%</u>	<u>22.08%</u>	<u>22.38%</u>	<u>23.41%</u>

Note: Implementation of the 2019 Profit Distribution Plan is subject to the consideration and approval at the 2019 annual general meeting.

## Annual General Meeting and Closure of Register of Members

The annual general meeting of the Bank for the year 2019 will be held on Wednesday, 20 May 2020. In order to determine the holders of shares who are eligible to attend and vote at the annual general meeting, the register of transfers of H shares of the Bank will be closed from Monday, 20 April 2020 to Wednesday, 20 May 2020, both days inclusive, during which period no transfer of shares will be registered. For holders of H shares of the Bank who wish to attend and vote at the annual general meeting for 2019, all transfer documents and the relevant share certificates must be lodged with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 17 April 2020.

## Reserves

Please refer to the "Consolidated Statement of Changes in Equity" for details of the movements in the reserves available for distribution to shareholders of the Group for the year ended 31 December 2019.

## Summary of Financial Information

Please refer to the “Financial Summary” of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2019.

## Donations

During the year ended 31 December 2019, the Group made charitable and other donations amounting to approximately RMB4.00 million.

## Property and Equipment

Please refer to “Notes to the Consolidated Financial Statements: 24. Property and Equipment” of this annual report for details of movements in the property and equipment of the Group during the year ended 31 December 2019.

## Retirement Benefits

Please refer to “Notes to the Consolidated Financial Statements: 33. Employee Benefits Payable” of this annual report for details of the retirement benefits provided to employees of the Group.

## Ultimate Parent Company and Subsidiaries

Please refer to “Major Shareholders of the Bank” in the section entitled “Changes in Shares and Particulars of Shareholders” and “Notes to the Consolidated Financial Statements” of this annual report for details of the Bank’s ultimate parent company and subsidiaries as of 31 December 2019.

## Purchase, Sale and Redemption of Shares of the Bank

Neither the Bank nor its subsidiaries had purchased, sold or redeemed any shares of the Bank during the Reporting Period.

## Pre-emptive Rights

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

## Major Customers

During the Reporting Period, 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.



## Report of The Board of Directors

## Equity-linked Agreement

For the year ended 31 December 2019, the Banks has not entered into any equity-linked agreement.

## Share Capital

Please refer to “Notes to the Consolidated Financial Statements: 37. Share Capital” of this annual report for details of the movement in share capital of the Bank during the Reporting Period.

## Top Ten Shareholders and Their Shareholdings

The top ten shareholders of the Bank and their respective shareholdings at the end of 2019 are stated in “Changes in Shares and Particulars of Shareholders” of this annual report.

## Directors, Supervisors and Senior Management

The directors of the Bank during the year and as of the date of this annual report are:

As of the date of this annual report, the Board of Directors comprised 12 directors in total, including three executive directors, namely Mr. Liu Jianzhong (chairman), Mr. Xie Wenhui (president) and Mr. Zhang Peizong (vice president); four non-executive directors, namely Mr. Zhang Peng, Ms. Chen Xiaoyan, Mr. Luo Yuxing and Mr. Wen Honghai; five independent non-executive directors, namely Mr. Yuan Zengting, Mr. Cao Guohua, Mr. Song Qinghua, Mr. Zhang Qiaoyun and Mr. Lee Ming Hau.

During the reporting period, Mr. Lee Ming Hau was newly appointed as the independent non-executive director of the Bank on 6 June 2019 and Mr. Zhang Peng was newly appointed as the non-executive director of the Bank on 29 August 2019.

Mr. Sun Leland Li Hsun and Mr. Yin Mengbo ceased to be independent non-executive directors of the Bank when Mr. Lee Ming Hau, the new independent non-executive director, officially hold office on 6 June 2019. Mr. Duan Xiaohua resigned as the non-executive director of the Bank on 12 June 2019.

The supervisors of the Bank during the year and as of the date of this annual report are:

As of the date of this annual report, the Board of Supervisors comprised eight supervisors in total, including two shareholder representative supervisors, namely Mr. Zeng Jianwu and Ms. Zuo Ruilan; three external supervisors, namely Mr. Wang Hong, Mr. Hu Shuchun and Mr. Pan Like; three employee representative supervisors, namely Mr. Zheng Yi, Mr. Zhu Yuzhou and Mr. Le Xiaoming.

In May 2019, Ms. Ni Yuemin resigned as the employee representative supervisor of the Bank and the chairwoman of the Board of Supervisors due to reassignment by the Company. Mr. Le Xiaoming was newly appointed as the employee representative supervisor of the Bank in June 2019.

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



## Confirmation of Independence by the Independent Nonexecutive Directors

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

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

As of 31 December 2019, the interests of the directors, supervisors and the chief executive of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

### A shares

<i>Unit: share. %</i>					
Name	Position	Capacity	Number of A shares held	% of the total share capital of issued A shares of the Bank	% of the total share capital of the Bank
<b>Directors</b>					
Chen Xiaoyan	Non-executive director	Beneficial Owner	1,500.00	0.00002	0.00001
Luo Yuxing	Non-executive director	Beneficial Owner	10,000.00	0.00011	0.00009
Wen Honghai	Non-executive director	Beneficial Owner	10,000.00	0.00011	0.00009
<b>Supervisors</b>					
Zuo Ruilan	Shareholder representative supervisor	Beneficial Owner	11,900.00	0.00013	0.00010
Zhu Yuzhou	Employee representative supervisor	Beneficial Owner	37,600.00	0.00043	0.00033
<b>Senior Management</b>					
Shu Jing	Vice president of the Bank	Beneficial Owner	300	0.00000	0.00000
Gao Song	Vice president of the Bank	Beneficial Owner	100	0.00000	0.00000

The above disclosure is that as of December 31, 2019, the directors and senior management of the Bank increased their holdings of the Bank's shares in accordance with the Bank's A-share stable share price implementation plan. For the progress of this plan, please see the "Chongqing Rural Commercial Bank Co., Ltd. on the progress of the implementation of the stock price stabilization plan". Other than as disclosed above, none of the directors, supervisors or the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as of 31 December 2019.

## **Directors', Supervisors' and Senior Management's Financial, Business and Family Relationships**

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

## **Arrangements to Purchase Shares or Debentures**

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

## **Directors' and Supervisors' Interests in Material Transactions, Arrangements and Contracts**

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

## **Directors' and Supervisors' Service Contracts**

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

## **Management Contracts**

For the year ended 31 December 2019, there was no management and administrative contract in respect of all or any of the principal activities of the Bank being entered into by or existed in the Bank.

## **Permitted Indemnity Provision**

There is no permitted indemnity provision was or is in effect which benefit for the directors of the Bank (whether entered into by the Bank or otherwise) or any director of the associates of the Bank (if it is entered into by the Bank) at any time during the financial year and up to the date of the report of the Board of Directors of the Bank.

## Directors' and Supervisors' Interests in Competing Businesses

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

## Substantial Shareholders

To the knowledge of the Bank, as of 31 December 2019, the interests and short positions of substantial shareholders (within the meaning of the Securities and Futures Ordinance), other than directors and supervisors, in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance were set out in the section entitled "Changes in Shares and Particulars of Shareholders" of this annual report.

## Corporate Governance

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

## Connected Transactions

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

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the International Accounting Standards Board. The related party transactions set out in Notes to the Consolidated Financial Statements: 45. Related Party Transactions did not constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules.

## Remuneration Policy for the Directors, Supervisors and Senior Management

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

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

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

For the remuneration of directors, supervisors and senior management of the Bank as of 31 December 2019, please refer to "Notes to the Financial Statements: 11. Remuneration of directors, supervisors and senior management" of this report.

### Sufficiency of Public Float

As of 31 December 2019, the total share capital of ordinary shares of the Bank was 11,357,000,000 shares (including 8,843,663,959 A shares and 2,513,336,041 H shares). Based on information that is publicly available to the Bank and to the knowledge of the directors, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange as at the date of this annual report.

## TAX

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation, and shall seek professional advice from their tax and legal advisors on specific payment matters. The following cited laws, regulations and stipulations are all relevant provisions issued as of 31 December 2019.

### A Share Holders

In accordance with the provisions of the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the Notice on Issues concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) issued jointly by MOF, State Administration of Taxation and CSRC, for shares of listed companies obtained by individuals from public offerings and the transfer market, where the holding period is less than 1 month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than 1 month and less than 1 year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds 1 year, the dividends and bonuses shall be exempted from individual income tax on a provisional basis. Individual income taxes on the aforesaid incomes shall be levied at the uniform rate of 20%. Individual income taxes levied on dividends and bonuses obtained by equity investment funds from listed companies are also calculated in accordance with the aforementioned rules.

In accordance with the provisions of Article 26(2) of the Enterprise Income Tax Law (《企業所得稅法》), dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises are tax-exempt income.

In accordance with Article 83 of the Regulation on the Implementation of the Enterprise Income Tax Law (《企業所得稅法實施條例》), dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26(2) of the Enterprise Income Tax Law mean those investment proceeds obtained from direct investment of resident enterprises into other resident enterprises. Dividends, bonuses and other equity investment proceeds referred to in Article 26(2) of the Enterprise Income Tax Law exclude those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

In accordance with the Enterprise Income Tax Law and the Regulation on the Implementation of the Enterprise Income Tax Law, dividend income obtained by non-resident enterprises shall be levied at a reduced enterprise income tax rate of 10%.

## H Share Holders

### *Non-resident Enterprise Shareholders*

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and related implementation rules, relevant requirements of the "Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises" (Guo Shui Han [2008] No. 897), the "Notice of State Administration of Taxation on the List of Agreed Dividend Tax Rates" (Guo Shui Han [2008] No. 112) and relevant regulations, the Bank withholds the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose name appear on the register of members in respect of H shares of the Bank on 8 May 2019.

### *Non-resident Individual Shareholders*

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

1. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a tax rate lower than 10%, the Bank temporarily withholds individual income tax at the rate of 10%. If the relevant non-resident individual H Share Holders wish to reclaim the extra amount withheld, the Bank can, on behalf of the relevant shareholders, apply for the relevant agreed treatment provided that the relevant shareholders shall submit relevant information of preferential tax treatment within the time limit. The extra amount withheld will be refunded after the approval by the competent tax authorities.
2. As for non-resident individual holders of H shares in countries and regions which have entered into an agreement with China in respect of a 10% tax rate, the Bank withholds individual income tax at the rate of 10%.
3. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a tax rate between 10% and 20%, the Bank withholds individual income tax at the actual rate agreed thereunder.
4. As for non-resident individual holders of H shares in countries which have no tax agreement with China or are under any other circumstances, the Bank withholds individual income tax at the tax rate of 20%.

## Investors of Southbound Trading

### *Individual shareholders in the Mainland of Southbound Trading*

- Shanghai-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81), for the distribution of final dividends to mainland individual shareholders who invest in the H shares of the Bank through Shanghai-Hong Kong Stock Connect (these H shares are registered in the name of Hong Kong Securities Clearing Co., Ltd. (agent) and is held by China Securities Depository and Clearing Co., Ltd. as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%. For the distribution of final dividends to shareholders of mainland securities investment funds investing in the H shares of the Bank through Shanghai-Hong Kong Stock Connect (these H shares are registered in the name of Hong Kong Securities Clearing Company Limited and is held by China Securities Depository and Clearing Co., Ltd. as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%.
- Shenzhen-Hong Kong Stock Connect: Pursuant to the Circular on Taxation Policies concerning the Pilot Program of the Shenzhen-Hong Kong Stock Exchange Trading Interconnection Mechanism (Cai Shui [2016] No. 127), for the distribution of final dividends to mainland individual shareholders who invest in the H shares of the Bank through Shenzhen-Hong Kong Stock Connect (these H shares are registered in the name of Hong Kong Securities Clearing Co., Ltd. (agent) and is held by China Securities Depository and Clearing Co., Ltd. as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%. For the distribution of final dividends to shareholders of mainland securities investment funds investing in the H shares of the Bank through Shenzhen-Hong Kong Stock Connect (these H shares are registered in the name of Hong Kong Securities Clearing Company Limited and is held by China Securities Depository and Clearing Co., Ltd. as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%.



## Report of The Board of Directors

### *Shareholders of mainland enterprises of Southbound Trading*

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

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

## Accountancy firms

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have been the Bank's domestic and overseas auditors respectively for 2019.

The Bank's financial report for the year 2019 prepared in accordance with Chinese Accounting Standards had been audited by PricewaterhouseCoopers Zhong Tian LLP, and the Bank's financial report for the year 2019 prepared in accordance with International Financial Reporting Standards had been audited by PricewaterhouseCoopers, who had issued an unqualified audit report.

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



## Business Review

In 2019, the Bank has made a new and great progress in operation and management. The total assets of the Group amounted to RMB1030.2 billion. The balance of deposits was RMB673.402 billion, representing an increase of RMB57.236 billion. The balance of loans stood at RMB437.085 billion, representing a growth of RMB55.949 billion as compared to the beginning of the year. Net profit amounted to RMB9.988 billion, representing an increase of 8.99% year-on-year. The income structure is constantly stable. Net fee and commission income was RMB2.322 billion.

In 2019, the Bank continued to improve its comprehensive risk management system, continuously promoted the implementation of the New Basel Accord and strengthened the application of management tools and means to prevent financial risks. The Bank strengthened the whole process management before, during and after lending, and established a credit risk control mechanism covering the full caliber of in- and out-of-balance sheet business. By formulating prudent and prudent liquidity risk preferences, the Bank continuously enhanced liquidity asset reserves, optimized the term structure of assets and liabilities, and promoted the balance between liquidity risk management and capital management, business development and macro-control. According to different business types, corresponding quota management indicators should be matched to integrate and improve the market risk quota management system. The Bank regularly monitored operational risk status. Through the formulation of information technology risk management strategy and information security strategy, the Bank standardized information technology risk response. The Bank established and improved the reputation risk management mechanism, took the initiative to effectively prevent reputation risk and respond to public opinion events, in order to achieve the overall goal of reputation risk management.

In 2020, the Bank will firmly grasp the regulatory situation and new regulatory requirements, continue to implement the “Three-Transformation” strategy earnestly, insist on the philosophy of “Strong Management, Risk Control and Steady Development”, make every effort to implement the strategy of establishing banks with retail, prospering banks with technology, and strengthening banks with talents, strengthen the innovation of economic technology, speed up the promotion of conversion and upgrade; communicate significant strategic landing, increase the dynamic of interactive marketing; explore the micro retail market, deliver and perform quality products and services; raise the level of fine management, organise and promote the efficiency enhancement of cost reduction; insist on stable asset quality, prevent various risks effectively.

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



## Report of The Board of Directors

### Policy Risk

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

### Credit Risk

The Bank reinforced the credit risk management by formulating guidance for credit allocation for the year, specified the direction of industrial structure adjustment and key points for management and governance, strengthen the risk control of key areas such as local debts (the governmental financing platforms), the real estate sector and Two Highs and One Surplus Industry, leading to continuous optimisation of credit structure. In addition, the Bank enhanced management on matured loans, and adopted list-based management in respect of customers with high risk and continuously monitored the risk profile. The Bank continuously improved the functions and application scope of credit business management system, and effectively improved the level of credit risk management.

### Liquidity Risk

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

### Operational Risk

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

## Financial Risk

Please refer to “Management Discussion and Analysis” of this annual report for details of financial risk.

## Compliance with Laws and Regulations

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

## Employment Relations

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

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

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

## Relations with Clients and Suppliers

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

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

## Environmental Protection Policy and Implementation of the Bank

The Bank kept focusing on environmental protection, strictly complied with the important laws and regulations such as Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and Water Law of the People's Republic of China (《中華人民共和國水法》), increased investment in environmental protection every year, initiated and provided green credit financial services, including offering loans to enterprises engaged in environmental protection industries, new energy industries and new-material industries, and strictly controlled and gradually reduced the credit scale of high-pollution, high-energy-consumption and overcapacity industries.

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

For details of the Bank's compliance of laws and regulations that have a significant impact on environmental policies, please refer to the 2019 Corporate Social Responsibility Report of the Bank.

## Details of Major Events Subsequent to the End of Financial Year under Review with Significant Influence on the Company

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. Save for the above, no major event or case having significant influence to the Bank has occurred after completion of annual financial review.

On behalf of the Board

**Liu Jianzhong**  
*Chairman*  
26 March 2020



## Report of the Board of Supervisors

The Board of Supervisors of the Bank conscientiously fulfilled the responsibility assigned by the Articles of Association. The Board of Supervisors was in line with the principles that were conducive to the sustainable and steady development of the Bank's business, the reform and innovation of the Bank, and the protection of shareholders' rights and interests, so as to carry out work with emphasis on performance supervision, financial supervision, internal control and risk supervision, continuously improve the working methods and enhance the effectiveness of supervision, promoting the steady operation and healthy development of the Bank and effectively playing a role of supervision and balance in corporate governance.

### Major Work

#### Supervision on Meetings

In 2019, the Board of Supervisors convened 5 meetings in total, at which 19 resolutions including the financial budget, profit distribution, and internal control evaluation report were considered and approved. The Board of Supervisors played its role as a special committee and convened 6 related meetings, at which 7 resolutions were considered. To ensure that the meetings were effective before each meeting the issues were submitted to the reviewers as required, opinions were fully discussed at the meetings and implementation of resolutions formed after the meetings. The Board of Supervisors attended 1 general meeting and 9 on-site conferences of the Board of Directors to supervise the meeting process and give supervisory opinions on related issues.

#### Daily Supervision

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

In terms of financial supervision, the Board of Supervisors focused on supervising the Bank's important financial decisions, revenue and expenditure and risk control, and strengthened the supervision of financial compliance and authenticity, and the effectiveness of financial resources allocation. The Board of Supervisors reviewed the monthly operating indicators on a regular basis, focusing on the operating efficiency, the main financial revenue and expenditure, the development of deposit and loan business, and the trend of changes in asset quality. The board of supervisors paid attention to the communication with the external auditors, regularly reviewed reports on audits, and continuously tracked the impact of the implementation of the new accounting standards on the operation and financial revenue and expenditure of the Bank and the trend of the change of the net interest margin of the Bank. The Board of Supervisors carried out post-evaluation work on the remuneration system, focusing on whether the Bank's performance appraisal system effectively promoted the steady development of the Bank's business, the transformation of its asset structure and the continuous improvement of the level of internal control risk management and control.

In terms of internal control and risk supervision, the Board of Supervisors continued to strengthen the effectiveness of internal control and supervision over the compliance with laws and regulations. The Board of Supervisors focused on the organizational structure of internal control, system construction and implementation, quality of internal control inspection, problem rectification and accountability, etc., review the Bank's internal control evaluation report, intensified the use of internal auditing results, seriously reviewed various internal audit reports, and continued tracking the implementation of the rectification of supervision and revelation of issues, so as to promote the improvement of such rectification. The Board of Supervisors extended the chain of supervision, strengthened the supervision of holding grassroots operation institutions, carried out research in Jiangbei Branch, followed up the rectification results of specific inspection of internal control management conducted on controlled village and township banks.

### **Concentrated Supervision**

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



## Report of the Board of Supervisors

### Special Inspection

The Board of Supervisors actively carried out special inspection work in accordance with the Bank's operating practices and fully performed its supervisory responsibilities. Through the ways such as off-site inspections, on-site inspections, it organised the inspection on the governance structure of capital management and the performance of relevant departments, relevant policies and implementation of internal capital adequacy assessment procedures, capital adequacy ratio management, capital management information systems and data management, and took inspection as an opportunity to promote the Bank continuously improving the level of comprehensive capital management and to further promote the improvement of the Bank's risk prevention and control system.

### Self-establishment of the Board of Supervisors

The Board of Supervisors enhanced its system construction by establishing a comprehensive method for the duty performance evaluation on Board of Directors, senior management and its members and revising its method for the duty performance evaluation on supervisors to refine the duty performance evaluation on the supervisors. The Board of Supervisors strengthened its supervision over general duties by regularly collecting and organizing major operational data of the Bank and conducting analysis over the key financial indicators as reference for the Board of Supervisors in making comments. The Board of Supervisors refined its supervision mechanism for rectifications by establishing rectification ledger from the perspective of the Board of Supervisors to conduct targeted interviews and track the progress of rectification regularly. It will conduct comprehensive evaluation on the rectification progress for the whole year to promote the effective use of supervision results.

## Independent Opinions on Relevant Matters of the Bank

### Operations in Compliance with Laws and Regulations

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

### Financial Reporting

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have audited the financial report for the year 2019 of the Company prepared in accordance with the PRC Generally Accepted Accounting Principles and the International Financial Reporting Standards respectively, and has issued unqualified audit report respectively. The financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.



## Acquisition and Disposal of Assets

During the Reporting Period, the Board of Supervisors was not aware of any insider transactions or any acts in acquisition or disposal of assets that were detrimental to the interests of the shareholders or leading to a loss on the Bank's assets.

## Related Party Transactions

During the Reporting Period, the Bank's related party transactions had been conducted in accordance with relevant regulations and systems and the Board of Supervisors was not aware of any actions in the transactions that were detrimental to the interests of the Bank.

## Internal Control

The Board of Supervisors has reviewed the 2019 Annual Internal Control Evaluation Report of Chongqing Rural Commercial Bank Co., Ltd. and was not aware of any significant defect in the Bank's internal control system and its implementation.

## Social Responsibility

During the Reporting Period, the Bank vigorously undertook social responsibilities. The Board of Supervisors has no disagreement with the 2019 Report on Social Responsibilities of Corporate (2019 年度企業社會責任報告) of the Bank.

On behalf of the Board of Supervisors



26 March 2020



## Major Events

### Material Related Party Transactions

As of the end of the Reporting Period, the loan balance of material related party transactions with related parties amounted to RMB14.224 billion (excluding accrued interest), accounting for 3.27% of the total loan of the Bank (excluding accrued interest). Loans under the material related party transactions between the Bank and related parties have no negative impact on operating results and the financial position of the Bank.

### Material Legal Proceedings and Arbitrations

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

As of the end of the Reporting Period, pending legal proceedings in which the Bank was a defendant or a third party involved an amount of RMB27.640 million. In the view of the Bank, these will not have any material effect on the Bank's operating activities.

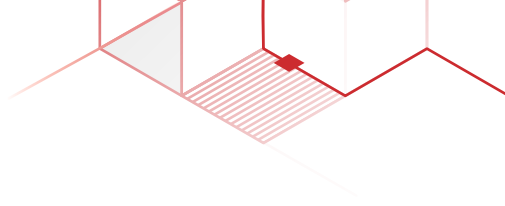
### Penalties Imposed on the Bank and Directors, Supervisors and Senior Management of the Bank

In May 2019, the Shanghai Securities Regulatory Bureau issued the "Decision on Measures to Issue a Warning Letter to Duan Xiaohua" to Duan Xiaohua, the Bank's outgoing non-executive Director (Shanghai Securities Regulatory Commission [2019] No. 54). Pursuant to the decision of the administrative supervision measure, as a director of Fenghua Co., Ltd. (600615.SH), Duan Xiaohua timely acted as the assistant president and chief financial officer of the controlling shareholder of Fenghua Co., Ltd., failed to perform his duties diligently during the performance of his duties, and did not report to the board of Fenghua Co. as well as cooperate with listed companies in fulfilling his information disclosure obligations, the Shanghai Securities Regulatory Bureau has decided to adopt an administrative supervision measure to issue a warning letter to Duan Xiaohua.

### Performances of Undertakings

In accordance with relevant laws and regulations, the Bank's undertakings contained in the Prospectus for Initial Public Offering disclosed on 28 October 2019. The undertakings listed in the Announcement on the Listing of the Shares under Initial Public Offering disclosed on October 2019 were faithfully performed.

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether strictly performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Rural Commercial Bank Co., Ltd.	<p>1. The Bank shall, within 5 trading days after the competent department such as the CSRC or a people's court has made a final determination thereon or a ruling thereon has become effective, initiate the procedures for share repurchase to repurchase all the new A Shares of the Bank under the public offering for any false representation, misleading statement or material omission contained in the prospectus of the Bank which will have a material and substantial effect on the judgment of ability of the Bank to satisfy the conditions of offering under law. Details of the share repurchase scheme will be subject to consideration of the internal and external review and approval of the Bank under applicable laws, regulations, regulatory documents and the Articles of Association. The repurchase price shall not be lower than the issue price thereof plus interest on such shares for such periods from issue to such repurchase at the prevailing bank demand deposit interest rate. In case of any activities such as profit distribution, capitalisation of capital reserves, secondary offering, allotment after the issuance and listing, such repurchase shall cover all the new A Shares and their derivative shares under the public offering, and the above share issue price shall be adjusted for such ex-rights and ex-dividends activities.</p> <p>2. The Bank will compensate the investors fully and promptly for any losses in securities trading suffered by them due to any false representation, misleading statement or material omission in the prospectus of the Bank in accordance with law based on the final determination or the effective ruling made by a competent department such as the CSRC or a people's court.</p> <p>The Bank shall be liable in accordance with relevant laws, regulations, regulatory documents and the requirements of the regulatory authorities if it fails to perform the above undertakings.</p>	20 September 2019 – permanent	Yes



Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether strictly performed in a timely manner
------------------------	---------------------	-------------------	-----------------------------	----------------------------------	---

For the performance of each public undertakings made in this offering and listing, the Bank will make the following undertakings:

1. The Bank will strictly fulfill relevant obligations and responsibilities according to the undertakings made by it in connection with the initial public offering and listing of domestic RMB ordinary shares (A shares).
2. If the Bank fails to fulfill relevant obligations and responsibilities according to the public undertakings made by it, it hereby undertakes to take the following disciplinary measures:
  - (1) The Bank will make public explanations for its failure in fulfilling such undertakings on the media designated by the CSRC.
  - (2) The Bank will make compensation for the losses suffered by public investors arising from their transactions made in reliance upon the undertakings made by the Bank in such manner and amount as confirmed by securities regulatory authorities or judicial bodies.
  - (3) Where the undertakings made by the Bank set out specific restrictive measures, the Bank will implement such restrictive measures.

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether strictly performed in a timely manner
Undertakings in relation to the initial public offer	Limited sales of shares	Zuo Ruilan and Zhu Yuzhou, supervisors who hold shares of the Bank	Zuo Ruilan and Zhu Yuzhou, supervisors who hold shares of the Bank, undertake: "The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 1 year from the stock listing date under this offering. During my term of office in Chongqing Rural Commercial Bank, I will not transfer exceed 25% of the total number of shares of Chongqing Rural Commercial Bank that I hold through concentrated bidding, block trade and share transfer by agreement every year, excluding the shareholdings change caused by judicial enforcement, inheritance, legacy and legal property division. If I resign as the supervisor of Chongqing Rural Commercial Bank, I shall not transfer any shares of Chongqing Rural Commercial Bank that I hold within half a year after the termination of my appointment."	29 October 2019 – half a year after the termination of their appointments	Yes
Undertakings in relation to the initial public offer	Limited sales of shares	149 out of 150 individuals of the Bank who hold more than 50,000 internal employee shares of the Bank	149 out of 150 individuals of the Bank who hold more than 50,000 internal employee shares of the Bank undertake: "The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 3 years from the listing date of the A shares of Chongqing Rural Commercial Bank. After the lapse of the above 3-year lock-up period, the shares of Chongqing Rural Commercial Bank sold by me in each year shall not exceed 15% of my total shareholdings of the Bank in Chongqing Rural Commercial Bank Co., Ltd.. The total number of shares of the Chongqing Rural Commercial Bank transferred by me from the lapse of the above 3-year lock-up period to 5-year shall not exceed 50% of my total shareholdings in Chongqing Rural Commercial Bank." 1 resigned employee of the Bank did not sign these letters of commitment due to personal reasons.	29 October 2019 – 29 October 2027	Yes

## Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether strictly performed in a timely manner
Undertakings in relation to the initial public offer	Limited sales of shares	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司), Loncin Holding Co., Ltd. (隆鑫控股有限公司)	<p>Within 36 months from the listing of the shares issued by Chongqing Rural Commercial Bank, the Company shall not transfer or entrust others to manage the domestic shares issued by Chongqing Rural Commercial Bank directly and/or indirectly held by the Company before the initial public offering of A shares, and the part of those shares held by the Company will not be repurchased by Chongqing Rural Commercial Bank.</p> <p>Shareholders' intention to hold shares and undertakings in relation to reducing their holdings:</p> <ol style="list-style-type: none"> <li>1. Within 6 months from the listing date of shares issued by Chongqing Rural Commercial Bank, if the closing price of A shares of Chongqing Rural Commercial Bank is lower than the issue price for 20 consecutive trading days, or the closing price is lower than the issue price as at the end of the 6-month period upon the listing (if the day is not a trading day, it will be the first trading day after that day), the lock-up period of the shares of Chongqing Rural Commercial Bank held by it will be automatically extended for another 6 months on the basis of the lock-up period (hereinafter referred to as "the above lock-up period") described in "II. Restrictions on the stock circulation and shareholders' voluntary lock-up undertaking to the shares held by them" under this section. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend.</li> </ol>	29 October 2019 – 29 April 2025	Yes

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether strictly performed in a timely manner
			<p>2. Within 2 years after the expiry of the above lock-up period (including the extended lock-up period), if it reduces its holdings in Chongqing Rural Commercial Bank's A shares which have directly or indirectly held by it before this issuance of Chongqing Rural Commercial Bank (excluding A shares newly purchased from the public market after this issuance of Chongqing Rural Commercial Bank), the reduction price shall not be lower than the issue price of the issuance. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend.</p> <p>3. After the expiry of the lock-up period (including the extended lock-up period) of the shares of Chongqing Rural Commercial Bank held by it, when it reduces its holdings of Chongqing Rural Commercial Bank's A shares, it will notify Chongqing Rural Commercial Bank in writing of the intention to reduce its holdings and the amount of its proposed reduction and Chongqing Rural Commercial Bank shall perform the announcement obligation (if required) in accordance with the rules in force at that time. After 3 trading days from the date of the announcement of Chongqing Rural Commercial Bank, it can reduce its holdings of Chongqing Rural Commercial Bank's A shares.</p>		

## Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether strictly performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	<p>There are no false representation, misleading statement or material omission contained in the prospectus of Chongqing Rural Commercial Bank and are jointly and severally liable for its truthfulness, accuracy, completeness.</p> <p>In the event that there are any false representation, misleading statement or material omission in the prospectus for the A-share issuance and listing of Chongqing Rural Commercial Bank, which will result in material or substantial impact on assessing whether Chongqing Rural Commercial Bank satisfies the issuance conditions as required by laws, the Company will procure Chongqing Rural Commercial Bank to repurchase all the new shares under the initial public offering and all shares derived therefrom (if the Company has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the listing of the shares.)</p> <p>The Company will compensate the investors in accordance with law for any losses in securities trading suffered by them due to any false representation, misleading statement or material omission in the prospectus for this issuance and listing of Chongqing Rural Commercial Bank.</p> <p>The Company guarantees the performance of the above undertakings with the dividends that shall be enjoyed in the profit distribution plan of Chongqing Rural Commercial Bank in the year of A-share listing and subsequent years, and after the relevant obligations in the above undertakings of the Company occur and before the performance, the Company shall not transfer the then shares of Chongqing Rural Commercial Bank held by it.</p>	29 October 2019 – permanent	Yes





## Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether strictly performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司), Loncin Holding Co., Ltd. (隆鑫控股有限公司), Chongqing Casin Group Co., Ltd (重慶財信企業集團有限公司), Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司), Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司), Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司), Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司), Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司), Panhua Group Co., Ltd. (攀華集團有限公司), Chongqing Guanghua Holding (Group) Co., Ltd. 重慶光華控股(集團)有限公司, Chongqing Jinyuan Times Shopping Mao Co., Ltd. (重慶金源時代購物廣場有限公司)	The Company will comply with Several Provisions on the Reduction of Shares Held by the Shareholders, Directors, Supervisors, and Senior Executives of the Listed Company (《上市公司股東、董監高減持股份的若干規定》) issued by the CSRC, and relevant requirements under the Rules Governing the Listing of Stocks (《股票上市規則》) and the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies (《上海證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》) issued by the Shanghai Stock Exchange.	29 October 2019 – permanent	Yes

## Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether strictly performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Rural Commercial Bank, directors of the Bank (excluding independent directors and directors who are not receiving remuneration from the Bank) and senior management of the Bank	If, within three years after the listing of initial public offering of A Shares of the Bank, the closing prices of A Shares of the Bank remain lower than its latest audited net asset value per share for 20 consecutive trading days which is not attributable to any event of force majeure, subject to the relevant laws, regulations and regulatory documents regarding the increase in shares or repurchase requirements, the Bank and relevant entities will adopt measures, including share repurchase of the Banks and shareholding increment to the directors of the Bank (excluding independent directors and directors who are not receiving remuneration from the Bank) and senior management of the Bank, to stabilise the stock price.	29 October 2019 – 29 October 2022	Yes
Undertakings in relation to the initial public offer	Resolution of horizontal competition	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	<ol style="list-style-type: none"> <li>The existing main business of the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) does not involve commercial banking business, and has no horizontal competition with Chongqing Rural Commercial Bank.</li> <li>During the period of the Company as a substantial shareholder of Chongqing Rural Commercial Bank, the Company and its subsidiary enterprises (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) will not, directly or indirectly, engage in business activities that compete with or may compete with the main business of Chongqing Rural Commercial Bank in any way. The Company will supervise its subsidiary enterprises in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking. For undertakings 3-5, please refer to "VII. Undertakings of Bank's largest shareholder for avoiding horizontal competition" in the "Prospectus" of the Bank.</li> </ol>	20 September 2019 – permanent	Yes

## **Material Contracts and Their Performance**

During the Reporting Period, the Group had no material contracts to be performed.

## **Acquisition and Disposal of Assets and Merger of Enterprises**

During the Reporting Period, the Group had no material acquisition and disposal of assets and merger of enterprises.

## **Misappropriation of the Funds by Controlling Shareholder or Other Related Parties**

During the Reporting Period, the Bank had no misappropriation of the Bank's funds by controlling shareholders or other related parties for non-operating purposes.

# Independent Auditor's Report

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

## Opinion

### What we have audited

The consolidated financial statements of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group") set out on pages 218 to 368, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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.

## Independent Auditor's Report (Continued)

### Basis for Opinion

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

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

### Independence

We are independent of the Group in accordance with the International 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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
- Consolidation of structured entities – Non-principal Guaranteed Wealth Management Products

## Independent Auditor's Report (Continued)

### Key Audit Matter (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Measurement of expected credit losses for loans and advances to customers</b></p> <p><i>Refer to Note 3.9(d), Note 5.1, Note 12 and Note 21 to the Consolidated Financial Statements.</i></p> <p>As at 31 December 2019, the Group's gross loans and advances to customers amounted to RMB437,085 million, and a loss allowance of RMB20,765 million was recognised in the Group's consolidated statement of financial position. The credit impairment losses on loans and advances to customers recognised in the Group's consolidated income statement for the year ended 31 December 2019 amounted to RMB4,935 million.</p> <p>The balances of loss allowance for loans and advances to customers represent the management's best estimates at the balance sheet date of expected credit losses ("ECL") under the expected credit loss models as stipulated in International Financial Reporting Standard No. 9: Financial Instruments.</p> <p>The Group assesses whether the credit risk of loans and advances to customers have increased significantly since their initial recognition, and apply a three-stage model to calculate their ECL. Management assesses 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, primarily including:</p> <ul style="list-style-type: none"> <li>– Controls over the selection, approval and application of the ECL modelling methodology; and controls relating to the ongoing monitoring of the models;</li> <li>– Internal controls relating to significant management judgements and assumptions, including the review and approval of portfolio segmentation, model selections, parameters estimation, defining significant increase in credit risk, or of defaults or credit-impaired, and selecting forward-looking economic indicators;</li> <li>– Internal controls over the accuracy and completeness of key inputs used by the models.</li> </ul>

## Independent Auditor's Report (Continued)

### Key Audit Matter (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Measurement of expected credit losses for loans and advances to customers</b> <i>(Continued)</i></p> <p>The measurement models of expected credit losses involves significant management judgements and assumptions, primarily including the following:</p> <ul style="list-style-type: none"> <li>– Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;</li> <li>– Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;</li> <li>– Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings.</li> </ul> <p>For measuring expected credit losses, the Group adopted complex models, employed numerous parameters and data inputs, and applied significant management judgements and assumptions. In addition, the loans and advances to customers and the loss allowance are significant. In view of these reasons, we identified this as a key audit matter.</p>	<p>The substantive procedures we performed, primarily including:</p> <ul style="list-style-type: none"> <li>– 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 coding for model measurement on a sample basis, to test whether or not the measurement models reflect the modelling methodologies documented by management.</li> <li>– We selected samples, including the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of management's identification of significant increase in credit risk, defaults and credit-impaired loans.</li> <li>– For forward-looking measurement, we reviewed 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 of economic indicators, economic scenarios and weightings.</li> <li>– We examined major data inputs to the ECL models on selected samples, including historical data and data on measurement date, to assess their accuracy and completeness. We also performed reconciliation of the major data being used to the information systems, to verify their accuracy and completeness.</li> </ul> <p>Based on our procedures performed, the models, key parameters, significant judgement and assumptions adopted by management and the measurement results were considered acceptable.</p>

## Independent Auditor's Report (Continued)

### Key Audit Matter (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Consolidation of Structured Entities – Non-principal Guaranteed Wealth Management Products</b></p> <p><i>Refer to Note 3.2, Note 5.2 and Note 46 to the Consolidated Financial Statements.</i></p> <p>As at 31 December 2019, unconsolidated structured entities included non-principal guaranteed wealth management products (“WMPs”) issued and managed by the Group, which amounted to RMB132,152 million.</p> <p>Management’s decision on whether or not to consolidate structured entities was based on an assessment of the Group’s power, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities.</p> <p>We considered the consolidation assessment and judgment made by management involving the structured entities for non-principal guaranteed WMPs should be an area of focus, as whether or not to consolidate these entities involved significant judgment.</p>	<p>Our procedures in relation to management’s assessment on consolidation of structured entities included:</p> <ul style="list-style-type: none"> <li>– Understood, evaluated and tested management control process adopted on the assessment and disclosure of the consolidation of structured entities;</li> <li>– Read the contract terms in light of the transaction structures and evaluated the Group’s power over the structured entities;</li> <li>– Performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities;</li> <li>– Assessed whether the Group acted as a principal or an agent through analysis of the scope of the Group’s decision-making authority, its remuneration entitlement, other interests the Group held, and the rights held by other parties.</li> </ul> <p>Based on our procedures performed, we found management’s assessments in relation to the consolidation of structured entities to be acceptable.</p>



## Independent Auditor's Report (Continued)

### Other Information

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

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

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

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

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

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

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

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

## Independent Auditor's Report (Continued)

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

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

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

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

## Independent Auditor's Report (Continued)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Leung Kwok Wai, Jimmy.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 26 March 2020

# Consolidated Income Statement

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	2019	2018
Interest income	6	45,054,730	39,719,983
Interest expense	6	<u>(21,763,951)</u>	<u>(19,706,062)</u>
<b>Net interest income</b>		<u>23,290,779</u>	<u>20,013,921</u>
Fee and commission income	7	2,442,373	2,203,078
Fee and commission expense	7	<u>(120,491)</u>	<u>(137,282)</u>
<b>Net fee and commission income</b>		<u>2,321,882</u>	<u>2,065,796</u>
Net trading gains	8	759,758	3,807,269
Other operating income, net	9	183,213	204,574
Net gains on disposal of financial assets measured at fair value through other comprehensive income		–	39,579
Net gains on disposal of financial assets measured at amortised cost		<u>86,701</u>	<u>1,815</u>
<b>Operating income</b>		<u>26,642,333</u>	<u>26,132,954</u>
Operating expenses	10	(7,835,915)	(8,165,130)
Credit impairment losses	12	(6,572,643)	(6,189,514)
Impairment losses on other assets		<u>(847)</u>	<u>(6,390)</u>
Profit before tax		12,232,928	11,771,920
Income tax expense	13	<u>(2,244,818)</u>	<u>(2,607,883)</u>
<b>Profit for the year</b>		<u>9,988,110</u>	<u>9,164,037</u>
Attributable to:			
Shareholders of the Bank		9,759,893	9,058,191
Non-controlling interests		<u>228,217</u>	<u>105,846</u>
		<u>9,988,110</u>	<u>9,164,037</u>
Earnings per share (Expressed in RMB Yuan per share)			
- Basic and Diluted	14	<u>0.95</u>	<u>0.91</u>

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

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	2019	2018
<b>Profit for the year</b>	9,988,110	9,164,037
Other comprehensive income:		
Changes in remeasurement of defined benefit plans	(29,866)	(175,552)
Changes in fair value of equity instruments measured at fair value through other comprehensive income	<u>(15,395)</u>	<u>(60,019)</u>
	<u>(45,261)</u>	<u>(235,571)</u>
Items that may be reclassified subsequently to profit or loss:		
Net (loss)/gain on financial assets measured at fair value through other comprehensive income-debt instruments	<u>(137,095)</u>	<u>148,931</u>
	<u>(137,095)</u>	<u>148,931</u>
Other comprehensive income for the year, net of tax	<u>(182,356)</u>	<u>(86,640)</u>
Total comprehensive income for the year	<u><u>9,805,754</u></u>	<u><u>9,077,397</u></u>
Total comprehensive income attributable to:		
Shareholders of the Bank	9,577,537	8,971,551
Non-controlling interests	<u>228,217</u>	<u>105,846</u>
<b>Total comprehensive income for the year</b>	<u><u>9,805,754</u></u>	<u><u>9,077,397</u></u>

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

# Consolidated Statement of Financial Position

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	31 December 2019	31 December 2018
<b>ASSETS</b>			
Cash and balances with central bank	16	77,413,594	85,935,176
Deposits with banks and other financial institutions	17	15,625,365	32,208,145
Placements with banks and other financial institutions	18	130,375,760	138,543,543
Derivative financial assets	19	92,263	93,990
Financial assets held under resale agreements	20	–	6,000,733
Loans and advances to customers	21	416,340,781	364,026,148
Financial investments	22		
Financial assets measured at fair value through profit or loss		23,677,991	15,094,518
Financial assets measured at fair value through other comprehensive income		7,256,842	7,713,114
Financial assets measured at amortised cost		346,418,416	289,564,720
Property and equipment	24	4,973,884	4,841,593
Right-of-use assets		177,216	N/A
Goodwill	25	440,129	440,129
Deferred tax assets	35	5,914,297	4,512,960
Other assets	27	1,523,697	1,643,270
<b>Total assets</b>		<b>1,030,230,235</b>	<b>950,618,039</b>
<b>LIABILITIES</b>			
Borrowings from central bank	28	31,217,989	30,454,523
Deposits from banks and other financial institutions	29	9,493,063	23,500,698
Placements from banks and other financial institutions	30	26,075,629	28,873,761
Derivative financial liabilities	19	59,616	83,907
Financial assets sold under repurchase agreements	31	15,086,128	5,920,678
Deposits from customers	32	673,401,819	616,166,192
Accrued staff costs	33	4,467,413	5,625,314
Income tax payable		1,032,318	960,672
Lease liabilities		163,963	N/A
Debt securities issued	34	171,330,067	159,609,417
Other liabilities	36	8,099,903	7,274,015
<b>Total liabilities</b>		<b>940,427,908</b>	<b>878,469,177</b>

## Consolidated Statement of Financial Position (Continued)

As at 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	31 December 2019	31 December 2018
<b>EQUITY</b>			
Share capital	37	11,357,000	10,000,000
Capital reserve	38	21,014,618	12,483,907
Investment revaluation reserve	39	(106,558)	51,108
Actuarial changes reserve		(336,069)	(306,203)
Surplus reserve	40	11,283,588	10,346,945
General reserve	41	12,635,296	12,225,243
Retained earnings	42	<u>32,365,628</u>	<u>25,947,255</u>
Equity attributable to shareholders of the Bank		88,213,503	70,748,255
Non-controlling interests		<u>1,588,824</u>	<u>1,400,607</u>
<b>Total equity</b>		<u>89,802,327</u>	<u>72,148,862</u>
<b>Total equity and liabilities</b>		<u>1,030,230,235</u>	<u>950,618,039</u>

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

Approved and authorised for issue by the Board of Directors on 26 March 2020.

**LIU JIANZHONG**

CHAIRMAN

**XIE WENHUI**

EXECUTIVE DIRECTOR AND PRESIDENT

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Attributable to shareholders of the Bank							Non-Controlling interests	Total	
		Share capital	Capital reserve	Investment Revaluation reserve	Actuarial Changes reserve	Surplus reserve	General reserve	Retained earnings			Subtotal
As at 31 December 2018		10,000,000	12,483,907	51,108	(306,203)	10,346,945	12,225,243	25,947,255	70,748,255	1,400,607	72,148,862
Profit for the year		-	-	-	-	-	-	9,759,893	9,759,893	228,217	9,988,110
Other comprehensive income		-	-	(152,490)	(29,866)	-	-	-	(182,356)	-	(182,356)
Total comprehensive income for the year		-	-	(152,490)	(29,866)	-	-	9,759,893	9,577,537	228,217	9,805,754
Contribution from shareholders	37	1,357,000	8,530,711	-	-	-	-	-	9,887,711	-	9,887,711
Appropriation to surplus reserve	40	-	-	-	-	936,643	-	(936,643)	-	-	-
Appropriation to general reserve	41	-	-	-	-	-	410,053	(410,053)	-	-	-
Dividend distribution	15	-	-	-	-	-	-	(2,000,000)	(2,000,000)	(40,000)	(2,040,000)
Other comprehensive income transferred to retained earnings		-	-	(5,176)	-	-	-	5,176	-	-	-
As at 31 December 2019		<u>11,357,000</u>	<u>21,014,618</u>	<u>(106,558)</u>	<u>(336,069)</u>	<u>11,283,588</u>	<u>12,635,296</u>	<u>32,365,628</u>	<u>88,213,503</u>	<u>1,588,824</u>	<u>89,802,327</u>
As at 31 December 2017		10,000,000	12,501,557	(109,673)	(130,651)	9,457,152	10,726,344	21,243,958	63,688,687	1,556,998	65,245,685
Change in accounting policy		-	-	71,869	-	-	-	33,798	105,667	8,763	114,430
As at 1 January 2018 (Restated)		<u>10,000,000</u>	<u>12,501,557</u>	<u>(37,804)</u>	<u>(130,651)</u>	<u>9,457,152</u>	<u>10,726,344</u>	<u>21,277,756</u>	<u>63,794,354</u>	<u>1,565,761</u>	<u>65,360,115</u>
Profit for the year		-	-	-	-	-	-	9,058,191	9,058,191	105,846	9,164,037
Other comprehensive income		-	-	88,912	(175,552)	-	-	-	(86,640)	-	(86,640)
Total comprehensive income for the year		-	-	88,912	(175,552)	-	-	9,058,191	8,971,551	105,846	9,077,397
Contribution from shareholders		-	(17,650)	-	-	-	-	-	(17,650)	(247,000)	(264,650)
Transactions with non-controlling interests		-	-	-	-	-	-	-	-	-	-
Appropriation to surplus reserve	40	-	-	-	-	889,793	-	(889,793)	-	-	-
Appropriation to general reserve	41	-	-	-	-	-	1,498,899	(1,498,899)	-	-	-
Dividend distribution	15	-	-	-	-	-	-	(2,000,000)	(2,000,000)	(24,000)	(2,024,000)
As at 31 December 2018		<u>10,000,000</u>	<u>12,483,907</u>	<u>51,108</u>	<u>(306,203)</u>	<u>10,346,945</u>	<u>12,225,243</u>	<u>25,947,255</u>	<u>70,748,255</u>	<u>1,400,607</u>	<u>72,148,862</u>

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



## Consolidated Statement of Cash Flows

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	2019	2018
<b>Cash flows from operating activities</b>		
Profit before tax	12,232,928	11,771,920
Adjustments for:		
Depreciation and amortisation	781,961	750,594
Credit impairment losses	6,572,643	6,189,514
Impairment losses on other assets	847	6,390
Interest income arising from investment securities	(14,214,440)	(11,040,522)
Interest expense arising from debt securities issued	5,620,213	4,872,694
Net gain on disposal of investment securities	(641,966)	(41,394)
Dividends income from investment securities	(6,946)	(1,308)
Net gain on disposal of property and equipment	(45,742)	(15,848)
Fair value gain	(192,393)	(510,600)
Exchange gain	(64,124)	(94,932)
Operating cash flows before movements in working capital	<u>10,042,981</u>	<u>11,886,508</u>
Decrease in balances with central bank, deposits with banks and other financial institutions	20,508,603	26,776,428
Decrease/(Increase) in placements with banks and other financial institutions	4,122,143	(53,073,621)
(Increase)/Decrease in financial assets held for trading purposes	(198,777)	219,958
Increase in loans and advances to customers	(56,609,846)	(44,086,564)
Increase/(Decrease) in financial assets sold under repurchase agreements	9,144,989	(1,639,828)
Increase/(Decrease) in borrowings from central bank	896,698	(1,359,618)
(Decrease)/Increase in placements from banks and other financial institutions	(2,840,687)	5,696,467
Increase/(Decrease) in deposits from customers, deposits from banks and other financial institutions	41,085,799	(25,414,404)
Decrease in other operating assets	1,224,060	364,740
(Decrease)/Increase in other operating liabilities	<u>(12,705)</u>	<u>3,193,945</u>
Cash from/(used in) operating activities	27,363,258	(77,435,989)
Income tax paid	<u>(3,511,999)</u>	<u>(3,787,288)</u>
Net cash flows from/(used in) operating activities	<u>23,851,259</u>	<u>(81,223,277)</u>

# Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	2019	2018
<b>Cash flows from investing activities</b>			
Cash received from disposal and redemption of investment securities		179,247,875	189,853,750
Interest income received from investment securities		12,919,489	9,603,716
Cash received from disposal of property and equipment and other assets		56,207	31,925
Cash paid for purchase of investment securities		(243,245,791)	(180,076,310)
Cash paid for purchase of property and equipment and other assets		(837,524)	(591,265)
Dividends income from investment securities		6,946	1,308
Net cash (used in)/from investing activities		<u>(51,852,798)</u>	<u>18,823,124</u>
<b>Cash flows from financing activities</b>			
Cash received from issuance of A-share		9,887,711	–
Transactions with non-controlling interests		–	(264,650)
Debt securities issued		256,640,438	147,680,618
Redemption of bonds issued		(249,820,000)	(96,550,000)
Dividends paid to shareholders of the Bank		(1,989,435)	(2,013,556)
Dividends paid to shareholders of non-controlling interests		(40,000)	(24,000)
Interest paid on debt securities issued		(720,000)	(471,000)
Cash paid in other financing activities		(73,484)	–
Net cash from financing activities		<u>13,885,230</u>	<u>48,357,412</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(14,116,309)</b>	<b>(14,042,741)</b>
Cash and cash equivalents as at 1 January		34,637,437	48,608,610
Effect of foreign exchange rate changes		12,102	71,568
Cash and cash equivalents as at 31 December	43	<u>20,533,230</u>	<u>34,637,437</u>
Net cash from operating activities include:			
Interest received		30,359,757	27,774,560
Interest paid		(14,069,264)	(15,288,463)
Net interest received from operating activities		<u>16,290,493</u>	<u>12,486,097</u>

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 1. GENERAL INFORMATION

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

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

The Bank was listed on The Stock Exchange of Hong Kong Limited on 16 December 2010 and was listed on Shanghai Stock Exchange on 29 October 2019.

The Bank has financial services certificate No. B0335H250000001 issued by the China Banking Regulatory Commission (the former “CBRC”). It was renamed as “China Banking and Insurance Regulatory Commission” in 2018, hereinafter referred to as “CBIRC”), and a corporate legal person business license with a unified social credit code 91500000676129728J issued by the Chongqing Administration of Industry and Commerce.

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Basis of preparation

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 2. BASIS OF PREPARATION (Continued)

### 2.2 Basis of preparation (Continued)

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

In addition, for financial reporting purposes, fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 50.

New standards, amendments and interpretations effective in 2019 and adopted by the Group

(a)	IFRS 16	Lease
(b)	IFRIC 23	Uncertainty over Income Tax Treatment
(c)	Amendments to IFRS 3, IFRS 11 and IAS 12, IAS 23	IASB Annual Improvements 2015 – 2017 cycle
(d)	Amendments to IFRS 9	Prepayment Features with Negative Compensation
(e)	Amendments to IAS 19	Employee Benefits Regarding Plan Amendment, Curtailment or Settlement

#### (a) IFRS 16: Leases

The adoption of IFRS16 is disclosed in Note 4 “changes in significant accounting policies”.

#### (b) IFRIC 23

The IASB issued IFRIC 23 to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 2. BASIS OF PREPARATION (Continued)

### 2.2 Basis of preparation (Continued)

(c) *Amendments to IFRS 3, IFRS 11 and IAS 12, IAS 23*

The Annual Improvements to IFRSs 2015 – 2017 Cycle include a number of amendments to various IFRSs and IASs, 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.

(d) *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 derecognition of the financial liability.

(e) *Amendments to IAS 19*

The IASB published amendments to IAS 19: Employee benefits regarding plan amendment, curtailment or settlement on 8 February 2018, which requires the entity to determine the amount of any past service costs or gains or losses on settlement by measuring the net defined benefit liabilities before and after the amendment, using the current assumptions and the fair value of the planned assets at the time of the amendment.

The adoption of the above amendments does not have a significant impact on the operation results, comprehensive income and financial position of the Group.

New standards and amendments not yet effective and have not been adopted before their effective dates

Effective for annual periods beginning on or after

(a) IFRS 17	Insurance Contracts	1 January 2023
(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. Early application of the amendments continues to be permitted.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 2. BASIS OF PREPARATION (Continued)

### 2.2 Basis of preparation (Continued)

(a) *IFRS 17: Insurance Contracts*

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The Group is still assessing the impact of IFRS 17 on the Group's consolidated financial statements.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of consolidation

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

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.1 Basis of consolidation (Continued)

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

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

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

### 3.2 Consolidated structured entities

The unguaranteed wealth management products ("WMPs") controlled by the Group are presented in the consolidated statement of financial position. In accordance with IFRS9 "Financial Instruments", the financial assets and liabilities held by WMPs are properly classified, according to the criteria, such as the objective and intention of holding, whether there is a quoted price in active market, cash flows of financial instruments, and so forth. The fair value of unguaranteed WMPs of consolidated structured entities is measured in accordance with IFRS 13 "Fair Value Measurement". Normally, the cost of initial recognition of financial instrument is not up to the requirement of subsequent measurement of fair value, unless there are sufficient evidences or reasons illustrating that the cost is still the proper estimate of fair value on the date of measurement.

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

### 3.3 Segment reporting

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.4 Goodwill

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

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

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

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

### 3.5 Revenue recognition

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

#### (a) Interest income and expense

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

- (i) Purchased or Originated Credit Impaired (“POCI”) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- (ii) 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 expected credit loss allowance).



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.5 Revenue recognition (Continued)

#### (b) Fee and commission income

Fees and commission income is recognised at the specific point of time or for a certain period of time when the Group fulfills its performance obligations in the contract, that is, when customer obtains control of relevant services.

Fees and commissions charged for performance obligations performed at specific point of time are recognised when customer obtains control of relevant services, mainly including agency insurance, merchant receipt, clearing and settlement, bond underwriting income, etc. Fees and commissions charged for performance obligations performed during a certain period of time are recognised according to the progress of the performance during that period, mainly including consultant and consulting income, custody income, etc.

#### (c) Dividend income

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

### 3.6 Taxation

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

#### (a) Current tax

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.6 Taxation (Continued)

#### (b) Deferred tax

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship, including short-term employee benefits, post-employment benefits, and early retirement benefits.

(a) *Short-term employee benefits*

Short-term employee benefits include employee wages or salaries, bonus, allowance and subsidies, staff welfare, medical insurance, maternity insurance, housing funds, union running costs, employee education costs, and so forth. Actual short-term employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in the expenses in profit or loss.

(b) *Post-employment benefits*

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution plans

Defined contribution retirement schemes

The Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes monthly at the applicable rates based on the amounts stipulated by the local government organisations. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees. During the accounting period in which the employees provide services, the amount payable in accordance with the above regulations are recognised as a liability and charged to the profit or loss

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Employee benefits (Continued)

#### (b) Post-employment benefits (Continued)

##### Defined contribution plans (Continued)

##### Annuity plan

In addition to the statutory provision contributions, the Group's employees retired after 1 January 2019 have voluntarily joined the annuity scheme set up in accordance with state enterprise annuity regulations. The Group contributes to the annuity plan in proportion to the total wages of employees in the previous year. For employees who would soon retire after participating in the annuity scheme, the Group will make compensatory contributions during the transition period in accordance with the policies of the relevant national authorities. After employee's retirement, the enterprise annuity pays pensions to retired staffs. During the accounting period in which services are rendered, the Group recognises the calculated payable amount as a liability, and expense it in profit or loss.

##### Defined benefit plans

The Group pays supplementary retirement benefits for its retired employees, consisting of supplementary pension for employees retired on or before 31 December 2018 and supplementary medical benefits for all retired employees. Such supplementary retirement benefits are defined benefit plans. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income which will not be reclassified to profit or loss in subsequent accounting periods.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.7 Employee benefits (Continued)

(c) *Early retirement benefits*

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

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

#### 3.8 Government grants

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Financial instruments

#### (a) Measurement method

Amortised cost and effective interest rate

The amortised cost is determined at the financial assets or financial liabilities at initial recognition after being adjusted as follows:

- (i) deducting the principal repaid;
- (ii) adding or deducting the cumulative amortisation of any difference between the amount at initial recognition and the amount at the maturity date using the effective interest method;
- (iii) deducting any loss allowance (solely for financial assets).

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 (“ECL”) 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, 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.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments traded in active markets is based on quoted market prices (unadjusted) at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. When using valuation techniques, unobservable market inputs would not be used unless relevant observable inputs are not available or not practical to access.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Financial instruments (Continued)

#### (b) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets are recognised on the trade date, on which the Group commits itself to purchase or sale the asset.

Financial assets and liabilities are measured initially at 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 directly attributable to the acquisition or issue of the financial asset or financial liability, i.e. fee and commission. Transaction costs of financial assets or financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Subsequent to initial recognition, expected credit losses of financial investments measured at amortised cost and debt instruments measured at fair value through other comprehensive income are recognised in profit or loss immediately. The difference between the transaction amount and the fair value at initial recognition is accounted for as follows:

- The difference is recognised as a gain or loss only if fair value is evidenced by a quoted price in an active market for an identical asset or liability (that is, a level 1 input) or based on a valuation technique that uses only data from observable markets.
- In other cases, the Group deferred the difference and determined the time when the profit or loss was recognised after the deferral of the first day. The difference may be amortised over the lifetime of the financial instrument or deferred until the fair value of the instrument can be determined using observable market information, or the profit or loss can be realised when the financial instrument is settled.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.9 Financial instruments (Continued)

(c) *Classification and subsequent measurement*

The Group classifies financial assets according to the following measurement categories:

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

The classification requirements of debt instruments and equity instruments are described as below:

##### 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 measurement of debt instruments depend on:

- (i) The Group’s business model for managing the financial asset; and
- (ii) The contractual cash flows characteristics of the financial asset.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Financial instruments (Continued)

#### (c) Classification and subsequent measurement (Continued)

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

Financial assets are classified as financial assets measured at amortised cost if the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the assets are not designated at fair value through profit or loss. The carrying amount of the asset is adjusted in accordance with the expected credit loss allowances recognised and measured. The Group uses the effective interest method to calculate the interest income of the asset and discloses it as “interest income”.

Financial assets are classified as financial assets measured at fair value through other comprehensive income (“OCI”) if the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the assets are not designated at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue 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 disclosed as “Net trading gain”. Interest income from these financial assets is included in “interest income” using the effective interest method.

Financial assets are classified as financial assets measured at fair value through profit or loss if the assets do not meet the criteria for amortised cost or fair value through other comprehensive income. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within “Net trading gain” in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separated in “Net trading gain”.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Financial instruments (Continued)

#### (c) Classification and subsequent measurement (Continued)

The business model reflects how the Group manages financial assets to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the asset or is to collect both the contractual cash flows and cash flows arising from the sale of financial 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. Trading securities are primarily held for sale in the near future or as part of a portfolio of financial instruments and the portfolio has a short-term profit model. The business model of these securities is "other", which is measured at fair value through profit or loss.

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 ("SPPI"). 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 leading 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 leading 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 determine whether their cash flows are SPPI.

The Group reclassifies it if and only if the business model of the debt instrument investment changes, and performs the reclassification at the beginning of the first reporting period after the change has occurred. The Group anticipates that such changes are very rare and did not occur during the year.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Financial instruments (Continued)

#### (c) Classification and subsequent measurement (Continued)

##### Equity Instrument

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 for the above-mentioned designation is to designate equity instrument investments that are not for the purpose of obtaining investment income as financial assets measured at FVOCI. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and reversals are not presented as separate items and are included in changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as investment 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 gain" in the consolidated income statement.

#### (d) Impairment of financial instruments

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 exposure arising from some loan commitments and financial guarantee contracts. The Group recognises relevant loss allowances at each reporting date. The Group's measurement of ECL of a financial instrument reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Financial instruments (Continued)

#### (e) Modification of loans

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.

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 purchased or originated credit-impaired financial assets).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Financial instruments (Continued)

(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:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) 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.

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 when measured on a stand-alone basis, if the transferred asset is measured at fair value.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Financial instruments (Continued)

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

In both the current and prior period, 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.
- Financial guarantee contracts and loan commitments

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.9 Financial instruments (Continued)

##### (g) 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.

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.9 Financial instruments (Continued)

##### (g) Derecognition (Continued)

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

- The amount of the loss allowance (calculation as described in note 49); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculation as described in note 49). 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 estimated liabilities.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.10 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress), are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognised impairment losses. Costs include professional fees and other directly attributable costs. Such properties are classified to the appropriate category of property and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continuing use of the asset. Any gain or loss arising from the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### 3.11 Land use rights

Land use rights are classified in other assets and amortised over a straight-line basis over their authorised useful lives.

#### 3.12 Intangible assets

(a) *Intangible assets acquired separately*

Intangible assets acquired separately with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.12 Intangible assets (Continued)

#### (b) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

### 3.13 Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.14 Foreclosed assets

Foreclosed assets are initially recognised at fair value and subsequently measured at lower of its carrying amount and fair value less costs to sell at the end of the reporting period. When the fair value less costs to sell is lower than the foreclosed asset's carrying amount, an impairment loss is recognised in profit or loss.

Any gain or loss arising from disposal of the foreclosed asset is included in profit or loss in the year in which the item is disposed.

A foreclosed asset used by the Group is transferred to property and equipment at carrying amount.

#### 3.15 Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

#### 3.16 Leases

##### (i) Recognition of the leases

A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group performed the following assessment:

- (a) Whether a contract involves the use of identified assets – the identified assets may be explicitly or implicitly specified in the contract, and are either physically distinct or represent substantially all of the capacity of the asset. A customer does not have the right to use an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use;
- (b) Whether the Group has the right to obtain substantially all of the economic benefits from use of the identified asset;

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.16 Leases (Continued)

(i) *Recognition of the leases (Continued)*

(c) Whether the Group has the right to direct the use of the identified asset. When the Group has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the period of use, the Group is considered to have the right to direct the use of the identified asset. In the cases where the relevant decisions about how and for what purpose the asset is used are predetermined, if:

- the Group has the right to operate the asset;
- the Group designed the asset in a way that predetermines how and for what purpose the asset will be used, the Group is considered to have the right to direct the use of the asset.

When initially recognising or reassessing the lease components in a contract, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

(ii) *The Group as lessee*

At the commencement date, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, comprising: the amount of the initial measurement of the lease liability (adjusted for any lease payments made at or before the commencement date); any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequently, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The useful life of the right-of-use asset is estimated based on the same method as that of estimating the useful life of properties and equipments. Additionally, the Group regularly determines and recognises any impairment of right-of-use assets, and adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate. Generally, the Group uses incremental borrowing rate as discount rate.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.16 Leases (Continued)

(ii) *The Group as lessee (Continued)*

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, the lease payments during the extension period of an extension option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group remeasures the lease liability if the future lease payments change resulting from a change in the amounts expected to be payable under a residual value guarantee, an index or a rate used to determine those payments, or a change in the assessment of extension, termination or purchase options.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group will recognise any remaining amount of the remeasurement in profit or loss.

For short-term leases with a lease term of 12 month or less and leases for which the underlying asset is of low value, the Group has elected not to recognise the right-of-use assets and the lease liabilities. The Group recognises the lease payments associated with those leases as an expense on either a straight-line basis over the lease term.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.16 Leases (Continued)

(iii) *The Group as lessor*

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, regardless of whether legal title transfers. Leases other than finance leases are classified as operating leases.

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, and interest income over the lease term is calculated and recognised based on the interest rate implicit in the lease. 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 and equipment. Rental income from operating leases is recognised as Other Operating Income in the consolidated income statement on a straight-line basis over the term of the related lease.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.17 Fiduciary and agency activities

The fiduciary and agency activities of the Group include granting the trust loans on behalf of third-party lenders and operating non-guaranteed wealth management business. The Group only receives commissions without taking main risks related to these activities. Related assets and the obligation of returning such assets on maturity to principals should be off-balance accounted.

### 3.18 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

The Group assesses on a forward-looking basis the expected credit losses (“ECL”) associated with exposure arising from loan commitments and financial guarantee contracts. The measurement of ECL allowance for loan commitments and financial guarantee contracts are described in Note 3.9 and 49 (3).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.19 Foreign currency translation

(a) *Functional and presentation currency*

The consolidated financial statements are presented in Renminbi (RMB), which is the Bank's functional and the Group's presentation currency.

(b) *Transactions and balances*

Transactions in currencies other than the functional currency of the Bank (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates.

At the date of reporting, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on other monetary financial assets and liabilities are recognised in profit or loss.

Translation differences on non-monetary financial assets and liabilities measured at fair value are recognised in consolidated income statement; unless the gains and losses related to the non-monetary items are directly recognised in other comprehensive income, in which situation that translation differences are included in other comprehensive income.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

### 4.1 The impact of applying IFRS 16

The Group has adopted IFRS 16 Leases as issued by the IASB on 13 January 2016 with a date of transition on 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 16 in previous periods.

According to the transition policy of IFRS 16, the changes in accounting policies of the Group are disclosed as follows:

As permitted by the transitional provisions of IFRS 16, the Group has elected not to restate comparative figures. As at 1 January 2019, the right-of-use asset and lease liability recognised were RMB170 million and RMB151 million respectively. The comparatives for the year ended 31 December 2018 were not restated.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.2 Accounting policies applied in 2018

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, regardless of whether legal title transfers. Leases other than finance 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, and interest income over the lease term is calculated and recognised based on the interest rate implicit in the lease. 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 and equipment. Rental income from operating leases is recognised as Other Operating Income in the consolidated income statement on a straight-line basis over the term of the related lease.

#### (b) The Group as lessee

When the Group is a lessee under finance leases, the leased assets are capitalised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are recognised in liabilities. The differences are recognised in unrecognised financial charges. Finance charges are charged over the term of the lease using the effective interest method and recognised in the consolidated income statement. The depreciation policy for depreciable-leased assets is consistent with that for depreciable assets that are owned.

When the Group is the lessee in an operating lease, operating lease payments are recognised as an expense and charged to “Operating Expenses” in the consolidated income statement on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as expenses in the periods in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are considered in determining the amount to be recognised over the lease term.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.3 Changes in accounting estimates

The Group initiated a defined benefit plan for eligible employees, which includes supplementary retirement benefits. According to the Circular regarding the Acceleration in Implementing Annuity Plans and Improvement of Compliance in the Payment of Off-Budget Expenditures (*Yu Guo Zi Fa* [2017] No. 236) issued by Chongqing State-owned Assets Supervision and Administration Commission, the Group implemented the annuity plan at the end of 2019. The group re-evaluated and determined the scope of employees to be covered in the supplementary retirement benefits, which is a change in accounting estimates. The impact of this change in accounting estimates has been included in the financial statements for the year ended 31 December 2019, with an amount of RMB61 million affecting the present value of the defined benefit plan obligation, details are disclosed in Note 33.

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in Note 3, the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the year of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key estimation uncertainty that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements and/or in the next twelve months.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### 5.1 Measurement of expected credit loss allowance

The measurement of the ECL allowance for the investment in financial assets and debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and critical assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 49.

A number of critical judgements are required in applying the accounting requirements for 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 financial instruments with similar credit risk characteristics 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 49.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### 5.2 Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

### 5.3 Fair value of financial instruments

The directors of the Bank use the valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis or other valuation methods as appropriate. To the extent practical, models use only observable data, however areas such as the credit risk of the Group and counterparties, volatilities and correlations require the Group to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

### 5.4 Supplementary retirement benefit and early retirement benefit obligation

The Group recognises liabilities in connection with retirement benefits of employees using the projected unit credit method based on various assumptions and judgements, including the discount rate and average medical expense increase rate for early retirement and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions and judgements may affect the amount of other comprehensive income for supplementary retirement benefit obligation and expense recognised in profit or loss for early retirement benefit obligation, and the corresponding liabilities.

### 5.5 Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the year during which such a determination is made.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 6. NET INTEREST INCOME

	2019	2018
<b>Interest income</b>		
Loans and advances to customers	22,319,960	19,316,363
Including: Corporate loans and advances	12,438,030	10,784,532
Personal loans and advances	9,233,361	7,851,805
Discounted bills	648,569	680,026
Financial investments	14,214,440	11,040,522
Financial assets measured at amortised cost	14,121,542	10,275,032
Financial assets measured at fair value through other comprehensive income	92,898	765,490
Placements with banks and other financial institutions	5,859,993	6,267,397
Balances with central bank	1,113,344	1,270,047
Deposits with banks and other financial institutions	876,167	1,208,570
Financial assets held under resale agreements	670,826	617,084
Subtotal	<u>45,054,730</u>	<u>39,719,983</u>
<b>Interest expense</b>		
Deposits from customers	(12,785,088)	(10,214,681)
Debt securities issued	(5,620,213)	(4,872,694)
Placements from banks and other financial institutions	(1,133,149)	(1,098,766)
Borrowings from central bank	(869,351)	(1,009,560)
Financial assets sold under repurchase agreements	(703,416)	(426,218)
Deposits from banks and other financial institutions	(646,209)	(2,084,143)
Others	(6,525)	N/A
Subtotal	<u>(21,763,951)</u>	<u>(19,706,062)</u>
Net interest income	<u>23,290,779</u>	<u>20,013,921</u>
Included in interest income		
Interest income on listed investments	11,394,455	8,536,683
Interest income on unlisted investments	<u>2,819,985</u>	<u>2,503,839</u>
Total	<u>14,214,440</u>	<u>11,040,522</u>

Listed investments include debt securities traded on the China Domestic Interbank Bond Market and stock exchanges.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 7. NET FEE AND COMMISSION INCOME

	2019	2018
<b>Fee and commission income</b>		
Wealth management fees	1,314,082	1,108,753
Agency and fiduciary service fees	402,653	456,697
Bank card fees	262,993	264,313
Settlement and clearing fees	134,504	143,649
Others	328,141	229,666
	<u>2,442,373</u>	<u>2,203,078</u>
<b>Subtotal</b>	<u>2,442,373</u>	<u>2,203,078</u>
<b>Fee and commission expense</b>		
Bank card fees	(50,981)	(72,874)
Settlement and clearing fees	(38,402)	(30,528)
Other	(31,108)	(33,880)
	<u>(120,491)</u>	<u>(137,282)</u>
<b>Subtotal</b>	<u>(120,491)</u>	<u>(137,282)</u>
<b>Total</b>	<u><u>2,321,882</u></u>	<u><u>2,065,796</u></u>

### 8. NET TRADING GAINS

	2019	2018
Net gains on financial assets measured at fair value through profit or loss	765,499	3,800,555
Others	(5,741)	6,714
	<u>759,758</u>	<u>3,807,269</u>
<b>Total</b>	<u><u>759,758</u></u>	<u><u>3,807,269</u></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 9. OTHER OPERATING INCOME, NET

	2019	2018
Exchange gains	64,124	94,932
Government subsidies	41,258	62,992
Rental income	10,354	9,747
Penalty and compensation income	9,021	11,676
Net gain on disposal of property and equipment	45,742	15,848
Net gain on disposal of foreclosed assets	187	158
Others, net	12,527	9,221
Total	<u>183,213</u>	<u>204,574</u>

### 10. OPERATING EXPENSES

	2019	2018
Staff costs (1)	4,932,765	5,268,533
General operating and administrative expenses	1,439,434	1,382,664
Depreciation and amortisation	781,961	750,594
Tax and surcharges	236,247	245,227
Auditor's remuneration	6,271	4,481
Others	439,237	513,631
Total	<u>7,835,915</u>	<u>8,165,130</u>

#### (1) Staff costs

	2019	2018
Salaries, bonuses and allowances	3,219,354	3,602,710
Social insurance	722,788	813,311
Housing funds	340,577	331,903
Staff welfare	233,663	251,338
Labour union fees and staff education expenses	111,082	124,281
Supplementary retirement benefits (i)	(661,240)	118,300
Early retirement benefits	40,270	26,690
Annuity (i)	926,271	-
Total	<u>4,932,765</u>	<u>5,268,533</u>

(i) Details are disclosed in Note 33



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors' and supervisors' emoluments are as follows:

Name	2019				Total
	Fees	Paid basic bonuses, and benefits	Contribution to pension schemes	Others	
<b>Executive directors</b>					
Liu Jianzhong	–	370	121	–	491
Xie Wenhui	–	370	121	–	491
Zhang Peizong	–	296	114	38	448
<b>Non-executive directors</b>					
Duan Xiaohua <sup>(1)</sup>	38	–	–	–	38
Wen Honghai	90	–	–	–	90
Luo YuXing	90	–	–	–	90
Chen Xiaoyan	90	–	–	–	90
Zhang Peng <sup>(2)</sup>	30	–	–	–	30
<b>Independent non-executive directors</b>					
Sun Leland Li Hsun <sup>(1)</sup>	75	–	–	–	75
Yin Mengbo <sup>(1)</sup>	75	–	–	–	75
Cao Guohua	180	–	–	–	180
Yuan Zengting	180	–	–	–	180
Zhang Qiaoyun	180	–	–	–	180
Song Qinghua	180	–	–	–	180
Lee Ming Hau <sup>(3)</sup>	105	–	–	–	105
<b>Supervisors</b>					
Ni Yuemin <sup>(1)</sup>	–	–	–	–	–
Zeng Jianwu	75	–	–	–	75
Zuo Ruilan	75	–	–	–	75
Wang Hong	120	–	–	–	120
Pan Like	120	–	–	–	120
Hu Shuchun	120	–	–	–	120
Zheng Yi <sup>(8)</sup>	–	–	–	–	–
Zhu Yuzhou <sup>(8)</sup>	–	–	–	–	–
Le Xiaoming <sup>(4)(8)</sup>	–	–	–	–	–
<b>Total</b>	<b>1,823</b>	<b>1,036</b>	<b>356</b>	<b>38</b>	<b>3,253</b>

(1) The individuals have resigned during the year ended 31 December 2019.

(2) On 29 August 2019, Mr. Zhang Peng was appointed as a non-executive director of the Bank.

(3) On 6 June 2019, Mr. Lee Ming Hau was appointed as an independent non-executive director of the Bank.

(4) On 13 June 2019, Mr. Le Xiaoming was appointed as a Supervisor of the Bank.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows (Continued):

Name	2018			Total
	Fees	Paid basic salaries, bonuses, allowances and benefits in kind	Contribution to pension schemes	
<b>Executive directors</b>				
Liu Jianzhong	–	703	93	796
Xie Wenhui	–	815	93	908
Zhang Peizong <sup>(5)</sup>	–	264	93	357
<b>Non-executive directors</b>				
Sun Lida	68	–	–	68
He Zhiming	75	–	–	75
Duan Xiaohua	90	–	–	90
Wen Honghai	90	–	–	90
Luo YuXing <sup>(6)</sup>	90	–	–	90
Chen Xiaoyan	90	–	–	90
<b>Independent non-executive directors</b>				
Sun Leland Li Hsun	180	–	–	180
Yin Mengbo	180	–	–	180
Cao Guohua	180	–	–	180
Yuan Zengting	180	–	–	180
Zhang Qiaoyun <sup>(7)</sup>	–	–	–	–
Song Qinghua	180	–	–	180
<b>Supervisors</b>				
Ni Yuemin	–	367	85	452
Zeng Jianwu	75	–	–	75
Zuo Ruilan	75	–	–	75
Wang Hong	120	–	–	120
Pan Like	120	–	–	120
Hu Shuchun	120	–	–	120
Zheng Yi <sup>(8)</sup>	–	–	–	–
Zhu Yuzhou <sup>(8)</sup>	–	–	–	–
<b>Total</b>	<b>1,913</b>	<b>2,149</b>	<b>364</b>	<b>4,426</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows (Continued):

- (5) On 25 December 2018, Mr. Zhang Peizong was appointed as an executive director of the Bank.
- (6) On 2 January 2018, Mr. Luo Yuxing was appointed as a non-executive director of the Bank.
- (7) On 25 December 2018, Mr. Zhang Qiaoyun was appointed as an independent non-executive director of the Bank.
- (8) During the years ended 31 December 2019 and 2018, the Bank's employee representatives in the Board of Supervisors did not receive remuneration as the employee representative supervisors.

The total compensation packages for the directors, supervisors and senior management are determined based on the performances.

On account of certain regulations of relevant state authorities, the total remuneration for certain directors, supervisors and senior management members in 2019 has not been finalized, but the management of the Group expects the difference between the current estimate and the final remuneration shall not have a significant impact on the 2019 consolidated financial statements. The 2019 remuneration disclosed herein includes only the basic annual salaries approved for the current year and the proposed performance-based salaries, and the actual total remuneration shall be further disclosed when the determination is finalized by the Bank and duly approved.

#### Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors.

The emoluments payable to the five individuals whose emoluments were the highest in the Group during the year are as follows:

	2019	2018
Basic salaries, bonuses and allowances	9,535	8,893
Contributions to pension schemes	583	388
Total	<u>10,118</u>	<u>9,281</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 11. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

#### Five highest paid individuals (Continued)

Emoluments of the individuals were within the following bands:

	Number of individuals	
	2019	2018
RMB1,000,001 – RMB2,000,000	3	4
RMB2,000,001 – RMB3,000,000	2	1

During the years ended 31 December 2019 and 2018, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors waived any emoluments during the years ended 31 December 2019 and 2018.

### 12. CREDIT IMPAIRMENT LOSSES

	2019	2018
Loans and advances to customers	4,935,060	5,809,036
Financial investments:		
Financial assets measured at amortised cost	1,215,032	538,926
Financial assets measured at fair value through other comprehensive income	(51,374)	12,060
Placements with banks and other financial institutions	315,200	13,302
Financial assets held under resale agreements	(5,121)	3,483
Deposits with banks and other financial institutions	74,753	(37,067)
Loan commitments	83,639	(166,407)
Impairment losses on other financial assets	5,454	16,181
Total	6,572,643	6,189,514

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 13. INCOME TAX EXPENSE

#### (1) Income tax expense

	2019	2018
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	3,583,645	3,870,801
Deferred tax (Note 35)	<u>(1,338,827)</u>	<u>(1,262,918)</u>
Total	<u>2,244,818</u>	<u>2,607,883</u>

#### (2) Reconciliation between income tax expense and accounting profit:

The tax charges for the year ended 31 December 2019 and 2018 can be reconciled to the profit before tax per the consolidated statement of income as follows:

	NOTE	2019	2018
Profit before tax		<u>12,232,928</u>	<u>11,771,920</u>
Tax calculated at applicable statutory tax rate of 25%		3,058,232	2,942,980
Difference of income tax calculated at subsidiaries' applicable statutory tax rate of 15%		(67,817)	(29,096)
Tax effect of expenses not deductible for tax purpose	(i)	260,607	41,649
Tax effect of non-taxable income and tax reduction	(ii)	(788,063)	(352,975)
Tax effect of supplemental medical insurance	(iii)	(195,265)	–
Others		<u>(22,876)</u>	<u>5,325</u>
Income tax expense		<u>2,244,818</u>	<u>2,607,883</u>

- (i) Non-deductible expenses mainly include staff costs and entertainment expenses in excess of deduction allowed under the relevant PRC tax regulations.
- (ii) Interest income from government bonds, and local government bonds is not subject to income tax; and interest income from railway construction bonds is subject to income tax levied at half in accordance with the relevant PRC tax regulations.
- (iii) The amount of the large-amount supplemental medical insurance was deducted when calculating income tax for the year ended 31 December 2019, since it was recognised as taxable item and the income tax was already paid in previous years.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 14. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	2019	2018
Earnings:		
Profit for the year attributable to shareholders of the Bank	<u>9,759,893</u>	<u>9,058,191</u>
Numbers of shares:		
Weighted average number of shares in issue ( <i>thousand</i> )	<u>10,278,836</u>	<u>10,000,000</u>
Basic and diluted earnings per share ( <i>RMB Yuan</i> )	<u>0.95</u>	<u>0.91</u>

There were no potential dilutive ordinary shares outstanding during the current and prior year. Accordingly, diluted earnings per share were same as basic earnings per share.

### 15. DIVIDENDS

	2019	2018
Dividends recognised as distribution during the year		
Year 2018 – RMB20 cents per share	2,000,000	–
Year 2017 – RMB20 cents per share	<u>–</u>	<u>2,000,000</u>

A dividend of RMB23 cents per share (tax inclusive) in respect of the year ended 31 December 2019 with a total of RMB2,612 million has been proposed by the Board of Directors on 26 March 2020 and to be approved by the shareholders in the 2019 annual general meeting.

A dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2018 with a total of RMB2,000 million has been proposed by the Board of Directors and approved by the shareholders in the 2018 annual general meeting on 26 April 2019.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 16. CASH AND BALANCES WITH CENTRAL BANK

	NOTE	As at 31 December 2019	As at 31 December 2018
Cash		3,185,322	3,253,449
Mandatory reserve deposits with central bank	(1)	62,788,556	67,023,668
Surplus reserve deposits with central bank	(2)	9,751,213	13,254,423
Other deposits with central bank	(3)	<u>1,688,503</u>	<u>2,403,636</u>
Total		<u>77,413,594</u>	<u>85,935,176</u>

- (1) The Group places mandatory reserve deposits with the People's Bank of China (the "PBOC"). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group's daily operations.

As at 31 December 2019, mandatory reserve deposits with the PBOC were calculated at 9.5% (31 December 2018: 11%) of eligible RMB deposits for the Bank, while for the subsidiaries were at 7.5%, 6.5% or 6% (31 December 2018: 9%, 8% or 7%); and 5% for foreign currency deposits from customers (31 December 2018: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits maintained with the PBOC are mainly for the purpose of clearing and position transferring.
- (3) Other deposits with central bank mainly represents the required fiscal deposits placed with the PBOC, which are non-interest bearing.

### 17. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2019	As at 31 December 2018
Deposits with:		
Domestic banks and other financial institutions	15,180,913	31,772,031
Overseas banks	<u>532,366</u>	<u>449,275</u>
Gross amount	<u>15,713,279</u>	<u>32,221,306</u>
Expected credit losses allowances (ECL allowances)	(87,914)	(13,161)
– Stage 1	(5,056)	(13,161)
– Stage 3	<u>(82,858)</u>	<u>–</u>
Carrying amount	<u>15,625,365</u>	<u>32,208,145</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 18. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2019	As at 31 December 2018
Placements with:		
Other domestic financial institutions	107,506,403	98,909,978
Domestic banks	<u>23,315,939</u>	<u>39,764,946</u>
Gross amount	<u>130,822,342</u>	<u>138,674,924</u>
ECL allowances	(446,582)	(131,381)
– Stage 1	(73,418)	(131,381)
– Stage 3	<u>(373,164)</u>	<u>–</u>
Carrying amount	<u><u>130,375,760</u></u>	<u><u>138,543,543</u></u>

### 19. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 31 December 2019			As at 31 December 2018		
	Contract/ Nominal amount	Fair Value		Contract/ Nominal amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency forward	3,209,133	59,948	(49,362)	7,649,663	92,975	(83,661)
Foreign exchange swap	3,633,258	16,776	(7,645)	378,927	1,015	–
Interest swap	9,043,972	2,609	(2,609)	4,256,600	–	(246)
Others	<u>870,000</u>	<u>12,930</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u><u>16,756,363</u></u>	<u><u>92,263</u></u>	<u><u>(59,616)</u></u>	<u><u>12,285,190</u></u>	<u><u>93,990</u></u>	<u><u>(83,907)</u></u>

### 20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December 2019	As at 31 December 2018
Analysed by collateral type:		
Debt securities	–	6,005,854
ECL allowances	<u>–</u>	<u>(5,121)</u>
Carrying amount	<u><u>–</u></u>	<u><u>6,000,733</u></u>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 21. LOANS AND ADVANCES TO CUSTOMERS

#### (1) Analysis of loans and advances to customers

	As at 31 December 2019	As at 31 December 2018
Gross loans and advances measured at amortised cost	416,998,187	360,943,002
Less: ECL allowances	<u>(20,744,107)</u>	<u>(17,109,505)</u>
Carrying amount of loans and advances measured at amortised cost	<u>396,254,080</u>	<u>343,833,497</u>
Carrying amount of loans and advances measured at fair value through other comprehensive income	<u>20,086,701</u>	<u>20,192,651</u>
Net loans and advances to customers	<u><u>416,340,781</u></u>	<u><u>364,026,148</u></u>

#### (2) Carrying amount of loans and advances measured at amortised cost

	As at 31 December 2019	As at 31 December 2018
Gross loans and advances to customers measured at amortised cost	416,998,187	360,943,002
Less: ECL allowances		
– Stage 1	(8,544,976)	(6,225,467)
– Stage 2	(5,205,721)	(5,113,766)
– Stage 3	<u>(6,993,410)</u>	<u>(5,770,272)</u>
Carrying amount of loans and advances measured at amortised cost	<u><u>396,254,080</u></u>	<u><u>343,833,497</u></u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (3) Analysed by assessment method of ECL allowances

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances measured at amortised cost	387,935,562	19,733,570	9,329,055	416,998,187
Less: ECL allowances	<u>(8,544,976)</u>	<u>(5,205,721)</u>	<u>(6,993,410)</u>	<u>(20,744,107)</u>
Carrying amount of loans and advances measured at amortised cost	<u>379,390,586</u>	<u>14,527,849</u>	<u>2,335,645</u>	<u>396,254,080</u>
Carrying amount of loans and advances measured at FVOCI	<u>20,073,282</u>	<u>1,469</u>	<u>11,950</u>	<u>20,086,701</u>
Expected credit losses of loans and advances measured at FVOCI	<u>(8,568)</u>	<u>(1)</u>	<u>(11,950)</u>	<u>(20,519)</u>
	As at 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances measured at amortised cost	316,347,777	35,778,870	8,816,355	360,943,002
Less: ECL allowances	<u>(6,225,467)</u>	<u>(5,113,766)</u>	<u>(5,770,272)</u>	<u>(17,109,505)</u>
Carrying amount of loans and advances measured at amortised cost	<u>310,122,310</u>	<u>30,665,104</u>	<u>3,046,083</u>	<u>343,833,497</u>
Carrying amount of loans and advances measured at FVOCI	<u>20,192,651</u>	<u>–</u>	<u>–</u>	<u>20,192,651</u>
Expected credit losses of loans and advances measured at FVOCI	<u>(23,864)</u>	<u>–</u>	<u>–</u>	<u>(23,864)</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (4) Movements of gross carrying amount on loans and advances to customers

Corporate loans and advances	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	185,788,433	34,392,561	7,506,052	227,687,046
Transfer:				
Transfer from stage 1 to stage 2	(12,470,734)	12,470,734	–	–
Transfer from stage 1 to stage 3	(1,817,680)	–	1,817,680	–
Transfer from stage 2 to stage 1	15,914,572	(15,914,572)	–	–
Transfer from stage 2 to stage 3	–	(881,808)	881,808	–
New financial assets originated or purchased	139,005,726	–	–	139,005,726
Derecognition and settlement	(98,260,517)	(11,864,256)	(916,180)	(111,040,953)
Write-offs and others	–	–	(1,129,252)	(1,129,252)
Others	(18,293)	240,602	15,529	237,838
As at 31 December 2019	<u>228,141,507</u>	<u>18,443,261</u>	<u>8,175,637</u>	<u>254,760,405</u>

Personal loans and advances	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	130,559,344	1,386,309	1,310,303	133,255,956
Transfer:				
Transfer from stage 1 to stage 2	(1,158,861)	1,158,861	–	–
Transfer from stage 1 to stage 3	(842,027)	–	842,027	–
Transfer from stage 2 to stage 1	188,005	(188,005)	–	–
Transfer from stage 2 to stage 3	–	(275,993)	275,993	–
Transfer from stage 3 to stage 1	52,287	–	(52,287)	–
Transfer from stage 3 to stage 2	–	17,010	(17,010)	–
New financial assets originated or purchased	93,313,266	–	–	93,313,266
Derecognition and settlement	(62,298,343)	(807,462)	(389,844)	(63,495,649)
Write-offs and others	–	–	(814,185)	(814,185)
Others	(19,616)	(411)	(1,579)	(21,606)
As at 31 December 2019	<u>159,794,055</u>	<u>1,290,309</u>	<u>1,153,418</u>	<u>162,237,782</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (4) Movements of gross carrying amount on loans and advances to customers (Continued)

Corporate loans and advances	For the year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	172,811,872	36,937,107	5,003,505	214,752,484
Transfer:				
Transfer from stage 1 to stage 2	(21,416,553)	21,416,553	–	–
Transfer from stage 1 to stage 3	(2,413,702)	–	2,413,702	–
Transfer from stage 2 to stage 1	5,785,949	(5,785,949)	–	–
Transfer from stage 2 to stage 3	–	(3,612,445)	3,612,445	–
Transfer from stage 3 to stage 2	–	45,660	(45,660)	–
New financial assets originated or purchased	128,730,288	–	–	128,730,288
Derecognition and settlement	(97,941,344)	(14,661,057)	(1,477,804)	(114,080,205)
Write-offs and transfer out	–	–	(2,118,570)	(2,118,570)
Others	231,923	52,692	118,434	403,049
As at 31 December 2018	<u>185,788,433</u>	<u>34,392,561</u>	<u>7,506,052</u>	<u>227,687,046</u>

Personal loans and advances	For the year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	110,363,732	1,818,487	1,369,113	113,551,332
Transfer:				
Transfer from stage 1 to stage 2	(1,236,852)	1,236,852	–	–
Transfer from stage 1 to stage 3	(826,868)	–	826,868	–
Transfer from stage 2 to stage 1	266,806	(266,806)	–	–
Transfer from stage 2 to stage 3	–	(423,958)	423,958	–
Transfer from stage 3 to stage 1	50,518	–	(50,518)	–
Transfer from stage 3 to stage 2	–	11,859	(11,859)	–
New financial assets originated or purchased	75,762,106	–	–	75,762,106
Derecognition and settlement	(53,931,248)	(991,737)	(379,843)	(55,302,828)
Write-offs and transfer out	–	–	(867,839)	(867,839)
Others	111,150	1,612	423	113,185
As at 31 December 2018	<u>130,559,344</u>	<u>1,386,309</u>	<u>1,310,303</u>	<u>133,255,956</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (5) Movements of ECL allowances on loans and advances to customers

Corporate loans and advances	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	3,552,897	4,784,458	4,739,149	13,076,504
Transfer:				
Transfer from stage 1 to stage 2	(1,136,299)	1,136,299	–	–
Transfer from stage 1 to stage 3	(440,394)	–	440,394	–
Transfer from stage 2 to stage 1	2,397,252	(2,397,252)	–	–
Transfer from stage 2 to stage 3	–	(252,565)	252,565	–
ECL changes arisen from stage transfer	(2,144,890)	2,003,626	1,331,448	1,190,184
New financial assets originated or purchased	4,138,636	–	–	4,138,636
Derecognition or settlement	(1,317,689)	(669,470)	(305,046)	(2,292,205)
Remeasurement	(245,427)	212,756	733,600	700,929
Write-offs and others	–	–	(1,129,252)	(1,129,252)
As at 31 December 2019	<u>4,804,086</u>	<u>4,817,852</u>	<u>6,062,858</u>	<u>15,684,796</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (5) Movements of ECL allowances on loans and advances to customers (Continued)

Personal loans and advances	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	2,672,570	329,308	1,031,123	4,033,001
Transfer:				
Transfer from stage 1 to stage 2	(177,803)	177,803	–	–
Transfer from stage 1 to stage 3	(157,235)	–	157,235	–
Transfer from stage 2 to stage 1	65,007	(65,007)	–	–
Transfer from stage 2 to stage 3	–	(74,681)	74,681	–
Transfer from stage 3 to stage 1	40,087	–	(40,087)	–
Transfer from stage 3 to stage 2	–	12,437	(12,437)	–
ECL changes arisen from stage transfer	(100,223)	142,154	635,425	677,356
New financial assets originated or purchased	2,562,008	–	–	2,562,008
Derecognition or settlement	(1,162,498)	(140,793)	(184,916)	(1,488,207)
Remeasurement	(1,023)	6,648	83,713	89,338
Write-offs and others	–	–	(814,185)	(814,185)
As at 31 December 2019	<u>3,740,890</u>	<u>387,869</u>	<u>930,552</u>	<u>5,059,311</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (5) Movements of ECL allowances on loans and advances to customers (Continued)

Corporate loans and advances	For the year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	2,722,234	4,471,975	3,371,886	10,566,095
Transfer:				
Transfer from stage 1 to stage 2	(1,664,653)	1,664,653	–	–
Transfer from stage 1 to stage 3	(517,088)	–	517,088	–
Transfer from stage 2 to stage 1	724,478	(724,478)	–	–
Transfer from stage 2 to stage 3	–	(679,410)	679,410	–
Transfer from stage 3 to stage 2	–	26,058	(26,058)	–
ECL changes arisen from stage transfer	(627,381)	1,160,497	2,741,163	3,274,279
New financial assets originated or purchased	4,209,093	–	–	4,209,093
Derecognition or settlement	(1,181,692)	(830,525)	(502,534)	(2,514,751)
Remeasurement	(112,094)	(304,312)	76,764	(339,642)
Write-offs and others	–	–	(2,118,570)	(2,118,570)
As at 31 December 2018	<u>3,552,897</u>	<u>4,784,458</u>	<u>4,739,149</u>	<u>13,076,504</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (5) Movements of ECL allowances on loans and advances to customers (Continued)

Personal loans and advances	For the year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	1,652,015	394,483	1,109,466	3,155,964
Transfer:				
Transfer from stage 1 to stage 2	(131,857)	131,857	–	–
Transfer from stage 1 to stage 3	(124,884)	–	124,884	–
Transfer from stage 2 to stage 1	80,345	(80,345)	–	–
Transfer from stage 2 to stage 3	–	(103,619)	103,619	–
Transfer from stage 3 to stage 1	39,504	–	(39,504)	–
Transfer from stage 3 to stage 2	–	8,871	(8,871)	–
ECL changes arisen from stage transfer	(114,184)	134,085	716,385	736,286
New financial assets originated or purchased	1,802,603	–	–	1,802,603
Derecognition or settlement	(746,518)	(158,510)	(192,727)	(1,097,755)
Remeasurement	215,546	2,486	85,710	303,742
Write-offs and others	–	–	(867,839)	(867,839)
As at 31 December 2018	<u>2,672,570</u>	<u>329,308</u>	<u>1,031,123</u>	<u>4,033,001</u>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 22. FINANCIAL INVESTMENTS

#### (1) By measurement

		As at 31 December 2019	As at 31 December 2018
Financial assets measured at fair value through profit or loss (FVPL)	(a)	23,677,991	15,094,518
Financial assets measured at amortised cost	(b)	346,418,416	289,564,720
Financial assets measured at FVOCI	(c)	7,256,842	7,713,114
– Debt instruments		6,679,007	7,096,739
– Equity instruments		<u>577,835</u>	<u>616,375</u>
Total		<u>377,353,249</u>	<u>312,372,352</u>

#### (a) Financial assets measured at fair value through profit or loss

##### By nature

		As at 31 December 2019	As at 31 December 2018
Debt securities	(i)	4,960,266	5,276,083
Investment in wealth management products	(ii)	13,209,685	9,818,435
Funds		<u>5,508,040</u>	<u>–</u>
Total		<u>23,677,991</u>	<u>15,094,518</u>
Analysed as:			
– Listed outside Hong Kong		4,960,266	5,276,083
– Unlisted		<u>18,717,725</u>	<u>9,818,435</u>
Total		<u>23,677,991</u>	<u>15,094,518</u>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 22. FINANCIAL INVESTMENTS (Continued)

### (1) By measurement (Continued)

#### (a) Financial assets measured at fair value through profit or loss (Continued)

By type of issuers

##### (i) Debt securities

	As at 31 December 2019	As at 31 December 2018
Debt securities issued by:		
Public sector and quasi-governments	105,451	404,062
Financial institutions	4,356,761	4,265,135
Corporations	–	606,886
Interbank deposit certificates	498,054	–
<b>Total</b>	<b>4,960,266</b>	<b>5,276,083</b>

Debt securities investments measured at fair value through profit or loss are all traded on the China Domestic Interbank Bond Market.

##### (ii) Investment in wealth management products (WMPs)

	As at 31 December 2019	As at 31 December 2018
WMPs issued by:		
Banks	13,209,685	9,818,435

During the year ended 31 December 2019 and 2018, there were no significant gains or losses incurred due to changes in credit risk in regard to financial investments in WMPs within the Group, which are measured at FVPL.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 22. FINANCIAL INVESTMENTS (Continued)

#### (1) By measurement (Continued)

##### (b) Financial assets at amortised cost

	As at 31 December 2019	As at 31 December 2018
Government bonds	97,418,718	82,403,604
Public sector and quasi-government bonds	50,521,058	38,686,150
Financial institutions bonds	29,134,241	11,975,092
Corporate bonds	61,420,899	50,906,424
Interbank deposit certificates	69,022,311	67,159,384
Trust plans	21,043,307	33,588,976
Debt financing plans	<u>21,254,538</u>	<u>7,026,714</u>
Gross balances	<u>349,815,072</u>	<u>291,746,344</u>
ECL Allowances		
– Stage 1	(1,101,930)	(1,694,617)
– Stage 2	<u>(2,294,726)</u>	<u>(487,007)</u>
Net balances	<u>346,418,416</u>	<u>289,564,720</u>
Analysed as:		
Listed outside Hong Kong	307,310,004	250,918,732
Unlisted	<u>39,108,412</u>	<u>38,645,988</u>
Total	<u>346,418,416</u>	<u>289,564,720</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 22. FINANCIAL INVESTMENTS (Continued)

#### (1) By measurement (Continued)

(c) Financial investments measured at fair value through other comprehensive income

	As at 31 December 2019	As at 31 December 2018
Debt instruments:		
Public sector and quasi-government bonds	6,309,267	–
Corporate bonds	369,740	6,238,482
Others	–	858,257
Subtotal	<u>6,679,007</u>	<u>7,096,739</u>
Equity instruments:		
Banks and other financial institutions	42,687	55,690
Other corporations	<u>535,148</u>	<u>560,685</u>
Subtotal	<u>577,835</u>	<u>616,375</u>
Total	<u><u>7,256,842</u></u>	<u><u>7,713,114</u></u>
Analysed as:		
Listed outside Hong Kong	7,222,155	6,814,325
Listed in Hong Kong	34,687	32,532
Unlisted	–	866,257
Total	<u><u>7,256,842</u></u>	<u><u>7,713,114</u></u>

(i) Financial assets measured at FVOCI included in “Listed outside Hong Kong” are traded in the China Domestic Interbank Bond Market; equity instruments presented in “Listed outside Hong Kong” are listed in mainland China.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 22. FINANCIAL INVESTMENTS (Continued)

#### (2) Movements of gross carrying amount on financial assets

Financial assets measured at amortised cost

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	289,234,500	2,511,844	–	291,746,344
Transfer:				
Transfer from stage 1 to stage 2	(5,166,821)	5,166,821	–	–
Transfer from stage 2 to stage 1	802,745	(802,745)	–	–
New financial assets originated or purchased	164,516,638	–	–	164,516,638
Derecognition or settlement	(106,428,732)	(1,480,068)	–	(107,908,800)
Others	1,350,447	110,443	–	1,460,890
As at 31 December 2019	<u>344,308,777</u>	<u>5,506,295</u>	<u>–</u>	<u>349,815,072</u>

	As at 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	159,582,210	2,507,881	158,546	162,248,637
Transfer:				
From stage 1 to stage 2	(2,580,835)	2,580,835	–	–
From stage 2 to stage 1	2,335,600	(2,335,600)	–	–
New financial assets originated or purchased	164,591,915	–	–	164,591,915
Derecognition or settlement	(38,543,023)	(172,281)	(108,116)	(38,823,420)
Write-offs and transfer out	–	–	(50,430)	(50,430)
Others	3,848,633	(68,991)	–	3,779,642
As at 31 December 2018	<u>289,234,500</u>	<u>2,511,844</u>	<u>–</u>	<u>291,746,344</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 22. FINANCIAL INVESTMENTS (Continued)

#### (2) Movements of gross carrying amount on financial assets (Continued)

Debt instruments measured at fair value through other comprehensive income

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	7,043,931	52,808	–	7,096,739
New financial assets originated or purchased	6,210,397	–	–	6,210,397
Derecognition or settlement	(6,664,866)	(52,808)	–	(6,717,674)
Remeasurement	89,545	–	–	89,545
As at 31 December 2019	<u>6,679,007</u>	<u>–</u>	<u>–</u>	<u>6,679,007</u>
	As at 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	7,463,955	–	–	7,463,955
Transfer:				
From stage 1 to stage 2	(34,150)	34,150	–	–
New financial assets originated or purchased	1,768,075	17,278	–	1,785,353
Derecognition or settlement	(1,170,402)	–	–	(1,170,402)
Remeasurement	(983,547)	1,380	–	(982,167)
As at 31 December 2018	<u>7,043,931</u>	<u>52,808</u>	<u>–</u>	<u>7,096,739</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 22. FINANCIAL INVESTMENTS (Continued)

#### (3) Analysed by assessment method of ECL allowances

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	344,308,777	5,506,295	–	349,815,072
Less: ECL allowances	(1,101,930)	(2,294,726)	–	(3,396,656)
Carrying amount of financial assets measured at amortised cost	343,206,847	3,211,569	–	346,418,416
Carrying amount of Debt instruments measured at FVOCI	6,679,007	–	–	6,679,007
Carrying amount of financial investments which recognised ECL	349,885,854	3,211,569	–	353,097,423
ECL allowances of financial assets measured at FVOCI	(778)	–	–	(778)
	As at 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	289,234,500	2,511,844	–	291,746,344
Less: ECL allowances	(1,694,617)	(487,007)	–	(2,181,624)
Carrying amount of financial assets measured at amortised cost	287,539,883	2,024,837	–	289,564,720
Carrying amount of financial assets measured at FVOCI	7,043,931	52,808	–	7,096,739
Carrying amount of financial investments which recognised ECL	294,583,814	2,077,645	–	296,661,459
ECL allowance of financial assets measured at FVOCI	(51,596)	(557)	–	(52,153)

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 22. FINANCIAL INVESTMENTS (Continued)

#### (4) Analysed by movements of ECL allowances

Financial assets measured at amortised cost

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	1,694,617	487,007	–	2,181,624
Transfer:				
From stage 1 to stage 2	(557,148)	557,148	–	–
From stage 2 to stage 1	9,489	(9,489)	–	–
ECL changes arisen from stage transfer	(7,412)	1,354,168	–	1,346,756
New financial assets originated or purchased	1,047,606	–	–	1,047,606
Derecognition or settlement	(844,361)	(33,382)	–	(877,743)
Remeasurement	(240,861)	(60,726)	–	(301,587)
As at 31 December 2019	<u>1,101,930</u>	<u>2,294,726</u>	<u>–</u>	<u>3,396,656</u>
	As at 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	1,567,643	18,352	107,133	1,693,128
Transfer:				
From stage 1 to stage 2	(34,126)	34,126	–	–
From stage 2 to stage 1	17,943	(17,943)	–	–
ECL changes arisen from stage transfer	(15,658)	452,881	–	437,223
New financial assets originated or purchased	525,819	–	–	525,819
Derecognition or settlement	(583,702)	(409)	(82,925)	(667,036)
Remeasurement	216,698	–	26,222	242,920
Write-offs and others	–	–	(50,430)	(50,430)
As at 31 December 2018	<u>1,694,617</u>	<u>487,007</u>	<u>–</u>	<u>2,181,624</u>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 22. FINANCIAL INVESTMENTS (Continued)

#### (4) Analysed by movements of ECL allowances (Continued)

Financial assets measured at fair value through other comprehensive income

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	51,596	557	–	52,153
Derecognition or settlement	(50,405)	(557)	–	(50,962)
Remeasurement	(413)	–	–	(413)
As at 31 December 2019	<u>778</u>	<u>–</u>	<u>–</u>	<u>778</u>

	As at 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	40,093	–	–	40,093
Transfer:				
From stage 1 to stage 2	(81)	81	–	–
ECL changes arisen from stage transfer	–	453	–	453
New financial assets originated or purchased	9,394	23	–	9,417
Derecognition or settlement	(2,848)	–	–	(2,848)
Remeasurement	5,038	–	–	5,038
As at 31 December 2018	<u>51,596</u>	<u>557</u>	<u>–</u>	<u>52,153</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 23. SUBSIDIARIES

As at 31 December 2019, details of the Bank's subsidiaries are set out below:

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting power in the general meeting (%)	Principal activities
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.	23/04/2010	Jiangsu	200	58.50	58.50	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.	(i) 12/11/2010	Sichuan	100	81.00	81.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd.	(i) 14/12/2010	Yunnan	200	90.00	90.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.	(i) 04/12/2012	Yunnan	100	100.00	100.00	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd.	(i) 09/01/2013	Yunnan	100	81.00	81.00	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.	09/01/2013	Guangxi	100	90.00	90.00	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd.	04/02/2013	Fujian	100	93.00	93.00	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd.	(i) 05/02/2013	Fujian	200	85.00	85.00	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.	23/04/2013	Yunnan	62	82.26	82.26	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd.	09/08/2013	Fujian	100	59.00	59.00	Banking
Fujian Shishi CQRC Village and Township Bank Co., Ltd.	02/09/2015	Fujian	200	51.00	51.00	Banking
Yunnan Xishan CQRC Village and Township Bank Co., Ltd.	05/01/2016	Yunnan	200	90.00	90.00	Banking
CQRC Financial Leasing Co., Ltd.	19/12/2014	Chongqing	2,500	68.00	68.00	Financial Leasing

- (i) The proportion of equity interest and proportion of voting power in the board of directors remained the same as above for the year ended 31 December 2019.

For the year ended 31 December 2018, the Bank acquired additional interests from the non-controlling shareholders of its subsidiaries Sichuan Dazhu CQRC Village and Township Bank Co., Ltd., Yunnan Dali CQRC Village and Township Bank Co., Ltd., Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd., Yunnan Heqing CQRC Village and Township Bank Co., Ltd., and Fujian Fu'an CQRC Village and Township Bank Co., Ltd., resulting in increases in long-term equity investments by RMB17,700 thousand, RMB98,280 thousand, RMB55,370 thousand, RMB32,100 thousand and RMB61,200 thousand, respectively. The proportion of equity interest and proportion of voting right in the board of directors increased by 30%, 39%, 49%, 30% and 30%, respectively and the equity premium or discount amount was charged to capital reserve.

All the 13 subsidiaries above were sponsored to establish by the Bank. As at 31 December 2019 and 31 December 2018, the amount of non-controlling interests of each subsidiary of the Bank was insignificant to the Group and hence not disclosed further.

There were no significant restrictions on the Bank's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 24. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
<b>Cost</b>						
As at 1 January 2018	6,536,778	1,066,405	112,638	745,289	263,978	8,725,088
Additions	22,878	209,187	3,898	29,641	300,098	565,702
Transferred in	142,299	3,030	–	2,914	(148,243)	–
Transferred to other assets	–	–	–	–	(13,170)	(13,170)
Disposals	(19,629)	(37,829)	(8,031)	(17,582)	–	(83,071)
As at 31 December 2018	6,682,326	1,240,793	108,505	760,262	402,663	9,194,549
Additions	89,941	138,361	–	60,492	516,683	805,477
Transferred in	354,368	13	–	6,158	(360,539)	–
Transferred to other assets	–	–	–	–	(6,229)	(6,229)
Disposals	(58,564)	(47,731)	(9,836)	(20,992)	–	(137,123)
As at 31 December 2019	7,068,071	1,331,436	98,669	805,920	552,578	9,856,674
<b>Accumulated depreciation</b>						
As at 1 January 2018	(2,366,364)	(764,304)	(91,863)	(501,590)	–	(3,724,121)
Charge for the year	(464,483)	(127,250)	(8,892)	(95,863)	–	(696,488)
Disposals	11,751	35,026	5,358	15,518	–	67,653
As at 31 December 2018	(2,819,096)	(856,528)	(95,397)	(581,935)	–	(4,352,956)
Charge for the year	(425,124)	(146,851)	(5,256)	(82,698)	–	(659,929)
Disposals	54,237	46,236	9,428	20,194	–	130,095
As at 31 December 2019	(3,189,983)	(957,143)	(91,225)	(644,439)	–	(4,882,790)
<b>Carrying amount</b>						
As at 31 December 2019	3,878,088	374,293	7,444	161,481	552,578	4,973,884
As at 31 December 2018	3,863,230	384,265	13,108	178,327	402,663	4,841,593

According to the relevant laws and regulations, subsequent to the Group's transformation into a joint stock company, the legal title of properties previously held by the predecessor entities are to be transferred to the Group. As at 31 December 2019, the registration transfer process of certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 25. GOODWILL

	As at 31 December 2019	As at 31 December 2018
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

Particulars impairment testing on goodwill are disclosed in Note 26.

### 26. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in Note 25 has been allocated to three individual cash generating units (CGUs), including corporate banking, personal banking and treasury operations. The carrying amounts of goodwill as at 31 December 2019 and 31 December 2018 allocated to these units are as follows:

	As at 31 December 2019	As at 31 December 2018
Corporate banking (Unit A)	234,934	234,934
Personal banking (Unit B)	108,019	108,019
Treasury operations (Unit C)	<u>97,176</u>	<u>97,176</u>
Total	<u>440,129</u>	<u>440,129</u>

During the years ended 31 December 2019 and 31 December 2018, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of corporate banking unit, personal banking unit and treasury operations unit has been determined based on calculation of a value in use. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 8.80% at 31 December 2019 (31 December 2018: 8.07%). The discount rate used reflects specific risks relating to the relevant CGUs. Cash flows beyond the five-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant domestic industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 27. OTHER ASSETS

		As at 31 December 2019	As at 31 December 2018
Interest receivable	(1)	25,252	26,807
Land use rights		402,523	420,632
Pre-paid tax		93,106	80,203
Foreclosed assets	(2)	101,023	103,876
Intangible assets	(3)	121,802	115,473
Others	(4)	779,991	896,279
Total		<u>1,523,697</u>	<u>1,643,270</u>

#### (1) Interest receivable

As at 31 December 2019 and 31 December 2018, the Group included the interests on financial instruments, accrued using the effective interest rate method, in the carrying amounts of the corresponding financial instruments, and recorded the interests on related financial instruments that had become due and receivable but not yet been received at the balance sheet date in interest receivable under other assets.

#### (2) Foreclosed assets

*Analysis by type*

		As at 31 December 2019	As at 31 December 2018
Land use rights and buildings		113,528	120,495
Allowance for impairment losses		<u>(12,505)</u>	<u>(16,619)</u>
Total		<u>101,023</u>	<u>103,876</u>

(3) Intangible assets are mainly computer software which are amortised over 10 years.

(4) The amounts mainly represent receivables from suppliers, decoration fees of leased assets, temporary payments of other receivables, deferred expenditure.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 28. BORROWINGS FROM CENTRAL BANK

As at 31 December 2019, borrowings from central bank mainly contain the mid-term loan facilities from PBOC, of which the carrying amount is RMB27,500 million (31 December 2018: RMB27,500 million).

### 29. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2019	As at 31 December 2018
Deposits from domestic banks	8,100,393	21,307,895
Deposits from other domestic financial institutions	<u>1,392,670</u>	<u>2,192,803</u>
Total	<u>9,493,063</u>	<u>23,500,698</u>

Deposits from banks and other financial institutions are interest bearing at prevailing market interest rates.

### 30. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2019	As at 31 December 2018
Placements from domestic banks and other financial institutions	25,144,137	27,138,205
Placements from overseas banks	<u>931,492</u>	<u>1,735,556</u>
Total	<u>26,075,629</u>	<u>28,873,761</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 31. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2019	As at 31 December 2018
Analysed by collateral type:		
– Debt securities	11,511,147	2,227,636
– Bills	<u>3,574,981</u>	<u>3,693,042</u>
Total	<u>15,086,128</u>	<u>5,920,678</u>

All repurchase agreements are due within twelve months from inception.

### 32. DEPOSITS FROM CUSTOMERS

	As at 31 December 2019	As at 31 December 2018
Demand deposits		
Corporate customers	125,140,043	122,756,228
Individual customers	116,031,181	111,100,497
Time deposits		
Corporate customers	30,890,737	31,179,270
Individual customers	395,540,467	343,579,509
Pledged deposits	5,783,150	7,508,095
Others (Including outward remittance and remittance outstanding)	<u>16,241</u>	<u>42,593</u>
Total	<u>673,401,819</u>	<u>616,166,192</u>

(1) Analysed by products for which pledged deposits is required:

	As at 31 December 2019	As at 31 December 2018
Acceptances	2,947,242	3,731,410
Loans and receivables	1,165,063	1,212,731
Letters of credit	561,251	367,172
Letters of guarantee	73,055	530,705
Others	<u>1,036,539</u>	<u>1,666,077</u>
Total	<u>5,783,150</u>	<u>7,508,095</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 33. ACCRUED STAFF COSTS

		As at 31 December 2019	As at 31 December 2018
Salaries, bonuses and allowances		2,147,580	2,590,007
Supplementary retirement benefits	(1)	1,907,119	2,624,659
Early retirement benefits	(2)	196,636	213,076
Labor union fees and staff education expenses		216,018	197,572
Annuity	(3)	60	–
Total		4,467,413	5,625,314

(1) Supplementary retirement benefits

The Group sponsors defined benefit plans for qualified employees. The defined benefit plans include supplementary retirement benefits.

The plans mainly expose the Group to actuarial risks such as: interest rate risk, longevity risk and employee benefit risk.

- Interest risk: A decrease in the bond interest rate will increase the plan liability.
- Longevity risk: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality or survival ages of the participants both during and after their employment. An increase in the life expectancy of the participants will increase the plan's liability.
- Employee benefit risk: The present value of the defined benefit plan liabilities are calculated by reference to the future benefits of the participants. As such, an increase in the benefit of the participants will increase the plan's liability.

The Group's obligation in respect of the supplementary retirement benefits at the end of the reporting period was calculated using the projected accumulated unit credit method by Willis Towers Watson, an external independent actuary.

Supplementary retirement benefits include supplementary pension and medical benefits.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 33. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

The principal assumptions used for the purpose of the actuarial valuations for supplementary retirement benefits were as follows:

	As at 31 December 2019	As at 31 December 2018
Discount rate-supplementary retirement benefits	3.50%	3.50%
Discount rate-early retirement benefits	3.00%	3.00%
Annual growth rate of annuity payment	6.00%	N/A
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2010-2013	

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	As at 31 December 2019	As at 31 December 2018
Service cost:		
– Current service cost	2,190	16,420
– Past service cost	(716,420)	3,850
– New participants during the period	3,810	3,850
– Plan amendments (i)	(720,230)	–
Net interest expense	<u>52,990</u>	<u>98,030</u>
Components of supplementary retirement benefit costs recognised in profit or loss	<u>(661,240)</u>	<u>118,300</u>
Remeasurement on the net defined benefit liability	<u>39,820</u>	<u>234,070</u>
Components of supplementary retirement benefit cost recognised in other comprehensive income	<u>39,820</u>	<u>234,070</u>
Total	<u>(621,420)</u>	<u>352,370</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 33. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

Movement in the present value of the supplementary retirement benefit obligation in the current year were as follows:

	As at 31 December 2019	As at 31 December 2018
Defined benefit obligation at beginning of the year	2,624,659	2,381,298
Interest cost	52,990	98,030
Loss arising from re-measurement on the defined benefit liability:		
– Actuarial (gain)/loss arising from changes in financial assumptions	39,820	234,070
Current service cost	2,190	16,420
Past service cost	(716,420)	3,850
New participants during the period	3,810	3,850
Plan amendments (i)	(720,230)	–
Benefits paid	<u>(96,120)</u>	<u>(109,009)</u>
Defined benefit obligation at end of the year	<u>1,907,119</u>	<u>2,624,659</u>

- (i) According to the Circular of the Chongqing Municipal Government concerning the Adjustment of Policies on the Contributions to Large-Amount Supplemental Medical Insurance Coverages to Decouple Retiree Medical Insurance Benefits from Employer Contributions (*Yu Fu Fai* [2018] No. 59) and the Circular of Chongqing Medical Security Bureau and Chongqing Finance Bureau concerning the Adjustment of Policies on the Contributions to Medical Insurance Coverages to Decouple Retiree Medical Insurance Benefits from Employer Contributions (*Yu Yi Bao Fa* [2018] No. 27), the Group ceased to pay the large-amount supplemental medical insurance for retired employees since 1 January 2019. Therefore the supplemental medical insurance has been excluded from the retirement benefit plans, which led to the change of present value of the defined benefit plan obligation. During the year ended 31 December 2019, the amount of the adjustment recognised in profit or loss was RMB781 million.

According to the Circular regarding the Acceleration in Implementing Annuity Plans and Improvement of Compliance in the Payment of Off-Budget Expenditures (*Yu Guo Zi Fa* [2017] No. 236) issued by Chongqing State-owned Assets Supervision and Administration Commission, the Group implemented the annuity plan at the end of 2019, and re-evaluated and determined the scope of employees to be covered in the supplementary retirement benefits. The change in the scope of employees eligible for supplementary retirement benefits involved an increase to the present value of the defined benefit plan obligation, and a subsequent adjustment of RMB61 million to the profit or loss of the Group for the year ended 31 December 2019.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 33. ACCRUED STAFF COSTS (Continued)

(2) Early retirement benefits

Early retirement benefits include basic salary and allowance paid monthly/annually, social insurance contribution and housing fund, and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program to original and new retired staff until they reach their normal retirement age.

For the year ended 31 December 2019, the Group incurred RMB40 million (2018: RMB27 million), and paid RMB57 million (2018: RMB55 million) in respect of the early retirement benefits plan.

(3) Annuity plan

According to the Circular of Chongqing Human Resources and Social Security Bureau and Chongqing Finance Bureau concerning Issues relating to the Implementation of the Administrative Rules for Annuity Plans (Yu Ren She Fa [2018] No. 133) and the Guidelines of Chongqing State-owned Asset Supervision and Administration Commission for the Implementation of Annuity Plans by State-owned Key Business Enterprises under the Chongqing Municipality (Yu Guo Zi [2018] No. 597), and other relevant laws, regulations and rules, Chongqing Rural Commercial Bank Co., Ltd. implemented its annuity plan for voluntary participation in 2019, and it applied to current employees working on a contract basis who were to retire in years beginning on or after 1 January 2019, early retirees, and full-time employees of the subsidiaries and village banks controlled by the Group.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 34. DEBT SECURITIES ISSUED

		As at 31 December 2019	As at 31 December 2018
Interbank certificates of deposit issued	(1)	154,156,979	144,345,729
Bonds issued	(2)	<u>17,173,088</u>	<u>15,263,688</u>
<b>Total</b>		<u><u>171,330,067</u></u>	<u><u>159,609,417</u></u>

(1) As at 31 December 2019 and 31 December 2018, the tenor of the outstanding certificates of deposit issued by the Bank in the China Domestic Internal Bond Market was 1 to 12 months.

(2) As approved by the PBOC and CBIRC, the Bank issued callable tier-two capital bonds of RMB5,000 million on 13 June 2019.

As approved by the PBOC and CBIRC, CQRC Financial Leasing Co., Ltd., the subsidiary of the Bank, issued financial bonds of RMB2,000 million on 1 April 2019.

As approved by the PBOC and CBIRC, the Bank issued special financial bonds for small and micro enterprise loans of RMB3,000 million on 14 December 2018.

As approved by the PBOC and CBIRC, the Bank issued financial bonds of RMB3,000 million on 8 May 2018.

As approved by the PBOC and CBIRC, the Bank issued callable tier-two capital bonds of RMB4,000 million on 7 December 2016.

As approved by the PBOC and CBIRC, the Bank issued callable tier-two capital bonds of RMB5,000 million on 19 June 2014. The Bank exercised the early redemption option and redeemed all the bonds of RMB5,000 million at face value on 23 June 2019.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 35. DEFERRED TAXATION

#### (1) Recognised deferred tax assets and liabilities which have not been offset:

	As at 31 December 2019	
	Deferred tax assets/(liability)	Deductible/ (taxable) temporary differences
Deferred tax assets		
ECL allowances	5,141,016	20,564,067
Accrued and unpaid wages, bonuses and allowances	583,675	2,334,700
Retirement benefits	161,182	644,728
Adjustment of book value of assets and liabilities on the date of establishment	42,128	168,513
Government grants	20,211	80,844
Provision	100,905	403,619
Others	32,739	130,954
	<u>6,081,856</u>	<u>24,327,425</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(40,607)	(162,428)
Changes in fair value of financial instruments	(53,176)	(212,704)
Others	(73,776)	(295,104)
	<u>(167,559)</u>	<u>(670,236)</u>
	<u>5,914,297</u>	<u>23,657,189</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 35. DEFERRED TAXATION (Continued)

(1) **Recognised deferred tax assets and liabilities which have not been offset**  
(Continued):

	As at 31 December 2018	
	Deferred tax assets/(liability)	Deductible/(taxable) temporary differences
Deferred tax assets		
ECL allowances	3,606,897	14,427,589
Accrued and unpaid wages, bonuses and allowances	687,863	2,751,451
Retirement benefits	155,337	621,348
Adjustment of book value of assets and liabilities on the date of establishment	51,782	207,127
Government grants	20,860	83,441
Provision	76,905	307,619
	<u>4,599,644</u>	<u>18,398,575</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(42,731)	(170,924)
Changes in fair value of financial instruments	(43,953)	(175,812)
	<u>(86,684)</u>	<u>(346,736)</u>
	<u>4,512,960</u>	<u>18,051,839</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 35. DEFERRED TAXATION (Continued)

- (2) The followings are the major deferred tax assets and liabilities recognised and movements thereon:

	ECL allowances	Retirement benefits	Accrued salaries bonuses and allowances	Provision	Changes in fair value of financial instruments	Government grants	Others	Total
As at 1 January 2019	3,606,897	155,337	687,863	76,905	(43,953)	20,860	9,051	4,512,960
Credit/(Charge) to profit or loss	1,534,119	(4,110)	(104,188)	24,000	(48,098)	(649)	(62,247)	1,338,827
Credit to other comprehensive income	-	9,955	-	-	37,150	-	13,680	60,785
Others	-	-	-	-	1,725	-	-	1,725
As at 31 December 2019	<u>5,141,016</u>	<u>161,182</u>	<u>583,675</u>	<u>100,905</u>	<u>(53,176)</u>	<u>20,211</u>	<u>(39,516)</u>	<u>5,914,297</u>
As at 1 January 2018	2,252,805	103,844	591,731	110,709	106,186	21,510	34,377	3,221,162
Credit/(Charge) to profit or loss	1,354,092	(7,024)	96,132	(33,804)	(125,910)	(650)	(19,918)	1,262,918
Credit/(Charge) to other comprehensive income	-	58,517	-	-	(24,229)	-	(5,408)	28,880
As at 31 December 2018	<u>3,606,897</u>	<u>155,337</u>	<u>687,863</u>	<u>76,905</u>	<u>(43,953)</u>	<u>20,860</u>	<u>9,051</u>	<u>4,512,960</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 36. OTHER LIABILITIES

		As at 31 December 2019	As at 31 December 2018
Other payables	(1)	6,584,792	5,908,972
Deferred income	(2)	695,708	624,453
Tax payables (excluding corporate income tax payable)	(3)	367,379	395,132
Dividends payable		48,405	37,839
Provision	(4)	403,619	307,619
<b>Total</b>		<b>8,099,903</b>	<b>7,274,015</b>

#### (1) OTHER PAYABLES

		As at 31 December 2019	As at 31 December 2018
Payables from providing agency services		2,308,306	2,025,789
Leasing business related payables		2,531,433	1,955,221
Items in process of clearing and settlement		306,960	1,138,575
Long term loans	(i)	37,480	39,064
Grant payable on behalf of government		27,857	55,917
Others		1,372,756	694,406
<b>Total</b>		<b>6,584,792</b>	<b>5,908,972</b>

- (i) The amounts represent special-purpose loans from International Fund for Agriculture Development (“IFAD”) to support the petty loans in the PRC.

As at 31 December 2019 and 31 December 2018, the loans bear a fixed interest rate of 0.75% per annum. At 31 December 2019, these loans have approximately remaining 25 years. The terms are similar to the related loans granted to customers.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 36. OTHER LIABILITIES (Continued)

#### (2) DEFERRED INCOME

Deferred income mainly represents deferred financial leasing income and government grants, for which the income will be amortised and recognised over the periods necessary to match them with the related costs.

	As at 31 December 2019	As at 31 December 2018
Deferred leasing income	548,502	481,374
Government grants	78,955	81,674
Fee and commission	41,725	31,926
Operating leasing	1,505	2,393
Other deferred income	25,021	27,086
<b>Total</b>	<b>695,708</b>	<b>624,453</b>

#### (3) TAX PAYABLES (EXCLUDING CORPORATE INCOME TAX PAYABLE)

	As at 31 December 2019	As at 31 December 2018
Value added tax	288,721	341,985
Urban maintenance and construction tax	20,333	24,660
Individual income tax	6,227	8,916
Others	52,098	19,571
<b>Total</b>	<b>367,379</b>	<b>395,132</b>

#### (4) PROVISION

Provision mainly contains provision for credit impairment allowance due to loan commitments and financial guarantee contracts. As at 31 December 2019, the provisions for the Group's guarantees and commitments are mainly in stage 1.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 37. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 31 December 2018	10,000,000	10,000,000
As at 31 December 2019	<u>11,357,000</u>	<u>11,357,000</u>

The Bank accomplished its initial public offering of A shares on the Shanghai Stock Exchange on 29 October 2019. The Bank issued 1,357 million A shares with a face value of RMB1 per share, resulting in a share capital increased to 11,357 million.

### 38. CAPITAL RESERVE

The Bank issued shares at a premium. Share premium was recorded in the capital reserve after deducting direct issuance costs which mainly included underwriting fees and professional fees. Where the Bank acquired equity interests from non-controlling shareholders, which is assessed as equity transactions. The difference between fair value of any considerations paid and the relevant share acquired of the carrying amount of net assets of the subsidiary was recorded in capital reserve.

The Bank acquired equity interests from non-controlling shareholders, which is assessed as equity transactions. The difference between fair value of any considerations paid and the relevant share acquired of the carrying amount of net assets of the subsidiary was recorded in capital reserve.

Capital reserve of the Bank included the premium of RMB910 million from the placement of ordinary shares in 2010, the premium of RMB7,706 million from the initial public offering of overseas listed foreign shares on the Hong Kong Stock Exchange in 2010, the premium of RMB3,291 million from the placement of ordinary shares in 2017, and the premium of RMB8,531 million from the initial public offering of A shares on the Shanghai Stock Exchange in 2019. The equity premium excluding direct issue costs is included in capital reserve. Direct issue costs mainly include underwriting fees and professional agency service fees.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 39. INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax impact	Net-of-tax amount
As at 1 January 2018	(50,405)	12,601	(37,804)
Fair value gain/(loss) for the year			
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	198,575	(49,644)	148,931
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at FVOCI	<u>(80,025)</u>	<u>20,006</u>	<u>(60,019)</u>
As at 31 December 2018	68,145	(17,037)	51,108
Fair value (loss)/gain for the year			
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(182,793)	45,698	(137,095)
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at FVOCI	<u>(27,428)</u>	<u>6,857</u>	<u>(20,571)</u>
As at 31 December 2019	<u><u>(142,076)</u></u>	<u><u>35,518</u></u>	<u><u>(106,558)</u></u>

### 40. SURPLUS RESERVE

Under the relevant PRC Laws, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the period determined under the Generally Accepted Accounting Principles of the PRC ("PRC GAAP") to the discretionary surplus reserve upon approval by the shareholders in the general meetings. The discretionary surplus reserve may be used to offset accumulated loss of the Bank, if any, and may be converted into capital.

For the year ended 31 December 2019, the Board of Directors proposed to appropriate approximately RMB937 million to the statutory surplus reserve (2018: RMB890million). The Bank does not propose any appropriation to discretionary surplus reserve (2018: Nil). It is pursuant to the approval by the shareholders in forthcoming general meeting.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 41. GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance of the People's Republic of China, in addition to the allowances for impairment losses, the Bank and its subsidiaries are required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

During the year ended 31 December 2019, the Group transferred RMB1,293 million to general reserve pursuant to the regulatory requirement (during the year ended 31 December 2018: RMB377 million).

### 42. RETAINED EARNINGS

The movements of retained earnings of the Bank are set out below:

	As at 31 December 2019	As at 31 December 2018
As at 31 December	25,832,904	21,122,485
Change in accounting policy	–	53,389
As at 1 January	25,832,904	21,175,874
Profit for the year	9,366,427	8,897,926
Appropriation to surplus reserve	(936,643)	(889,793)
Appropriation to general reserve	(376,611)	(1,351,103)
Dividends recognised as distribution	(2,000,000)	(2,000,000)
Other comprehensive income transferred to retained earnings	5,176	–
As at 31 December	<u>31,891,253</u>	<u>25,832,904</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 43. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 31 December 2019	As at 31 December 2018
Cash	3,185,322	3,253,449
Surplus reserve deposits with central bank	9,751,213	13,254,423
Deposits with banks and other financial institutions	5,446,695	6,280,011
Placements with banks and other financial institutions	2,150,000	5,847,283
Financial assets held under resale agreements	—	6,002,271
<b>Total</b>	<b><u>20,533,230</u></b>	<b><u>34,637,437</u></b>

### 44. SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group operates mainly in Chongqing, the PRC. Majority of its customers and non-current assets are located in Chongqing, the PRC. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policies and the policies applied in preparing the consolidated financial statements.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 44. SEGMENT ANALYSIS (Continued)

The Group has no major customers which contribute 10 percent or more of the Group's income.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

For better presentation, for the year ended 31 December 2019 and 2018, "net loss on derecognition of financial assets measured at FVOCI" and "net gain on derecognition of financial assets measured at amortised cost" are presented in "operating income".

#### Operating segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into three operating segments:

##### *Corporate banking*

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings, financial leasing and other types of corporate intermediary services.

##### *Personal banking*

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

##### *Financial market operations*

The Group's treasury operations segment conducts money market or repurchase transactions and debt instruments investment for its own accounts or on behalf of customers.







## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 44. SEGMENT ANALYSIS (Continued)

#### Operating segment (Continued)

Unallocated assets mainly include property and equipment of the Group, equity investments, goodwill and deferred tax assets. Unallocated liabilities mainly include tax liabilities and dividends payable.

### 45. RELATED PARTY TRANSACTIONS

#### (1) Related parties of the Group

The directors of the Bank consider that the following shareholders are related parties of the Group:

Name of shareholders	Percentage of shares holding of the Bank (%)	
	As at 31 December 2019	As at 31 December 2018
Chongqing Yufu Assets Management Group Co., Ltd. (重慶渝富資產經營管理集團有限公司)	8.70	9.98
Chongqing City Investment (Group) Co., Ltd. (重慶市城市建設投資(集團)有限公司)	7.02	7.87
Chongqing Transport and Travel Investment Group Co., Ltd. (重慶交通旅遊投資集團有限公司)	5.19	5.89
Loncin Holding Co., Ltd. (隆鑫控股有限公司)	5.02	5.70
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	3.90	4.43
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	2.64	3.00
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	1.76	2.00
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	1.32	1.50

Other related parties include key management members and their close family members; the enterprises directly or indirectly controlled by key management members and their close family members or served by key management members and their close family members as directors or senior management; staffs with credit approval authority and their close family members; the enterprises directly or indirectly controlled by staffs with credit approval authority and their close family members or served by staffs with credit approval authority and their close family members as directors or senior management; the enterprises controlled by shareholders with more than 5% (including 5%) shares of the Bank, or shareholders who hold less than 5% of the total shares or capital but have significant influence on the Bank's operation and management; the natural persons or legal persons who satisfy any circumstances above in the next 12 months in accordance with the relevant agreement and arrangement or in the past 12 months.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 45. RELATED PARTY TRANSACTIONS (Continued)

#### (2) Related party transactions

For the year ended 31 December 2019, the Group entered into the following material transactions with related parties

	Interest income		Interest expense	
	2019	2018	2019	2018
Shareholders of the Bank	377,871	423,160	19,396	22,393
Other related parties	<u>585,742</u>	<u>383,593</u>	<u>164,322</u>	<u>19,846</u>
Total	<u>963,613</u>	<u>806,753</u>	<u>183,718</u>	<u>42,239</u>

	Operating expenses	
	2019	2018
Shareholders of the Bank	<u>3,486</u>	<u>3,661</u>

Other than interest income, fee and commission income of the Group arising from related-party transactions in 2018 and 2019 was not significant either individually or in aggregate.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 45. RELATED PARTY TRANSACTIONS (Continued)

#### (2) Related party transactions (Continued)

At the end of each reporting period, the Group had the following material outstanding balances with related parties:

	Loans and advances to related parties		Customer deposits from related parties	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Shareholders of the Bank	8,300,860	7,656,633	2,203,696	1,512,512
Other related parties	<u>11,015,498</u>	<u>8,902,411</u>	<u>22,330,962</u>	<u>2,293,958</u>
<b>Total</b>	<b><u>19,316,358</u></b>	<b><u>16,559,044</u></b>	<b><u>24,534,658</u></b>	<b><u>3,806,470</u></b>
			Guarantee provided by related guarantee companies	
			31 December 2019	31 December 2018
Other related guarantee companies			<u>8,774,703</u>	<u>7,762,950</u>

As at 31 December 2019, in trust investments, the principal balance of RMB1,499 million was invested to related parties of the Bank (31 December 2018: RMB1,884 million); in bond investments, the principal balance of bonds and interbank deposit certificates issued by related parties and purchased by the Bank was RMB3,557 million (31 December 2018: RMB980 million); in the financial assets measured at fair value through profit and loss, the wealth management products with a principal balance of RMB300 million were issued by related parties and purchased by the Bank (31 December 2018: nil).

As at 31 December 2019, the principal balance of the bank's deposits and placements with related parties was RMB400 million (31 December 2018: RMB5,200 million).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 45. RELATED PARTY TRANSACTIONS (Continued)

### (3) Transactions between the Bank and its subsidiaries

There are various types of related party transactions between the Bank and its subsidiaries. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority.

For the year ended 31 December 2019 and 2018, transactions between the Bank and its subsidiaries include deposits with banks, deposits from banks, placement with banks and other financial institutions, debt securities investment and so forth.

As at 31 December 2019, the Bank's deposits with subsidiaries amounted to RMB221 million (31 December 2018: RMB95 million); the Bank's deposits from subsidiaries amounted to RMB583 million (31 December 2018: RMB674 million); the Bank's placements with subsidiaries amounted to RMB4,270 million (31 December 2018: RMB3,360 million); debt securities issued by the Bank's subsidiary and purchased by the Bank amounted to RMB100 million (31 December 2018: nil).

For the year ended at 31 December 2019, the interest income of the Bank's transactions with subsidiaries amounted to RMB158 million (2018: RMB210 million); the interest expense amounted to RMB16 million (2018: RMB19 million).

### (4) Key management personnel

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The remuneration of directors and other members of key management during the year were as follows:

	2019	2018
Basic salaries, bonuses and allowances	2,518	4,873
Fees	1,313	1,403
Contribution to pension schemes	952	849
Others	230	—
Total	<u>5,012</u>	<u>7,125</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 45. RELATED PARTY TRANSACTIONS (Continued)

#### (4) Key management personnel (Continued)

Certain key management personnel's final emoluments for the current year are subject to approval by relevant authorities in the PRC and have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group as at 31 December 2019. The disclosed amount of remuneration is the amount paid in current year. The amount of actual remuneration will be announced after approval.

For the year ended 31 December 2019, both the loans made to key management personnel and their relatives, and the corresponding interest income are not material.

### 46. STRUCTURED ENTITIES

#### (1) Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles ("WMP Vehicles") formed to issue and distribute wealth management products ("WMPs"), which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMP Vehicles invest in a range of primarily fixed-rate assets, most typically money market instruments and debt securities. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the contract related to each WMP and distribute gain to investors on the basis of the operation performance of those products. The variable return that the Group has in relation to the WMPs is not significant, therefore the WMP Vehicles are not consolidated by the Group.

As at 31 December 2019 and 31 December 2018, the outstanding WMPs issued by the Group amounted to RMB132,152 million and RMB110,038 million, respectively, which represent the total size of the WMP vehicles. The interest of the Group from the operation of the WMPs mainly consists of fee and commission income. For the year ended 31 December 2019, the Group's interest in the non-guaranteed WMP Vehicles included in Fee and Commission Income was RMB1,179 million (2018: RMB863 million).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group's risk from or reduce its interest in WMP vehicles disclosed above during the years ended 31 December 2019 and 2018. The Group is not required to absorb any loss incurred by WMPs before other parties. During the years ended 31 December 2019 and 2018, no loss was incurred by the WMP Vehicles relating to the Group's interests in the WMP Vehicles, and the WMP Vehicles did not experience difficulty in financing their activities.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 46. STRUCTURED ENTITIES (Continued)

#### (2) Unconsolidated structured entities held by the Group

The Group invests in a number of other unconsolidated structured entities that are sponsored and managed by other entities for investment return, and records trading gain or loss and interest income therefrom. As at 31 December 2019 and 31 December 2018, the Group's maximum exposure to these other unconsolidated structured entities is summarised in the table below.

	As at 31 December 2019	
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost
WMPs issued by other banks	13,209,685	–
Asset-backed securities	7,873	24,400,204
Funds and trust beneficial rights	5,508,040	18,383,574
<b>Total</b>	<b>18,725,598</b>	<b>42,783,778</b>

	As at 31 December 2018	
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost
WMPs issued by other banks	9,818,435	–
Asset-backed securities	29,856	8,557,213
Funds and trust beneficial rights	–	31,884,245
<b>Total</b>	<b>9,848,291</b>	<b>40,441,458</b>

Information of the total size of the unconsolidated Structured Entities of the Group listed above is not readily available from the public.

#### (3) Consolidated structured entities

The Group's consolidated structured entities consist principally of WMP Vehicles that issue and distribute WMPs with respect to which the Group has not guaranteed the investors' principal investment and/or return upon maturity of the WMP, regardless of its actual performance during the year 2019 and 2018. No unguaranteed WMPs is consolidated by the Group at 31 December 2019 (31 December 2018: Nil).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 47. CONTINGENT LIABILITIES AND COMMITMENTS

#### Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2019, provisions of RMB1.74 million were made based on court judgements or the advice of counsels (31 December 2018: RMB2.48 million). The directors of the Bank believe, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

#### Capital commitments

	As at 31 December 2019	As at 31 December 2018
Contracted but not provided for	<u>385,708</u>	<u>205,382</u>

#### Credit commitments

	As at 31 December 2019	As at 31 December 2018
Acceptances	8,289,363	9,629,490
Undrawn credit card limit	17,169,136	12,186,388
Letters of guarantee	7,168,662	5,241,007
Letters of credit issued	<u>2,826,574</u>	<u>1,109,774</u>
<b>Total</b>	<u>35,453,735</u>	<u>28,166,659</u>

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. The directors of the Bank are of the opinion that such commitments are conditional and revocable and are therefore not included in the commitments disclosure above.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 47. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

### Credit risk weighted amounts for credit commitments

	As at 31 December 2019	As at 31 December 2018
Credit commitments	<u>14,893,554</u>	<u>13,500,156</u>

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBIRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

### Operating lease commitments

At the end of each reporting period, the Group has the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment:

	As at 31 December 2018
Within 1 year	74,141
1 to 2 years	45,969
2 to 3 years	24,005
3 to 4 years	13,056
4 to 5 years	9,009
Above 5 years	<u>37,570</u>
Total	<u>203,750</u>

As at 31 December 2019, the Group's operating lease commitments not recognised as lease liabilities are not significant.

The leases are negotiated with lease terms of 1 to 15 years.

For the year ended 31 December 2018, operating lease expense recognised as operating expense by the Group was RMB119 million.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 47. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

#### Collateral

##### Assets pledged as collateral

The carrying amount of assets pledged as collateral under repurchase agreement and borrowings from central bank by the Group is as follows:

	As at 31 December 2019	As at 31 December 2018
Bonds	59,438,377	48,662,226
Bills	3,536,920	3,649,451
Loans and advances	—	2,488,000
Total	<u>62,975,297</u>	<u>54,799,677</u>

##### Collateral accepted

The Group received bills and securities as collaterals under resale agreements. The Group has no collaterals that have been re-pledged, with the obligation of the Group to return at the maturity date as at 31 December 2019 and 31 December 2018.

### 48. TRANSFER OF FINANCIAL ASSETS

#### (1) Financial assets sold under repurchase agreements

In daily operating activities, the Group entered into repurchase agreements with certain counterparties. As at 31 December 2019, there are debt securities with carrying amount of RMB12,002 million under these agreements measured at amortised cost (31 December 2018: RMB2,420 million). The carrying amount of bills, which were sold by the Group to certain counterparties and were subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices, was RMB3,537 million as at 31 December 2019 (31 December 2018: RMB3,649 million). The proceeds from selling such debt securities and bills totalling RMB15,086 million as at 31 December 2019 (31 December 2018: RMB5,921 million) are presented as “financial assets sold under repurchase agreements” (see Note 31).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 48. TRANSFER OF FINANCIAL ASSETS (Continued)

### (2) Rediscounted bills

As at 31 December 2019, the carrying amount of the outstanding rediscounted bills of the Group, which qualifies for derecognition, were RMB98 million (31 December 2018: RMB4,170 million).

### (3) Asset securitisation

In the course of securitisation transactions, the Group sells assets to special purpose trusts from whom the asset-backed securities are subsequently sold to the investors. The Group may hold some asset-backed securities in these businesses, thus reserving part of risks and rewards of transferred credit assets. The Group analyses and judges whether to derecognise relevant credit assets based on degree of retention of risks and rewards.

As at 31 December 2019, the unexpired asset-backed securities transferred by the Group to special purpose trust was RMB84 million (31 December 2018: RMB568 million) included accumulative loans. The Group has derecognised relevant credit assets. The carrying amount of the Group's share of the above asset-backed securities as at 31 December 2019 was RMB8 million (31 December 2018: RMB44 million), with a maximum loss exposure similar to the carrying amount.

### (4) Transfer of non-performing loans

For the year ended 31 December 2019, the Group has disposed non-performing assets with a carrying amount of RMB574 million (31 December 2018: RMB1,469 million) by transferring them to third parties. The Group analysed whether to derecognise related credit asset according to the degree of risk and reward retention. After the assessment, the Group has derecognised the relevant credit assets.

### (5) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2019, the carrying amount of debt securities lent to counterparties was RMB4,190 million (31 December 2018: RMB4,550 million).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT

Discussed below are risk management policies of the Group, in which the information and methods were used in the measurement of ECL under IFRS 9, and necessary adjustments were made in accordance with IFRS 9.

### (1) Overview

The primary risk management of the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

The major risks of the Group include credit risk, market risk and liquidity risk. Market risk includes currency risk, interest risk and other price risk. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### (2) Risk Management Framework

The Group has a risk management committee under the Board of Directors. Risk management committee is responsible for setting the overall risk management and internal control strategies of the Group, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies set by the risk management committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

The Group's framework of financial risk management, risk management policies and process used in preparing the consolidated financial statements for the year ended 31 December 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year end 31 December 2018.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (3) Credit Risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

#### (i) Loans and advances to customers

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by strict compliance with its credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

The Group strictly implements the "Measures for Management of Bad Debt Verification of Financial Enterprises" issued by Ministry of Finance. For those claims that have taken necessary measures and implemented necessary procedures and are still unable to recover, they will be written off after approval if complying with the conditions for the recognition of bad debts. For the year ended 31 December 2019, the Group wrote off non-performing loans of RMB1,943 million (for the year ended 31 December 2018: RMB2,986 million).

#### (ii) Due from banks and other financial institutions

The Group adopts a Group-to-Group principle for credit to financial institutions. The Group set credit lines for financial institutions or single financial institutions that have financial transactions with the Group.

#### (ii) Bonds and other notes

The Group manages the credit risk exposure of bonds and other notes by controlling the scale of investment, setting the list of granting entities, rating access, Group-to-Group credit, and post-investment management.

#### (iii) Other financial assets

Financial assets mainly include asset management products, debt financing plans and etc. The Group implements a rating system for cooperating with financial institutions and sets credit lines for the ultimate financing party of the asset management products and debt financing plans, and conducts subsequent risk management on a regular basis.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (3) Credit Risk management (Continued)

#### (iv) Credit commitments

The main purpose of the credit commitments is to ensure that customers receive the funds they need. The letters of guarantee, acceptances and letters of credit issued are an irrevocable undertaking of the Group, that is, the Group undertakes to pay on behalf of its customer to the third party or to perform the payment on behalf of customers upon their failure to perform under the terms of the contract. There is a possibility that customer violates the terms of the contract and the Group needs to perform the payment on behalf of its customers. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

#### *Expected Credit Loss Measurement*

For the year ended 31 December 2019, the Group adopts a “three-stage” model for impairment based on changes in credit quality since initial recognition, to estimate the ECL.

Stage 1: Financials instruments with no significant increase in credit risk after initial recognition. Expected credit losses in the next 12 months is recognised.

Stage 2: There are significant increase in credit risk since initial recognition, but no objective evidence of impairment of the financial instrument. Lifetime ECL of financial instruments is recognised.

Stage 3: Financial instruments show objective evidence of impairment on the balance sheet date. Lifetime ECL is recognised.

#### Significant Increase in Credit Risk (SICR)

The Group sufficiently considers available and valid information in order to decide the stage of financial assets, which reflects the significant increase in credit risk. The major factors considered include internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, repayment behaviors, etc. The Group evaluates the change in default risk on reporting date and initial recognition of one financial instrument or a portfolio of financial instruments that shares the similar credit risk features. The Group considers the change in probability of default (PD), whether the overdue exceeds 30 days and other factors to determine whether there is significant increase in credit risk since initial recognition.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (3) Credit Risk management (Continued)

#### *Expected Credit Loss Measurement (Continued)*

#### *Significant Increase in Credit Risk (SICR) (Continued)*

The Group sets a series of quantitative and qualitative criteria to determine whether there are significant changes in credit risk of financial instruments since initial recognition. The following factors are mainly considered:

- Interest or principal paid by debtors is overdue for more than 30 days but less than 90 days;
- A significant decrease in debtor's credit rating compared to that of initial recognition;
- Significant adverse changes in the debtor's operations or financial situation;
- Other objective evidence indicating there are significant changes in credit risk.

#### *Definition on Default and Credit-impaired Assets*

The Group determined whether the assets were credit impaired based on a series of quantitative and qualitative standards such as credit ratings, and the risk profile changes of the debtor. The Group defines a financial instrument as in default when it meets one or more of the following criteria. In order to evaluate whether a financial asset is credit impaired, the Group considers the following criteria:

- Credit rating grade is D;
- Significant financial difficulty of the borrower or issuer;
- Breach of contract term, such as a default or delinquency in interest or principal payments for over 90 days;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties;
- Other objective evidence indicating there is an impairment of the financial asset.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit Risk management (Continued)

##### *Expected Credit Loss Measurement (Continued)*

##### Measuring ECL – Explanation of Inputs, Assumptions and Estimation Techniques

The ECL is measured on either a 12-month 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 as follows:

The PD represents the likelihood of a borrower breaching the contractual terms or defaulting on its financial obligation over a specific time, either the next 12 months, or the remaining lifetime of the obligation.

LGD refers to the extent of loss on a defaulted exposure, which is the ratio of the expected loss in the total amount of a loan. The Group's LGD is calculated in line with recovery amount according to different types of guarantee.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The Group reviews assumptions related to ECL Model periodically, including but not limited to changes in PD and LGD.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting year.

##### Forward-looking Information

The calculation of ECL incorporates forward-looking macro-economic information.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, mainly including GDP, CPI, M2, PCDI of urban residents, etc, to calculate the forward-looking impact of the macro-economic environment on ECL.

The Group has established forecast model along with time series data collection of the above key economic indicators from Wind China Macro and Industry Database and internal data. On this basis, combined with the experience of experts, a certain proportion of the predicted value of the model is used as the forecast value of future key economic indicators and the weights of the three scenarios, optimistic, baseline and pessimistic are determined.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (3) Credit Risk management (Continued)

#### *Expected Credit Loss Measurement (Continued)*

#### *Forward-looking Information (Continued)*

Similar to other economic projections, there is a high degree of inherent uncertainty in the estimation of expected values and likelihood of occurrence, so actual results may differ materially from forecasts. The Group updates the expected values of macroeconomic indicators periodically. The Group believes that these projections reflect the Group's best estimate of possible outcomes to determine that the scenarios selected are appropriate to represent possible scenarios.

#### Sensitivity analysis

ECL are sensitive to the parameters used in the model, the macro-economic variables of the forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these inputs, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of ECL.

As at 31 December 2019, the Group's credit impairment provision would increase by RMB474 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB652 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

As at 31 December 2018, the Group's credit impairment provision would increase by RMB415 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB650 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

*Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements*

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of each financial asset recognised in the consolidated statements of financial position and credit commitments disclosed in Note 47 “Contingent Liabilities and Commitments”.

	As at 31 December 2019				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial assets					
Balances with central bank	74,228,272	-	-	-	74,228,272
Deposits with banks and other financial institutions	15,625,365	-	-	-	15,625,365
Placements with banks and other financial institutions	129,383,634	-	992,126	-	130,375,760
Derivative financial assets	-	-	-	92,263	92,263
Financial assets held under resale agreements	-	-	-	-	-
Loans and advances to customers	<u>399,463,868</u>	<u>14,529,318</u>	<u>2,347,595</u>	<u>-</u>	<u>416,340,781</u>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (3) Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

	As at 31 December 2019				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial investments					
Financial assets measured at fair value through profit or loss	-	-	-	4,952,393	4,952,393
Financial assets measured at fair value through other comprehensive income	6,679,007	-	-	-	6,679,007
Financial assets measured at amortised cost	343,206,847	3,211,569	-	-	346,418,416
Other financial assets	784,554	-	-	-	784,554
Subtotal	969,371,547	17,740,887	3,339,721	5,044,656	995,496,811
Off-balance sheet credit commitments	32,038,635	3,316,082	99,018	-	35,453,735
Total	1,001,410,182	21,056,969	3,438,739	5,044,656	1,030,950,546

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

	As at 31 December 2018				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial assets					
Balances with central bank	82,681,727	–	–	–	82,681,727
Deposits with banks and other financial institutions	32,208,145	–	–	–	32,208,145
Placements with banks and other financial institutions	138,543,543	–	–	–	138,543,543
Derivative financial assets	–	–	–	93,990	93,990
Financial assets held under resale agreements	6,000,733	–	–	–	6,000,733
Loans and advances to customers	330,314,961	30,665,104	3,046,083	–	364,026,148

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

	As at 31 December 2018				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial investments					
Financial assets measured at fair value through profit or loss	-	-	-	5,246,227	5,246,227
Financial assets measured at fair value through other comprehensive income	7,043,931	52,808	-	-	7,096,739
Financial assets measured at amortised cost	287,539,883	2,024,837	-	-	289,564,720
Other financial assets	952,300	-	-	-	952,300
Subtotal	885,285,223	32,742,749	3,046,083	5,340,217	926,414,272
Off-balance sheet credit commitments	28,166,659	-	-	-	28,166,659
Total	913,451,882	32,742,749	3,046,083	5,340,217	954,580,931

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the expected credit losses are further classified into “risk level 1”, “risk level 2”, “risk level 3” and “default” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes. “Risk level 1” means that the asset quality is good, and the rating is high, or there is no overdue situation, or there is no reason to suspect that the asset is expected to default; “Risk level 2” means medium rating, or although there is a certain overdue situation, the asset quality is good or there may be factors that have an adverse effect, but there is no sufficient reason to suspect that the asset is expected to default. “Risk level 3” means that the rating is low or the overdue situation is more serious, which means that there are factors that have a significantly adverse effect on the asset default, but there is no event indicating that the default has occurred. The criteria for “default” is consistent with definition of credit impairment that has occurred;

- (a) Maximum exposure to credit risk of loans and advances to customers measured at amortised cost analysed by internal stratified management:

Corporate loans and advances	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	148,745,389	2,288,738	–	151,034,127
Risk level 2	79,396,118	14,626,997	–	94,023,115
Risk level 3	–	1,527,526	–	1,527,526
Default	–	–	8,175,637	8,175,637
Gross carrying amount	<u>228,141,507</u>	<u>18,443,261</u>	<u>8,175,637</u>	<u>254,760,405</u>
Less: ECL allowance	<u>(4,804,086)</u>	<u>(4,817,852)</u>	<u>(6,062,858)</u>	<u>(15,684,796)</u>
Net carrying amount	<u>223,337,421</u>	<u>13,625,409</u>	<u>2,112,779</u>	<u>239,075,609</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

- (a) Maximum exposure to credit risk of loans and advances to customers measured at amortised cost analysed by internal stratified management: (Continued)

Personal loans and advances	As at 31 December 2019			Total
	Stage 1	Stage 2	Stage 3	
Credit rating				
Risk level 1	159,705,575	–	–	159,705,575
Risk level 2	88,480	1,163,540	–	1,252,020
Risk level 3	–	126,769	–	126,769
Default	–	–	1,153,418	1,153,418
Gross carrying amount	<u>159,794,055</u>	<u>1,290,309</u>	<u>1,153,418</u>	<u>162,237,782</u>
Less: ECL allowance	<u>(3,740,890)</u>	<u>(387,869)</u>	<u>(930,552)</u>	<u>(5,059,311)</u>
Net carrying amount	<u>156,053,165</u>	<u>902,440</u>	<u>222,866</u>	<u>157,178,471</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

##### Loans and advances to customers

- (i) The composition of loans and advances to customers by industry or by nature is analysed as follows:

	As at 31 December 2019		As at 31 December 2018	
	Amount	%	Amount	%
<b>Corporate loans and advances</b>				
Manufacturing	62,679,247	22.81	65,984,774	26.61
Water, environment and public utilities management	59,543,637	21.66	42,510,083	17.15
Leasing and commercial services	50,781,853	18.48	37,698,767	15.21
Retail and wholesale	27,906,608	10.15	28,982,025	11.69
Production and supply of electricity, gas and water	16,570,780	6.03	14,874,024	6.00
Transportation, logistics and postal services	12,388,535	4.51	12,340,581	4.98
Financial industry	10,337,214	3.76	8,791,584	3.55
Real estate	8,032,928	2.92	8,267,894	3.34
Construction	7,642,282	2.78	8,426,056	3.40
Sanitation and social work	5,538,146	2.01	4,923,744	1.99
Agriculture, forestry, animal husbandry and fishery	3,079,306	1.12	4,206,545	1.70
Education	2,861,584	1.04	3,209,672	1.29
Others	7,484,986	2.72	7,663,948	3.09
<b>Subtotal</b>	<b>274,847,106</b>	<b>100.00</b>	<b>247,879,697</b>	<b>100.00</b>
<b>Personal loans and advances</b>				
Mortgages	73,091,378	45.05	60,373,885	45.30
Loans to private business and employment assistance loans	50,515,959	31.14	42,998,253	32.27
Credit cards	4,505,929	2.78	3,955,417	2.97
Others	34,124,516	21.03	25,928,401	19.46
<b>Subtotal</b>	<b>162,237,782</b>	<b>100.00</b>	<b>133,255,956</b>	<b>100.00</b>
<b>Total</b>	<b>437,084,888</b>		<b>381,135,653</b>	

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (3) Credit risk (Continued)

#### Loans and advances to customers (Continued)

- (i) The composition of loans and advances to customers by industry or by nature is analysed as follows: (Continued)

As at 31 December 2019, discounted bills included in corporate loans and advances were RMB20,087 million (31 December 2018: RMB20,193 million).

Details of credit impaired loans, ECL allowances, charges (reversal), and amounts written off in respect of economic sectors which constitute 10% or more of total corporate loans and advances are as follows:

	2019					
	Gross impaired loans	ECL			Charge for the year	Written off in the year
		Stage 1	Stage 2	Stage 3		
Manufacturing	1,805,309	(802,404)	(2,843,410)	(1,601,834)	(2,508,217)	521,897
Water, environment and public utilities						
management	4,526	(1,130,019)	(864,660)	3,531	275,793	-
Leasing and commercial services	2,000	(1,209,657)	(138,751)	(2,000)	157,220	4,000
Retail and wholesale	1,859,006	(269,963)	(401,951)	(1,338,692)	(507,435)	433,479
	2018					
	Gross impaired loans	ECL			Charge for the year	Written off in the year
		Stage 1	Stage 2	Stage 3		
Manufacturing	2,356,944	(726,992)	(685,919)	(1,774,801)	(1,362,996)	785,626
Water, environment and public utilities						
management	-	(601,262)	(1,672,213)	-	(561,766)	-
Leasing and commercial services	5,750	(749,917)	(745,479)	(4,460)	(282,075)	171,585
Retail and wholesale	2,258,370	(267,094)	(202,486)	(1,293,612)	(1,216,259)	889,307



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Loans and advances to customers (Continued)

- (ii) The composition of loans and advances to customers by contractual maturity and collateral type is analysed as follows:

	As at 31 December 2019			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	29,827,265	16,517,977	6,323,339	52,668,581
Guaranteed loans	34,064,200	49,809,903	53,976,722	137,850,825
Collateralised and other secured loans				
– loans secured by property and other immovable assets	68,412,106	23,511,760	89,827,764	181,751,630
– other pledged loans	19,778,056	10,216,795	34,819,001	64,813,852
<b>Total</b>	<b>152,081,627</b>	<b>100,056,435</b>	<b>184,946,826</b>	<b>437,084,888</b>

	As at 31 December 2018			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	26,308,180	17,379,707	6,412,645	50,100,532
Guaranteed loans	38,088,445	38,374,513	29,942,004	106,404,962
Collateralised and other secured loans				
– loans secured by property and other immovable assets	62,513,298	25,920,448	75,936,734	164,370,480
– other pledged loans	24,225,947	7,304,898	28,728,834	60,259,679
<b>Total</b>	<b>151,135,870</b>	<b>88,979,566</b>	<b>141,020,217</b>	<b>381,135,653</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Loans and advances to customers (Continued)

##### (iii) Overdue loans

	As at 31 December 2019				
	Up to 90 days	91 – 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	196,135	236,843	13,034	5,084	451,096
Guaranteed loans	786,971	568,720	882,591	6,488	2,244,770
Collateralised and other secured loans					
– loans secured by property and other immovable assets	637,172	504,693	508,627	267,561	1,918,053
– other pledged loans	390,265	57,833	–	–	448,098
<b>Total</b>	<b>2,010,543</b>	<b>1,368,089</b>	<b>1,404,252</b>	<b>279,133</b>	<b>5,062,017</b>

	As at 31 December 2018				
	Up to 90 days	91 – 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	188,828	236,712	7,308	5,514	438,362
Guaranteed loans	453,010	864,494	278,002	13,971	1,609,477
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,358,523	1,126,656	656,763	275,080	3,417,022
– other pledged loans	27,338	27,822	–	–	55,160
<b>Total</b>	<b>2,027,699</b>	<b>2,255,684</b>	<b>942,073</b>	<b>294,565</b>	<b>5,520,021</b>

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

Loans and advances to customers (Continued)

##### (iv) Rescheduled loans and advances

Rescheduled loans are loans that have been renegotiated due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are subject to ongoing monitoring. The amount of rescheduled loans and advances is shown as follows:

	As at 31 December 2019		As at 31 December 2018	
	Total	Percentage of gross loans and advances to customers	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	623,583	0.14%	351,634	0.09%
Of which:				
Rescheduled loans and advances overdue for more than 90 days	541,554	0.12%	334,245	0.09%

##### (v) Assets foreclosed under credit enhancement arrangement

No new foreclosed assets were acquired by the Group in 2019 (2018: Nil).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

##### Debt securities

##### (i) Debt securities analysed by credit rating and credit risk characteristics

The Group and the Bank relies on credit rating provided by the external credit agencies in the PRC to classify the debt securities.

	As at 31 December 2019				Total
	AAA	AA	A and below	Unrated	
Financial assets measured at fair value through profit and loss					
Public sector, quasi-government bonds	–	–	–	105,451	105,451
Financial institution bonds	2,862,974	1,485,914	–	–	4,348,888
Corporate bonds	–	–	–	–	–
Interbank deposit certificates	–	–	–	498,054	498,054
<b>Subtotal</b>	<b>2,862,974</b>	<b>1,485,914</b>	<b>–</b>	<b>603,505</b>	<b>4,952,393</b>
Financial assets measured at fair value through other comprehensive income					
Public sector, quasi-government bonds	–	–	–	6,309,267	6,309,267
Corporate bonds	647	95,244	–	273,849	369,740
<b>Subtotal</b>	<b>647</b>	<b>95,244</b>	<b>–</b>	<b>6,583,116</b>	<b>6,679,007</b>
Financial assets measured at amortised cost					
Government bonds	10,179,988	–	–	87,223,344	97,403,332
Public sector, quasi-government bonds	2,673,555	–	–	47,845,137	50,518,692
Financial institution bonds	29,127,274	–	–	–	29,127,274
Corporate bonds	6,533,898	10,567,938	161,937	44,008,647	61,272,420
Interbank deposit certificates	–	–	–	68,988,286	68,988,286
Debt financing plans	–	–	–	20,724,838	20,724,838
Trust plans	–	–	–	18,383,574	18,383,574
<b>Subtotal</b>	<b>48,514,715</b>	<b>10,567,938</b>	<b>161,937</b>	<b>287,173,826</b>	<b>346,418,416</b>
<b>Total</b>	<b>51,378,336</b>	<b>12,149,096</b>	<b>161,937</b>	<b>294,360,447</b>	<b>358,049,816</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Credit risk (Continued)

##### Debt securities (Continued)

##### (ii) Debt securities analysed by credit rating and credit risk characteristics (Continued)

	As at 31 December 2018				
	AAA	AA	A and below	Unrated	Total
Financial assets measured at fair value through profit and loss					
Public sector, quasi-government bonds	–	–	–	404,062	404,062
Financial institution bonds	1,624,752	2,610,527	–	–	4,235,279
Corporate bonds	–	606,886	–	–	606,886
<b>Subtotal</b>	<b>1,624,752</b>	<b>3,217,413</b>	<b>–</b>	<b>404,062</b>	<b>5,246,227</b>
Financial assets measured at fair value through other comprehensive income					
Corporate bonds	42,533	2,255,695	–	3,940,254	6,238,482
Debt financing plans	–	–	–	858,257	858,257
<b>Subtotal</b>	<b>42,533</b>	<b>2,255,695</b>	<b>–</b>	<b>4,798,511</b>	<b>7,096,739</b>
Financial assets measured at amortised cost					
Government bonds	3,066,146	–	–	79,325,542	82,391,688
Public sector, quasi-government bonds	2,672,939	–	–	36,010,582	38,683,521
Financial institution bonds	11,358,381	607,335	–	–	11,965,716
Corporate bonds	9,057,137	7,274,276	267,654	34,165,023	50,764,090
Interbank deposit certificates	–	–	–	67,113,717	67,113,717
Debt financing plans	–	–	–	6,761,743	6,761,743
Trust plans	–	–	–	31,884,245	31,884,245
<b>Subtotal</b>	<b>26,154,603</b>	<b>7,881,611</b>	<b>267,654</b>	<b>255,260,852</b>	<b>289,564,720</b>
<b>Total</b>	<b>27,821,888</b>	<b>13,354,719</b>	<b>267,654</b>	<b>260,463,425</b>	<b>301,907,686</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

The Asset and Liability Management Committee of the Group mapped out the index management system of the ratios of asset and liability structure, based on the principles of liquidity, safety, and profitability; determines annual target values of these indexes in accordance with regulatory requirement and business plan; and allocates the tasks to branches for implementation.

The Group established the supervision system of indexes of asset and liability management, the liquidity reverse system, and relevant emergency management measures, to reduce the liquidity risk of the Group. The Group worked out the ratio of liquidity in accordance with the requirement of CBIRC, and reported to CBIRC periodically.

The assets which can be used for repaying debt and paying for the outstanding credit commitments contain cash and balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets designated at fair value through profit and loss, and so forth. In normal operation, majority of deposits will not be withdrawn immediately on the maturity date. Therefore, the Group will retain this part of cash flow.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Liquidity risk (Continued)

*Analysis of the remaining maturity of the financial assets and liabilities*

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

	As at 31 December 2019							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	64,477,059	12,936,535	-	-	-	-	-	77,413,594
Deposits with banks and other financial institutions	-	5,362,737	2,123,689	1,297,200	6,841,739	-	-	15,625,365
Placements with banks and other financial institutions	-	-	8,764,670	34,934,645	85,359,466	1,316,979	-	130,375,760
Derivative financial assets	-	-	7,536	21,259	10,437	53,031	-	92,263
Financial assets held under resale agreements	-	-	-	-	-	-	-	-
Loans and advances to customers	1,915,196	-	21,761,510	20,575,327	130,436,638	103,390,586	138,261,524	416,340,781
Financial investments								
Financial assets measured at fair value through profit and loss	-	-	1,180,212	4,670,144	7,865,255	5,508,040	4,454,340	23,677,991
Financial assets measured at fair value through other comprehensive income	577,835	-	43,880	40,092	309,566	75,072	6,210,397	7,256,842
Financial assets measured at amortised cost	-	-	9,258,655	21,412,354	81,912,459	136,073,295	97,761,653	346,418,416
Other financial assets	-	784,554	-	-	-	-	-	784,554
<b>Total financial assets</b>	<b>66,970,090</b>	<b>19,083,826</b>	<b>43,140,152</b>	<b>82,951,021</b>	<b>312,735,560</b>	<b>246,417,003</b>	<b>246,687,914</b>	<b>1,017,985,566</b>
Borrowings from central bank	-	-	-	2,855	31,215,134	-	-	31,217,989
Deposits from banks and other financial institutions	-	458,375	514,557	3,931,244	4,588,887	-	-	9,493,063
Placements from banks and other financial institutions	-	-	3,093,143	7,880,114	15,102,372	-	-	26,075,629
Derivative financial liabilities	-	-	276	20,802	8,846	29,692	-	59,616
Financial assets sold under repurchase agreements	-	-	13,364,641	1,721,487	-	-	-	15,086,128
Deposits from customers	-	260,297,720	27,240,418	87,781,504	135,470,063	162,612,111	3	673,401,819
Debt securities issued	-	-	4,861,440	58,431,051	91,145,471	7,894,492	8,997,613	171,330,067
Other financial liabilities	-	6,547,312	-	-	-	-	37,480	6,584,792
<b>Total financial liabilities</b>	<b>-</b>	<b>267,303,407</b>	<b>49,074,475</b>	<b>159,769,057</b>	<b>277,530,773</b>	<b>170,536,295</b>	<b>9,035,096</b>	<b>933,249,103</b>
<b>Net position</b>	<b>66,970,090</b>	<b>(248,219,581)</b>	<b>(5,934,323)</b>	<b>(76,818,036)</b>	<b>35,204,787</b>	<b>75,880,708</b>	<b>237,652,818</b>	<b>84,736,463</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

	As at 31 December 2018							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	69,427,304	16,507,872	-	-	-	-	-	85,935,176
Deposits with banks and other financial institutions	-	5,640,031	4,337,748	1,441,142	20,789,224	-	-	32,208,145
Placements with banks and other financial institutions	-	-	14,306,862	30,399,726	89,704,944	4,132,011	-	138,543,543
Derivative financial assets	-	-	16,405	1,056	40,385	36,144	-	93,990
Financial assets held under resale agreements	-	-	6,000,733	-	-	-	-	6,000,733
Loans and advances to customers	1,910,335	-	15,917,020	21,605,571	123,462,755	94,747,425	106,383,042	364,026,148
Financial investments								
Financial assets measured at fair value through profit and loss	-	-	5,065,650	308,904	4,973,509	407,887	4,338,568	15,094,518
Financial assets measured at fair value through other comprehensive income	616,375	-	149,269	51,646	977,317	5,812,475	106,032	7,713,114
Financial assets measured at amortised cost	-	-	3,622,425	25,458,889	73,625,849	119,505,320	67,352,237	289,564,720
Other financial assets	-	952,300	-	-	-	-	-	952,300
<b>Total financial assets</b>	<b>71,954,014</b>	<b>23,100,203</b>	<b>49,416,112</b>	<b>79,266,934</b>	<b>313,573,983</b>	<b>224,641,262</b>	<b>178,179,879</b>	<b>940,132,387</b>
Borrowings from central bank	-	-	2,596,300	6,189,099	21,669,124	-	-	30,454,523
Deposits from banks and other financial institutions	-	505,267	3,451,784	4,354,830	15,178,454	10,363	-	23,500,698
Placements from banks and other financial institutions	-	-	5,357,865	7,529,179	15,986,717	-	-	28,873,761
Derivative financial liabilities	-	-	13,550	367	40,122	29,868	-	83,907
Financial assets sold under repurchase agreements	-	-	3,239,914	1,000,175	1,680,589	-	-	5,920,678
Deposits from customers	-	260,078,403	26,972,810	86,455,326	130,725,805	111,933,848	-	616,166,192
Debt securities issued	-	-	11,642,458	42,849,397	90,120,915	5,996,647	9,000,000	159,609,417
Other financial liabilities	-	6,099,498	-	-	-	-	39,064	6,138,562
<b>Total financial liabilities</b>	<b>-</b>	<b>266,683,168</b>	<b>53,274,681</b>	<b>148,378,373</b>	<b>275,401,726</b>	<b>117,970,726</b>	<b>9,039,064</b>	<b>870,747,738</b>
<b>Net position</b>	<b>71,954,014</b>	<b>(243,582,965)</b>	<b>(3,858,569)</b>	<b>(69,111,439)</b>	<b>38,172,257</b>	<b>106,670,536</b>	<b>169,140,815</b>	<b>69,384,649</b>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Liquidity risk (Continued)

##### Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the expected undiscounted contractual cash flows. The Group manages liquidity risk on basis of expected undiscounted cash flows.

	As at 31 December 2019							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Non-derivative financial assets</b>								
Cash and balances with central bank	64,477,059	12,951,781	-	-	-	-	-	77,428,840
Deposits with banks and other financial institutions	-	5,365,070	2,211,170	1,303,248	6,964,273	-	-	15,843,761
Placements with banks and other financial institutions	-	-	8,780,486	35,437,983	90,568,720	1,380,754	-	136,167,943
Financial assets held under resale agreements	-	-	-	-	-	-	-	-
Loans and advances to customers	1,940,449	-	23,779,143	24,570,586	147,673,811	123,394,165	232,416,732	553,774,886
Financial investments	-	-	-	-	-	-	-	-
Financial assets measured at fair value through profit and loss	-	-	1,178,354	4,708,206	8,155,130	6,894,404	5,025,121	25,961,215
Financial assets measured at fair value through other comprehensive income	577,835	-	43,996	40,351	516,035	886,500	7,358,125	9,422,842
Financial assets measured at amortised cost	-	-	9,444,673	23,834,249	86,984,907	170,183,628	110,414,444	400,861,901
Other financial assets	-	759,301	-	-	-	-	-	759,301
<b>Total financial assets</b>	<b>66,995,343</b>	<b>19,076,152</b>	<b>45,437,822</b>	<b>89,894,623</b>	<b>340,862,876</b>	<b>302,739,451</b>	<b>355,214,422</b>	<b>1,220,220,689</b>
<b>Non-derivative financial liabilities</b>								
Borrowings from central bank	-	-	-	23,414	31,822,970	-	-	31,846,384
Deposits from banks and other financial institutions	-	458,376	515,098	3,950,710	4,681,372	-	-	9,605,555
Placements from banks and other financial institutions	-	-	3,096,229	7,985,441	15,362,899	-	-	26,444,569
Financial assets sold under repurchase agreements	-	-	13,368,198	1,728,629	-	-	-	15,096,827
Deposits from customers	-	260,523,279	27,270,563	88,075,048	137,366,560	175,909,663	3	689,145,116
Debt securities issued	-	-	4,870,000	58,750,000	92,953,200	9,821,400	10,454,000	176,848,600
Other financial liabilities	-	6,321,753	-	-	-	-	37,480	6,359,233
<b>Total financial liabilities</b>	<b>-</b>	<b>267,303,407</b>	<b>49,120,088</b>	<b>160,513,242</b>	<b>282,187,001</b>	<b>185,731,063</b>	<b>10,491,483</b>	<b>955,346,284</b>
<b>Net position</b>	<b>66,995,343</b>	<b>(248,227,255)</b>	<b>(3,682,266)</b>	<b>(70,618,619)</b>	<b>(58,675,875)</b>	<b>117,008,388</b>	<b>344,722,939</b>	<b>264,874,405</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2019							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivative financial instruments								
Settled by total amount								
Total inflows	-	-	2,942,121	1,055,130	635,482	2,230,015	-	6,862,748
Total outflows	-	-	(2,934,861)	(1,054,674)	(633,891)	(2,219,605)	-	(6,843,031)
Net position	-	-	7,260	456	1,591	10,410	-	19,717

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2018							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Non-derivative financial assets</b>								
Cash and balances with central bank	69,427,304	16,666,891	-	-	-	-	-	86,094,195
Deposits with banks and other financial institutions	-	5,651,214	4,347,433	1,452,566	21,332,312	-	-	32,783,525
Placements with banks and other financial institutions	-	-	14,342,233	31,026,571	91,798,016	4,294,863	-	141,461,683
Financial assets held under resale agreements	-	-	6,008,458	-	-	-	-	6,008,458
Loans and advances to customers	1,910,335	-	18,893,968	24,011,342	135,915,571	98,390,712	189,443,480	468,565,408
Financial investments								
Financial assets measured at fair value through profit and loss	-	-	5,071,003	361,772	5,281,054	1,204,067	5,057,550	16,975,446
Financial assets measured at fair value through other comprehensive income	616,375	-	150,337	62,129	1,184,459	6,849,920	108,768	8,971,988
Financial assets measured at amortised cost	-	-	3,759,873	26,384,215	80,571,903	145,409,065	76,548,344	332,673,400
Other financial assets	-	925,493	-	-	-	-	-	925,493
<b>Total financial assets</b>	<b>71,954,014</b>	<b>23,243,598</b>	<b>52,573,305</b>	<b>83,298,595</b>	<b>336,083,315</b>	<b>256,148,627</b>	<b>271,158,142</b>	<b>1,094,459,596</b>
<b>Non-derivative financial liabilities</b>								
Borrowings from central bank	-	-	2,756,731	6,754,671	22,882,706	-	-	32,394,108
Deposits from banks and other financial institutions	-	505,268	3,477,519	4,380,407	15,573,629	11,172	-	23,947,995
Placements from banks and other financial institutions	-	-	5,364,475	7,693,048	16,303,644	-	-	29,361,167
Financial assets sold under repurchase agreements	-	-	3,240,913	1,004,436	1,702,360	-	-	5,947,709
Deposits from customers	-	260,307,992	27,000,185	86,715,866	132,486,993	121,746,845	-	628,257,881
Debt securities issued	-	-	11,660,000	43,140,000	92,420,000	8,382,000	9,775,000	165,377,000
Other financial liabilities	-	5,869,908	-	-	-	-	39,064	5,908,972
<b>Total financial liabilities</b>	<b>-</b>	<b>266,683,168</b>	<b>53,499,823</b>	<b>149,688,428</b>	<b>281,369,332</b>	<b>130,140,017</b>	<b>9,814,064</b>	<b>891,194,832</b>
<b>Net position</b>	<b>71,954,014</b>	<b>(243,439,570)</b>	<b>(926,518)</b>	<b>(66,389,833)</b>	<b>54,713,983</b>	<b>126,008,610</b>	<b>261,344,078</b>	<b>203,264,764</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2018							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Derivative financial instruments</b>								
<b>Settled by total amount</b>								
Total inflows	-	-	1,287,678	188,293	3,388,340	3,172,107	-	8,036,418
Total outflows	-	-	(1,284,824)	(187,603)	(3,388,077)	(3,165,832)	-	(8,026,336)
Net position	-	-	2,854	690	263	6,275	-	10,082

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Liquidity risk (Continued)

*Analysis of the undiscounted contractual cash flows (Continued)*

Assets available to meet all of the liabilities include cash, balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets measured at fair value through profit or loss, and financial assets measured at fair value through other comprehensive income. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

*Off-balance sheet items*

Off-balance sheet items of the Group include acceptances, undrawn credit card limits and others. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

	31 December 2019			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	8,289,363	–	–	8,289,363
Undrawn credit card limits	17,169,136	–	–	17,169,136
Letters of guarantee	4,397,706	2,762,956	8,000	7,168,662
Letters of credit issued	2,826,574	–	–	2,826,574
<b>Total</b>	<b>32,682,779</b>	<b>2,762,956</b>	<b>8,000</b>	<b>35,453,735</b>

	31 December 2018			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	9,629,490	–	–	9,629,490
Undrawn credit card limits	12,186,388	–	–	12,186,388
Letters of guarantee	3,583,769	1,649,198	8,040	5,241,007
Letters of credit issued	1,109,774	–	–	1,109,774
<b>Total</b>	<b>26,509,421</b>	<b>1,649,198</b>	<b>8,040</b>	<b>28,166,659</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (5) Market risk

Market risk is the risk of loss, in respect of the Group's and the Bank's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from the proprietary business of the Group.

The Group considers the market risk arising from equity prices in respect of its trading and investment portfolios is immaterial.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

#### *Foreign currency risk*

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and to a lesser extent in other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures.

The exchange rate of RMB to USD is under a managed floating exchange rate system. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (5) Market risk (Continued)

##### Foreign currency risk (Continued)

	As at 31 December 2019				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	77,151,655	261,939	–	–	77,413,594
Deposits with banks and other financial institutions	14,773,093	690,686	37,245	124,341	15,625,365
Placements with banks and other financial institutions	127,588,094	2,787,666	–	–	130,375,760
Derivative financial assets	42,645	49,162	456	–	92,263
Financial assets held under resale agreements	–	–	–	–	–
Loans and advances to customers	414,058,804	2,281,977	–	–	416,340,781
Financial investments					
Financial assets measured at fair value through profit and loss	23,677,991	–	–	–	23,677,991
Financial assets measured at fair value through other comprehensive income	7,256,842	–	–	–	7,256,842
Financial assets measured at amortised cost	346,383,148	35,268	–	–	346,418,416
Other financial assets	784,554	–	–	–	784,554
<b>Total financial assets</b>	<b>1,011,716,826</b>	<b>6,106,698</b>	<b>37,701</b>	<b>124,341</b>	<b>1,017,985,566</b>
Borrowings from central bank	31,217,989	–	–	–	31,217,989
Deposits from banks and other financial institutions	9,492,923	140	–	–	9,493,063
Placements from banks and other financial institutions	24,789,406	1,286,223	–	–	26,075,629
Derivative financial liabilities	32,301	27,315	–	–	59,616
Financial assets sold under repurchase agreements	15,086,128	–	–	–	15,086,128
Deposits from customers	672,662,416	738,818	3	582	673,401,819
Debt securities issued	171,330,067	–	–	–	171,330,067
Other financial liabilities	6,547,312	37,480	–	–	6,584,792
<b>Total financial liabilities</b>	<b>931,158,542</b>	<b>2,089,976</b>	<b>3</b>	<b>582</b>	<b>933,249,103</b>
<b>Net position</b>	<b>80,558,284</b>	<b>4,016,722</b>	<b>37,698</b>	<b>123,759</b>	<b>84,736,463</b>
Credit commitments	32,341,747	2,599,682	–	512,306	35,453,735

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (5) Market risk (Continued)

#### Foreign currency risk (Continued)

	As at 31 December 2018				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	85,730,392	204,644	140	–	85,935,176
Deposits with banks and other financial institutions	31,523,042	489,095	39,250	156,758	32,208,145
Placements with banks and other financial institutions	134,422,567	4,050,811	70,165	–	138,543,543
Derivative financial assets	79,224	14,766	–	–	93,990
Financial assets held under resale agreements	6,000,733	–	–	–	6,000,733
Loans and advances to customers	360,857,426	3,167,469	–	1,253	364,026,148
Financial investments					
Financial assets measured at fair value through profit and loss	15,094,518	–	–	–	15,094,518
Financial assets measured at fair value through other comprehensive income	7,713,114	–	–	–	7,713,114
Financial assets measured at amortised cost	289,530,089	34,631	–	–	289,564,720
Other financial assets	952,300	–	–	–	952,300
<b>Total financial assets</b>	<b>931,903,405</b>	<b>7,961,416</b>	<b>109,555</b>	<b>158,011</b>	<b>940,132,387</b>
Borrowings from central bank	30,454,523	–	–	–	30,454,523
Deposits from banks and other financial institutions	23,500,560	138	–	–	23,500,698
Placements from banks and other financial institutions	23,991,971	4,881,790	–	–	28,873,761
Derivative financial liabilities	8,644	75,263	–	–	83,907
Financial assets sold under repurchase agreements	5,920,678	–	–	–	5,920,678
Deposits from customers	613,923,763	2,222,522	6	19,901	616,166,192
Debt securities issued	159,609,417	–	–	–	159,609,417
Other financial liabilities	6,099,498	39,064	–	–	6,138,562
Total financial liabilities	863,509,054	7,218,777	6	19,901	870,747,738
Net position	68,394,351	742,639	109,549	138,110	69,384,649
Credit commitments	23,830,028	4,336,445	–	186	28,166,659



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (5) Market risk (Continued)

##### Foreign currency risk (Continued)

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against USD by 5% on net profit.

	As at 31 December 2019 (Decrease)/ Increase in Net profit	As at 31 December 2018 (Decrease)/ Increase in Net profit
RMB5% appreciation	(150,627)	(27,849)
RMB5% depreciation	150,627	27,849

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

##### Interest rate risk

The interest rate risk of the Group arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (5) Market risk (Continued)

#### Interest rate risk (Continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

	As at 31 December 2019						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	72,447,638	-	-	-	-	4,965,956	77,413,594
Deposits with banks and other financial institutions	6,561,731	1,265,676	6,753,140	-	-	1,044,818	15,625,365
Placements with banks and other financial institutions	8,544,411	34,082,252	83,788,490	1,299,591	-	2,661,016	130,375,760
Derivative financial assets	-	-	-	-	-	92,263	92,263
Financial assets held under resale agreement	-	-	-	-	-	-	-
Loans and advances to customers	248,935,110	28,663,237	111,551,235	18,322,546	2,842,604	6,026,049	416,340,781
Financial investments							
Financial assets measured at fair value through profit and loss	-	498,054	7,873	-	4,454,340	18,717,724	23,677,991
Financial assets measured at fair value through other comprehensive income	41,293	38,195	204,089	75,060	6,210,397	687,808	7,256,842
Financial assets measured at amortised cost	8,247,381	19,598,649	78,911,223	136,173,236	97,761,653	5,726,274	346,418,416
Other financial assets	-	-	-	-	-	784,554	784,554
<b>Total financial assets</b>	<b>344,777,564</b>	<b>84,146,063</b>	<b>281,216,050</b>	<b>155,870,433</b>	<b>111,268,994</b>	<b>40,706,462</b>	<b>1,017,985,566</b>
Borrowings from central bank	-	-	30,875,500	-	-	342,489	31,217,989
Deposits from banks and other financial institutions	965,907	3,900,000	4,530,000	-	-	97,156	9,493,063
Placements from banks and other financial institutions	3,047,620	7,798,810	14,989,286	-	-	239,913	26,075,629
Derivative financial liabilities	-	-	-	-	-	59,616	59,616
Financial assets sold under repurchase agreement	13,340,656	1,709,535	-	-	-	35,937	15,086,128
Deposits from customers	286,613,154	85,888,764	132,510,149	159,015,051	3	9,374,698	673,401,819
Debt securities issued	4,861,440	58,431,051	90,864,488	7,894,493	8,997,613	280,982	171,330,067
Other financial liabilities	-	-	-	-	37,480	6,547,312	6,584,792
<b>Total financial liabilities</b>	<b>308,828,777</b>	<b>157,728,160</b>	<b>273,769,423</b>	<b>166,909,544</b>	<b>9,035,096</b>	<b>16,978,103</b>	<b>933,249,103</b>
<b>Interest rate risk gap</b>	<b>35,948,787</b>	<b>(73,582,097)</b>	<b>7,446,627</b>	<b>(11,039,111)</b>	<b>102,233,898</b>	<b>23,728,359</b>	<b>84,736,463</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (5) Market risk (Continued)

##### Interest rate risk (Continued)

	As at 31 December 2018						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	80,768,023	-	-	-	-	5,167,153	85,935,176
Deposits with banks and other financial institutions	9,199,521	1,434,624	20,592,460	-	-	981,540	32,208,145
Placements with banks and other financial institutions	13,853,770	29,825,197	88,143,788	4,096,778	-	2,624,010	138,543,543
Derivative financial assets	-	-	-	-	-	93,990	93,990
Financial assets held under resale agreements	5,997,151	-	-	-	-	3,582	6,000,733
Loans and advances to customers	230,802,221	28,026,820	96,168,973	7,854,820	94,132	1,079,182	364,026,148
Financial investments							
Financial assets measured at fair value through profit and loss	-	-	529,629	378,030	4,338,568	9,848,291	15,094,518
Financial assets measured at fair value through other comprehensive income	123,613	3,169	824,284	5,812,475	106,032	843,541	7,713,114
Financial assets measured at amortised cost	3,219,601	24,121,149	71,052,285	119,505,320	67,352,237	4,314,128	289,564,720
Other financial assets	-	-	-	-	-	952,300	952,300
<b>Total financial assets</b>	<b>343,963,900</b>	<b>83,410,959</b>	<b>277,311,419</b>	<b>137,647,423</b>	<b>71,890,969</b>	<b>25,907,717</b>	<b>940,132,387</b>
Borrowings from central bank	2,993,023	6,023,600	21,437,900	-	-	-	30,454,523
Deposits from banks and other financial institutions	3,813,682	4,300,000	15,110,000	10,000	-	267,016	23,500,698
Placements from banks and other financial institutions	5,313,440	7,488,616	15,912,125	-	-	159,580	28,873,761
Derivative financial liabilities	-	-	-	-	-	83,907	83,907
Financial assets sold under repurchase agreement	3,233,213	996,885	1,675,104	-	-	15,476	5,920,678
Deposits from customers	286,176,003	84,862,029	128,072,792	109,695,391	-	7,359,977	616,166,192
Debt securities issued	11,642,458	42,849,397	89,853,874	5,996,647	9,000,000	267,041	159,609,417
Other financial liabilities	-	-	-	-	39,064	6,099,498	6,138,562
<b>Total financial liabilities</b>	<b>313,171,819</b>	<b>146,520,527</b>	<b>272,061,795</b>	<b>115,702,038</b>	<b>9,039,064</b>	<b>14,252,495</b>	<b>870,747,738</b>
<b>Interest rate risk gap</b>	<b>30,792,081</b>	<b>(63,109,568)</b>	<b>5,249,624</b>	<b>21,945,385</b>	<b>62,851,905</b>	<b>11,655,222</b>	<b>69,384,649</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (5) Market risk (Continued)

##### Interest rate risk (Continued)

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net profit and comprehensive income, based on the Group's position of interest-bearing assets and liabilities at the end of the reporting period.

	2019		2018	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income
+100 basis points	<u>1,552,856</u>	<u>49,268</u>	<u>1,522,493</u>	<u>51,522</u>
- 100 basis points	<u>(1,552,856)</u>	<u>(49,268)</u>	<u>(1,522,493)</u>	<u>(51,522)</u>

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products; therefore the impact of yield curves movement on interest expenses related to demand deposits has been excluded.

The sensitivity analysis on net profit is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate financial assets at end of the reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

The Group, based on regulatory requirement, conducts interest risk management in accordance with relevant regulations in Basel Accord.

This assumption does not represent the policy of use of funds and interest rate risk management of the Group. Therefore, the impact mentioned above may be different from actual situations.

Besides, the impact analysis of changes in interest rate mentioned above is a way of illustration, showing the estimated changes of net profit and other comprehensive income in cases of estimated yield and current interest risk of the Group. However, the risk management measures which may be adopted by management have not been taken into consideration in the analysis.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (6) Capital management

The Group's and the Bank's objectives on capital management are to:

- safeguard the Group's and the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's and the Bank's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of business.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Administrative Measures on the Capital of Commercial Banks (Trial). For systematically important banks, CBIRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBIRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. As at 31 December 2019 and 31 December 2018, the Group is in compliance with these legal and regulatory requirements.

The weighted credit risk assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee. The similar calculation is adopted for off-balance sheet credit risk exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardised approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculated the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements promulgated by the CBIRC.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 49. FINANCIAL RISK MANAGEMENT (Continued)

#### (6) Capital management (Continued)

	As at 31 December 2019	As at 31 December 2018
Core tier-one capital adequacy ratio	12.42%	10.95%
Tier-one capital adequacy ratio	12.44%	10.96%
Capital adequacy ratio	14.88%	13.52%
Components of capital base		
Core tier-one capital:		
Share capital	11,357,000	10,000,000
Valid portion of capital reserve	20,571,991	12,228,812
Surplus reserve and general reserve	23,918,884	22,572,188
Retained earnings	32,365,628	25,947,255
Valid portion of non-controlling interests	907,410	693,799
Total core tier-one capital	89,120,913	71,442,054
Deductions:		
Goodwill	(440,129)	(440,129)
Other intangible assets	(121,802)	(115,745)
Net core tier-one capital	88,558,982	70,886,180
Other tier-one capital:		
Non-controlling interests	120,988	92,507
Net tier-one capital	88,679,970	70,978,687
Tier-two capital		
Valid portion of tier-two capital instruments issued and related premium	9,000,000	9,000,000
Surplus provision for loan impairment	8,161,160	7,377,352
Valid portion of non-controlling interests	229,334	185,013
Net capital base	106,070,464	87,541,052
Risk-weighted assets		
Credit-risk-weighted assets	661,053,920	597,565,513
Market-risk-weighted assets	3,954,998	5,076,470
Operational risk-weighted assets	47,876,796	44,777,328

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 50. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of the listed equity securities on exchanges. Where Level 1 inputs are not available, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates, own credit spread and counterparty credit spreads, as appropriate. If these parameters used in the model are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as Level 2.

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorised and determined (in particular, the valuation technique(s) and inputs used).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 50. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

**Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)**

Financial assets/financial liabilities	Nature of assets/liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
		31/12/2019	31/12/2018		
Financial assets measured at fair value through profit or loss	Debt securities issued by:				
	– Public sector and quasi-governments	105,451	404,062	Level 2	See Note 1.
	– Financial institutions	4,348,888	4,235,279	Level 2	See Note 1.
	– Financial institutions	7,873	29,856	Level 3	Based on fair value of underlying assets, mainly comprising bonds and money market financial instruments traded in the China Domestic Interbank Bond Marke
	– Corporations	–	606,886	Level 2	See Note 1.
	WMPs issued by other financial institutions	13,209,685	9,818,435	Level 3	Discounted cash flows. Future cash flows are estimated and discounted using yield curve for similar quoted wealth management products issued by financial institutions.
	Interbank Certificates of deposit issued	498,054	–	Level 2	See Note 1.
	Funds	5,508,040	–	Level 2	See Note 1.
Derivatives	Assets	92,263	93,990	Level 2	Discounted cash flows. Future cash flows are estimated based on foreign currency forward rates (from observable yield curves at the end of the reporting period), discounted at a rate that reflects the credit risk of various counterparties.
	Liabilities	59,616	83,907		
Loans and advances to customers	Loans and advances to customers measured at fair value through other comprehensive income	20,086,701	20,192,651	Level 3	Discounted cash flows. Future cash flows are estimated at face value and discounted using market interest rates adjusted by risk premium.
Financial assets measured at fair value through other comprehensive income	Listed equity securities issued by:				
	– Financial institutions	34,687	47,690	Level 2	Based on observable H-share market price and adjusted for the lack of marketability.
	– Other institutions	535,148	560,685	Level 2	Based on observable H-share market price and adjusted for the lack of marketability.
	Unlisted equity securities issued by:				
	– Financial institutions	8,000	8,000	Level 3	Based on observable H-share market price of similar stocks, combined with discounted cash flow analysis
	Debt securities issued by:				
	– Public sector and quasi-governments	6,309,267	–	Level 2	See Note 1.
	– Corporations	369,740	6,238,482	Level 2	See Note 1.
– Debt financing plans	–	858,257	Level 3	Discounted cash flows. Future cash flows are estimated and discounted using yield curve for similar quoted wealth management products issued by financial institutions.	



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 50. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Note 1: The debt securities traded on China Domestic Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository And Clearing Co., Ltd. (CCDCC), and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

There were no significant transfers between all levels during the year of 2019 and 2018.

#### Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy

	2019		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Loans and advances to customers
As at 1 January 2019	9,848,291	866,257	20,192,651
Total gain or loss:	214,576	–	(14,511)
Purchases	22,195,000	–	29,617,584
Sales and settlements	(19,040,309)	(858,257)	(29,709,023)
As at 31 December 2019	<u>13,217,558</u>	<u>8,000</u>	<u>20,086,701</u>

	2018		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Loans and advances to customers
As at 1 January 2018	145,680,259	787,252	10,020,879
Total gain or loss:	323,737	(26,376)	21,550
Purchases	9,500,000	109,000	32,452,933
Sales and settlements	(145,655,705)	(3,619)	(22,302,711)
As at 31 December 2018	<u>9,848,291</u>	<u>866,257</u>	<u>20,192,651</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 50. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value financial assets and financial liabilities that are not measured at fair value on a recurring basis

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements are not included in the tables below.

	As at 31 December 2019		As at 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	396,254,080	398,048,947	343,833,497	343,935,548
Financial assets held under resale agreements	–	–	6,000,733	6,006,247
Financial assets measured at amortised cost	<u>346,418,416</u>	<u>355,459,282</u>	<u>289,564,720</u>	<u>293,751,825</u>
<b>Total</b>	<u>742,672,496</u>	<u>753,508,229</u>	<u>639,398,950</u>	<u>643,693,620</u>
Financial liabilities				
Deposits from customers	673,401,819	688,162,488	616,166,192	626,162,674
Debt securities issued	<u>171,330,067</u>	<u>171,585,587</u>	<u>159,609,417</u>	<u>155,359,028</u>
<b>Total</b>	<u>844,731,886</u>	<u>859,748,075</u>	<u>775,775,609</u>	<u>781,521,702</u>

The Group determines the fair value of debt securities issued by adopting level 2; determines the fair value of financial assets measured at amortised cost by adopting level 2 or 3.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 50. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

The following table gives the information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)		
	31/12/2019	31/12/2018				
Loans and advances to customers	398,048,947	343,935,548	Level 3	Discounted cash flows. Future cash flows are estimated and discounted using the yield curve with reference to the PBOC benchmark interest rates and credit spread for specific borrowers.		
Financial assets measured at amortised cost	Debt securities issued by:					
	– Government	99,504,651	83,667,630	Level 2	See Note 1.	
	– Government	39,599	12,600	Level 3	Based on fair value of underlying assets.	
	– Public sector and quasi-governments	51,776,558	39,626,231	Level 2	See Note 1.	
	– Financial institutions	29,667,524	12,004,588	Level 2	See Note 1.	
	– Corporations	61,945,545	51,404,972	Level 2	See Note 1.	
	Interbank deposit certificates	69,058,393	67,236,809	Level 2	See Note 1.	
	Debt financing plans	22,259,976	6,692,712	Level 3	Discounted cash flows. Future cash flows are estimated based on expected contractual amounts, discounted at rates that reflect the credit risk of various counterparties.	
Trust plans	21,207,036	33,106,283	Level 3			
Financial assets held under resale agreements	Collateral type as: -Bills and trust beneficial rights and asset management plans		–	6,006,247	Level 3	Discounted cash flows. Future cash flows that are estimated based on contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
Deposits from customers	688,162,488	626,162,674	Level 3	Discounted cash flows. Future cash flows are estimated based on contractual amounts and discounted at a rate with reference to the PBOC benchmark interest rates for deposits of similar remaining maturities.		
Debt securities issued	171,585,587	155,359,028	Level 2	See Note 1.		

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 50. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

Note 1: The debt securities traded on China Domestic Interbank Bond Market are classified into Level 2. Their fair values are provided by CCDCC and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

There were no significant transfers between all levels during the year of 2019 and 2018.

### 51. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK

	NOTE	As at 31 December 2019	As at 31 December 2018
<b>Assets</b>			
Cash and balances with central bank		77,237,199	85,725,888
Deposits with banks and other financial institutions		15,336,886	31,963,890
Placements with banks and other financial institutions		134,719,083	141,969,601
Derivative financial assets		92,263	93,990
Financial assets held under resale agreements		–	6,000,733
Loans and advances to customers		379,839,150	332,602,257
Financial investments			
Financial assets measured at fair value through profit or loss		23,677,991	15,094,518
Financial assets measured at fair value through other comprehensive income		7,256,842	7,713,114
Financial assets measured at amortised cost		346,521,226	289,564,720
Investment in subsidiaries	23	3,013,379	3,013,379
Property and equipment		4,822,135	4,680,971
Right-of-use assets		149,124	N/A
Deferred tax assets		5,694,689	4,371,153
Goodwill		440,129	440,129
Other assets		1,449,390	1,499,791
<b>Total Assets</b>		<b>1,000,249,486</b>	<b>924,734,134</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 51. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

	NOTE	As at 31 December 2019	As at 31 December 2018
<b>Liabilities</b>			
Borrowings from central bank		31,132,434	30,275,613
Deposits from banks and other financial institutions		10,077,485	24,175,249
Placements from banks and other financial institutions		5,190,781	8,742,272
Derivative financial liabilities		59,616	83,907
Financial assets sold under repurchase agreements		15,086,128	5,920,678
Deposits from customers		671,687,519	614,518,999
Accrued staff costs		4,307,038	5,462,541
Corporate income tax payable		925,917	908,840
Lease liabilities		139,022	N/A
Debt securities issued		169,379,523	159,609,417
Other liabilities		4,919,176	4,763,553
<b>Total liabilities</b>		<u>912,904,639</u>	<u>854,461,069</u>
<b>Equity</b>			
Share capital	37	11,357,000	10,000,000
Capital reserve	38	21,023,997	12,493,286
Investment revaluation reserve	39	(106,558)	51,108
Actuarial changes reserve		(336,069)	(306,203)
Surplus reserve	40	11,283,588	10,346,945
General reserve	41	12,231,636	11,855,025
Retained earnings	42	31,891,253	25,832,904
<b>Total equity</b>		<u>87,344,847</u>	<u>70,273,065</u>
<b>Total liabilities and equity</b>		<u>1,000,249,486</u>	<u>924,734,134</u>

Approved and authorised for issue by the Board of Directors on 26 March 2020.

**LIU JIANZHONG**

CHAIRMAN

**XIE WENHUI**

EXECUTIVE DIRECTOR  
AND PRESIDENT

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 51. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

#### Reserve movement of the Bank

	2019					
	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2019	12,493,286	51,108	(306,203)	10,346,945	11,855,025	25,832,904
Profit for the year	-	-	-	-	-	9,366,427
Other comprehensive income	-	(152,490)	(29,866)	-	-	-
Total comprehensive income for the year	-	(152,490)	(29,866)	-	-	9,366,427
Contribution from non-controlling interests	8,530,711	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	936,643	-	(936,643)
Appropriation to general reserve	-	-	-	-	376,611	(376,611)
Dividend distribution	-	-	-	-	-	(2,000,000)
Other comprehensive income transferred to retained earnings	-	(5,176)	-	-	-	5,176
As at 31 December 2019	<u>21,023,997</u>	<u>(106,558)</u>	<u>(336,069)</u>	<u>11,283,588</u>	<u>12,231,636</u>	<u>31,891,253</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 51. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

#### Reserve movement of the Bank (Continued)

	2018					
	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 12 December 2017	12,493,286	(109,673)	(130,651)	9,457,152	10,503,922	21,122,485
Change in accounting policy	-	71,869	-	-	-	53,389
As at 1 January 2018	12,493,286	(37,804)	(130,651)	9,457,152	10,503,922	21,175,874
Profit for the year	-	-	-	-	-	8,897,926
Other comprehensive income	-	88,912	(175,552)	-	-	-
Total comprehensive income for the year	-	88,912	(175,552)	-	-	8,897,926
Contribution from non-controlling interests	-	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	889,793	-	(889,793)
Appropriation to general reserve	-	-	-	-	1,351,103	(1,351,103)
Dividend distribution	-	-	-	-	-	(2,000,000)
As at 31 December 2018	12,493,286	51,108	(306,203)	10,346,945	11,855,025	25,832,904

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 52. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

- (1) According to section 383 of the Hong Kong Companies Ordinance, the emoluments and retirement benefits of directors are disclosed in Note 11, payments or benefits in respect of termination of directors' services, material interests of directors in transactions, arrangements or contracts entered into by the Bank or another company in the same group of companies, and consideration provided to or receivable by third parties for making available the services of a person as a director or in any other capacity is not material during the year 2019 (2018: not material).
- (2) Principal balance of loans and credit transactions provided to certain controlled body corporates and connected entities of directors and supervisors

Name of the borrower	As at	As at	Maximum outstanding during the year 2019	Amounts fallen due but not been paid as at	Provisions as at	Term	Interest Rate		Security
	31 December 2018	31 December 2019		31 December 2019	31 December 2019		31 December 2019	(%)	
Connected entities	11,127,586	5,259,830	5,259,830	-	60,089	1-10 years	4.35-6.65		Guarantee, certificates of deposit, construction in process, real estate, etc.

### 53. EVENT AFTER THE REPORTING PERIOD

- (1) On 26 March 2020, as proposed by the Board of Directors of the Bank, the Bank passed the 2019 annual profit distribution plan, which was disclosed in Note 15 Dividends, Note 40 Surplus Reserve and Note 41 General Reserve. It can take effect after the resolution is passed at the shareholders' meeting.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. EVENT AFTER THE REPORTING PERIOD (Continued)

- (2) Since the Novel Coronavirus outbreak (“the COVID-19 outbreak”) in January 2020, disease control and prevention efforts have been and are still being made across China. The Group will fully implement the Circular regarding Further Strengthening the Support of the Financial Sector to the Control and Prevention of the Novel Coronavirus Outbreak jointly issued by the PBOC and other central ministries and commissions and regulatory agencies, the Twenty Policies and Measures for Supporting Small and Medium-sized Enterprises in Overcoming the Novel Coronavirus Outbreak issued by the Chongqing Municipal Government, and the Implementation Rules of Chongqing Municipality for Further Strengthening the Support of the Financial Sector to the Disease Control and Prevention and the Delivery of Financial Services to the Real Economy issued by the Chongqing Operations Office of PBOC, to strengthen its support for the control and prevention of the disease through financial means and methods.

The COVID-19 outbreak will have some impact on the operations of business enterprises in certain industries as well as the overall economy in China, which, in turn and to a certain extent, may affect the quality of or return on the Group’s credit assets and investment assets. The degree of the impact will depend on the effectiveness of the disease control and prevention efforts, the duration of the outbreak, and the implementation of various response policies.

The impairment loss allowance as at 31 December 2019 was determined based on the information available to the Group as well as the Group’s estimates of the macroeconomic trends and conditions by the same date. The impact of the COVID-19 outbreak, which began at the beginning of 2020, will be assessed in 2020 for its impact on the economy under IFRS 9, and reflected in the impairment loss allowance for each period in 2020. In light of information collected by the Group as of the date of this report, the outbreak has had no significant impact on the operations of the Group, and the Group will continue to stay alert to the development of the disease, and update its assessments accordingly.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. EVENT AFTER THE REPORTING PERIOD (Continued)

- (3) In January 2020, the CBIRC issued the Decisions of China Banking and Insurance Regulatory Commission regarding the Proposed Establishment of Chongqing Xiaomi Consumer Finance Company (Yin Bao Jian Fu [2020] No.15) and agreed the establishment of Chongqing Xiaomi Consumer Finance Company in Chongqing. Its shareholders include the Bank, Xiaomi Communication Technology Co., Ltd., and several other relevant parties. The contribution amount of the Bank is RMB450 million.
- (4) In February 2020, the CBIRC issued the Decisions of China Banking and Insurance Regulatory Commission regarding the Proposed Establishment of CQRC Wealth Management Company (Yin Bao Jian Fu [2020] No.92) and agreed the establishment of CQRC Wealth Management Company. The Bank's shareholding ratio is 100%, and the proposed capital is RMB2,000 million.
- (5) On 9 January 2020, the Bank issued RMB2,000 million in special financial bonds for agriculture, rural areas and farmers in the Chinese interbank bond market. This bond is a 3-year fixed interest rate product with a coupon rate of 3.20%.
- (6) On 12 March 2020, the Bank issued financial bonds of RMB8,000 million in the Chinese inter-bank bond market. This bond is a 3-year fixed interest rate product with a coupon rate of 2.89%.

Besides the items mentioned above, the Group and the Bank have no significant events after the reporting period.

## Unaudited Supplemental Information

### LIQUIDITY RATIO

(Expressed in percentage)

#### THE GROUP

	As at 31 December 2019	As at 31 December 2018
RMB current assets to RMB current liabilities	57.12	51.71
Foreign currency current assets to foreign currency liabilities	<u>29.94</u>	<u>33.00</u>

### LIQUIDITY COVERAGE RATIO

#### THE GROUP

	As at 31 December 2019	As at 31 December 2018
Liquidity coverage ratio (expressed in percentage)	<u>225.78</u>	<u>207.66</u>

# Unaudited Supplemental Information (Continued)

## CURRENCY CONCENTRATIONS

### THE GROUP

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2019				
Spot assets	6,239.4	37.3	1,813.4	8,090.1
Spot liabilities	(4,541.9)	(183.0)	(29.7)	(4,754.6)
Forward purchases	1,410.4	69.5	–	1,479.9
Forward sales	(2,695.5)	–	(1,680.8)	(4,376.3)
Net position	<u>412.4</u>	<u>(76.2)</u>	<u>102.9</u>	<u>439.1</u>

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2018				
Spot assets	7,801.7	109.5	158.0	8,069.2
Spot liabilities	(7,128.5)	(181.0)	(20.2)	(7,329.7)
Forward purchases	1,494.1	–	–	1,494.1
Forward sales	(1,878.9)	–	–	(1,878.9)
Net position	<u>288.4</u>	<u>(71.5)</u>	<u>137.8</u>	<u>354.7</u>

## Unaudited Supplemental Information (Continued)

### INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, the Group's international claims is the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions and loans and advances to customers.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Non-bank private sectors	Total
As at 31 December 2019			
Asia Pacific (not including China)	3,730.3	2,475.1	6,205.4
– of which attributed to Hong Kong	36.9	–	36.9
North America	477.2	–	477.2
Europe	16.1	–	16.1
Total	<u>4,223.6</u>	<u>2,475.1</u>	<u>6,698.7</u>

	Banks and other financial institutions	Non-bank private sectors	Total
As at 31 December 2018			
Asia Pacific (not including China)	4,571.2	3,230.6	7,801.8
– of which attributed to Hong Kong	38.6	–	38.6
North America	304.2	–	304.2
Europe	104.0	–	104.0
Total	<u>4,979.4</u>	<u>3,230.6</u>	<u>8,210.0</u>

## Unaudited Supplemental Information (Continued)

### SUMMARY OF INFORMATION ON GEOGRAPHICAL SEGMENTS

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

	For the year ended 31 December 2019			For the year ended 31 December 2018		
	County Area <sup>(1)</sup>	Urban Area	Total	County Area <sup>(1)</sup>	Urban Area	Total
Net interest income	3,690.8	19,600.0	23,290.8	4,122.2	15,891.7	20,013.9
Net fee and commission income	979.6	1,342.3	2,321.9	970.0	1,095.8	2,065.8
Net trading gain	–	759.8	759.8	–	3,807.3	3,807.3
Other operating income, net	71.1	198.8	269.9	68.6	136.0	204.6
Total operating income	4,741.5	21,900.9	26,642.4	5,160.8	20,930.8	26,091.6
Internal transfer of income and expense	7,277.9	(7,277.9)	–	7,212.0	(7,212.0)	–
Income after adjustment	13,019.4	14,623.0	26,642.4	12,372.8	13,718.8	26,091.6

- (1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of the twelve village and township bank subsidiaries and the information of Qujing Branch.

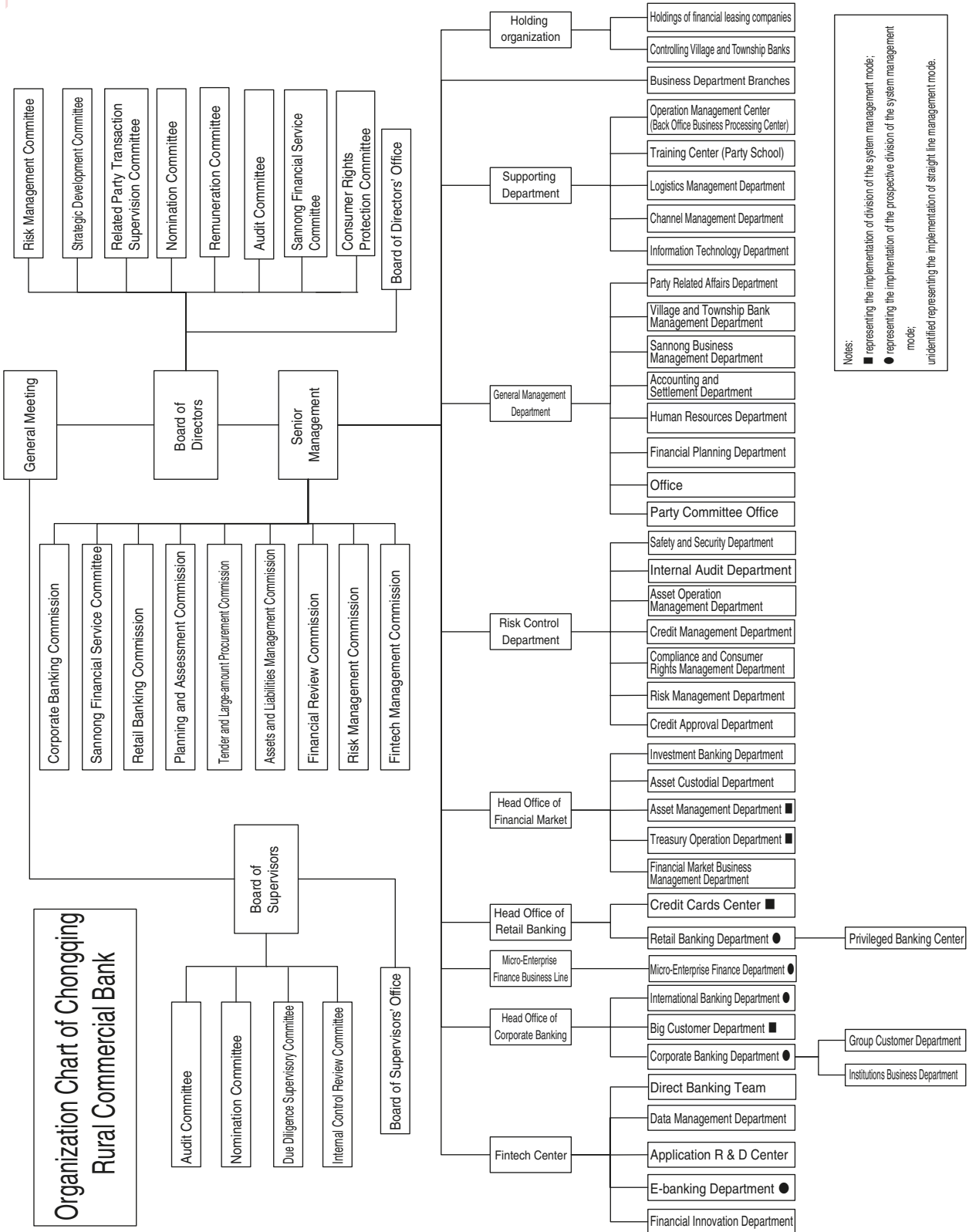
## Unaudited Supplemental Information (Continued)

### Abstract of geographical segments

(Expressed in percentage)	31 December			
	2019		2018	
	County Area	Urban Area	County Area	Urban Area
Deposits	69.33	30.67	68.61	31.39
Loans	48.02	51.98	46.12	53.88
Assets	49.37	50.63	47.94	52.06
Loan-deposit ratio	<u>44.96</u>	<u>110.01</u>	<u>41.58</u>	<u>106.16</u>

(Expressed in percentage)	31 December			
	2019		2018	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	0.90	1.11	0.96	1.01
Net fee and commission income to operating income	8.15	9.18	7.84	7.99
Cost-to-income ratio	<u>30.82</u>	<u>26.64</u>	<u>33.49</u>	<u>27.44</u>

# Organisation Chart







## Branches and Subsidiaries

### Branches

#### Qujing Branch

Address: Block 2 and 3, “Renhe Garden, Yunding Town Center” Dahua Bridge, Qilin West Road, Qilin District, Qujing City, Yunnan Province  
Postal Code: 655000  
Tel: 0874-3193599  
Fax: 0874-3193565

#### Liangjiang Branch

Address: No. 21, 23, 25 Jintong Road, New North Zone, Chongqing City  
Postal Code: 401122  
Tel: 023-88502278  
Fax: 023-88502278

#### Wanzhou Branch

Address: No. 91 Taibai Road, Wanzhou District, Chongqing City  
Postal Code: 404100  
Tel: 023-58156261  
Fax: 023-58156260

#### Jiangjin Branch

Address: Block E, Jinhui Garden, Binjiang West Road, Jijiang Street Office, Jiangjin District, Chongqing City  
Postal Code: 402260  
Tel: 023-47528840  
Fax: 023-47522632

#### Hechuan Branch

Address: No. 2 Jiuchang Road, Hechuan District, Chongqing City  
Postal Code: 401520  
Tel: 023-42835185  
Fax: 023-42841214

#### Fuling Branch

Address: Block 1, Hongfu Building No. 55 Xinghua Middle Road, Fuling District, Chongqing City  
Postal Code: 408000  
Tel: 023-72238022  
Fax: 023-72237722

### Sub-branches

#### Yuzhong Branch

Address: No. 142 Xinhua Road, Yuzhong District, Chongqing City  
Postal Code: 400011  
Tel: 023-63716557  
Fax: 023-63716557

#### Jiangbei Branch

Address: 1-1, No. 10, Yanghe Road East, Jiangbei District, Chongqing City  
Postal Code: 400020  
Tel: 023-61310036  
Fax: 023-61310065

#### Shapingba Branch

Address: No. 118 Xiaoyanggong Bridge, Shapingba District, Chongqing City  
Postal Code: 400030  
Tel: 023-65332566  
Fax: 023-65332566

#### Dadukou Branch

Address: 3/F, Block A1, Tianchenhuafu, Chunhui Road Street, Dadukou District, Chongqing City  
Postal Code: 400084  
Tel: 023-68836636  
Fax: 023-68901484

#### Nan'an Branch

Address: No. 24 Jiangnan Avenue, Nanping, Nan'an District, Chongqing City  
Postal Code: 400060  
Tel: 023-62947517  
Fax: 023-62982743

#### Jiulongpo Branch

Address: No. 2 Xijiao Road, Yang Jia Ping, Jiulongpo District, Chongqing City  
Postal Code: 400050  
Tel: 023-68437557  
Fax: 023-68437557



## Branches and Subsidiaries

### Beibei District

Address: No. 20 Beixia West Road, Beibei,  
District, Chongqing City  
Postal Code: 400700  
Tel: 023-68864083  
Fax: 023-68862728

### Yubei Branch

Address: 1-1, Block 1, No. 91 Shuanglong  
Avenue, Shuanglonghu Street,  
Yubei District, Chongqing City  
Postal Code: 401120  
Tel: 023-67824010  
Fax: 023-67822014

### Ba'nán Branch

Address: No. 145 Longzhou Avenue, Ba'nán  
District, Chongqing City  
Postal Code: 400055  
Tel: 023-66212977  
Fax: 023-66222960

### Wansheng Branch

Address: No. 36 Wandong North Road,  
Wansheng District, Chongqing City  
Postal Code: 400800  
Tel: 023-48299505  
Fax: 023-48299504

### Changshou Branch

Address: No. 13 Xiangyang Road, Fengcheng  
Street Office, Changshou District,  
Chongqing City  
Postal Code: 401220  
Tel: 023-40245293  
Fax: 023-40240574

### Yongchuan Branch

Address: No. 399, Honghe Middle Road,  
Yongchuan District, Chongqing City  
Postal Code: 402160  
Tel: 023-49863765  
Fax: 023-49885099

### Nanchuan Branch

Address: No. 24 Jinpo Avenue, Nanchuan  
District, Chongqing City  
Postal Code: 408400  
Tel: 023-71423626  
Fax: 023-71429898

### Qijiang Branch

Address: No. 34 Jiulong Avenue, Wenlong  
Street, Qijiang District, Chongqing  
City  
Postal Code: 401420  
Tel: 023-48663139  
Fax: 023-48658598

### Tongnan Branch

Address: No. 4, Xingtong Avenue, Guilin  
Street Office, Tongnan County,  
Chongqing City  
Postal Code: 402660  
Tel: 023-44551908  
Fax: 023-44554249

### Tongliang Branch

Address: No. 102 Zhongxing Road, Bachuan  
Street, Tongliang County, Chongqing  
City  
Postal Code: 402560  
Tel: 023-45682975  
Fax: 023-45673031

### Dazu Branch

Address: Fu No. 2 No.390 Wuxing Avenue,  
Tangxiang Street Office, Dazu  
County, Chongqing City  
Postal Code: 402360  
Tel: 023-43711711  
Fax: 023-43722323

### **Rongchang Branch**

Address: No. 106 Haitang Avenue, Changzhou Street Office, Rongchang County, Chongqing City

Postal Code: 402460

Tel: 023-46732980

Fax: 023-46739122

### **Bishan Branch**

Address: No. 4 Bitong Road, Bicheng Street Office, Bishan County, Chongqing City

Postal Code: 402760

Tel: 023-41427834

Fax: 023-41427834

### **Liangping Branch**

Address: No. 1, Block 26, Minghao Commercial Area, Liangshan Town, Liangping County, Chongqing City

Postal Code: 405200

Tel: 023-53223401

Fax: 023-53223401

### **Chengkou Branch**

Address: No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City

Postal Code: 405900

Tel: 023-59221503

Fax: 023-59221503

### **Fengdu Branch**

Address: No. 187 2nd Shangye Road, Sanhe Town, Fengdu County, Chongqing City

Postal Code: 408299

Tel: 023-70736661

Fax: 023-70736533

### **Dianjiang Branch**

Address: No. 12 Renmin East Road, Guixi Town, Dianjiang County, Chongqing City

Postal Code: 408300

Tel: 023-74512937

Fax: 023-74685719

### **Zhong County Branch**

Address: No. 49 Ba Wang Road, Zhongzhou Town, Zhong County, Chongqing City

Postal Code: 404300

Tel: 023-54235902

Fax: 023-54243942

### **Kai County Branch**

Address: (Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kai County, Chongqing City

Postal Code: 405400

Tel: 023-52250812

Fax: 023-52250253



## Branches and Subsidiaries

### Yunyang Branch

Address: No. 1335 Yunjiang Avenue, Qinglong Subdistrict, Yunyang County, Chongqing City

Postal Code: 404500

Tel: 023-55161480

Fax: 023-55161480

### Fengjie Branch

Address: No. 32 Gongping Lane, Yufujie Road, Fengjie County, Chongqing City

Postal Code: 404699

Tel: 023-56560373

Fax: 023-56560229

### Wushan Branch

Address: No. 258 Guangdong Middle Road, Wushan County, Chongqing City

Postal Code: 404700

Tel: 023-57680904

Fax: 023-67680904

### Wuxi Branch

Address: Unit 1-1, No.7 Yanghe Garden, No.25, Binhe Zhilu, Boyang Street, Wuxi County, Chongqing City

Postal Code: 405899

Tel: 023-51529828

Fax: 023-51520799

### Qianjiang Branch

Address: No. 217 Jiefang Road, Qianjiang District, Chongqing City

Postal Code: 409000

Tel: 023-79236496

Fax: 023-79236496

### Shizhu Branch

Address: No. 41 Xinkai Road, Nanbin Town, Shizhu Tujia Autonomous County, Chongqing City

Postal Code: 409100

Tel: 023-73332136

Fax: 023-73337976

### Wulong Branch

Address: No. 36 Furong Middle Road, Xiangkou Town, Wulong County, Chongqing City

Postal Code: 408500

Tel: 023-77723233

Fax: 023-77722595

### Xiushan Branch

Address: Shizi Street, Yuxiu Avenue, Zhonghe Town, Xiushan Tujia and Miao Autonomous County, Chongqing City

Postal Code: 409900

Tel: 023-76662163

Fax: 023-76671163

### Youyang Branch

Address: No. 5, Taohuayuan Middle Road, Taohuayuan Town, Youyang Tujia and Miao Autonomous County, Chongqing City

Postal Code: 409800

Tel: 023-75556144

Fax: 023-75552534

### Pengshui Branch

Address: Fu No. 4, 2 Shizui Street, Hanjia Street, Pengshui Miao and Tujia Autonomous County, Chongqing City

Postal Code: 409600

Tel: 023-78848842

Fax: 023-78849965

## Subsidiaries

### Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司)

Address: No. 487 and 489 Chang'an Road, Zhangjiagang City, Jiangsu Province  
 Postal Code: 215600  
 Tel: 0512-58918959  
 Fax: 0512-58918969

### Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司)

Address: Block H8/9, Huangge Commercial Plaza, Xinhua Road East, Zhuyang Town, Dazhu County, Sichuan Province  
 Postal Code: 635100  
 Tel: 0818-6256123  
 Fax: 0818-6256616

### Yunnan Dali CQRC Village and Township Bank (雲南大理渝農商村鎮銀行有限責任公司)

Address: No. 176 Yangbi Road, Economic Development Zone, Dali Prefecture, Yunnan Province  
 Postal Code: 671000  
 Tel: 0872-2188319  
 Fax: 0872-2188667

### Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行有限責任公司)

Address: No. 16, Block 11, "Xiangyun Yinxiang Garden", Wenyuan Road north side, Xiangcheng Town, Xiangyun County, Dali Prefecture, Yunnan Province  
 Postal Code: 672100  
 Tel: 0872-3997552  
 Fax: 0872-3122977

### Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行有限責任公司)

Address: 15 Xinghe Road, Yunhe Town, Hexing County, Dali Prefecture, Yunnan Province  
 Postal Code: 671500  
 Tel: 0872-4125480  
 Fax: 0872-4123500

### Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限責任公司)

Address: 8 Guiyuan Road, Nanxin District, Luzhai County, Liuzhou City, Guangxi Province  
 Postal Code: 545600  
 Tel: 0772-6822818  
 Fax: 0772-6663027

### Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限責任公司)

Address: Floor 1 & 2, North Tower of Yongshun Building, Xincheng Central Road, Sha County, Sanming City, Fujian Province  
 Postal Code: 365050  
 Tel: 0598-5758880  
 Fax: 0598-5758880

### Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司)

Address: 1 Guanhang Road, Cheng Bei, Fu'an City, Fujian Province  
 Postal Code: 355000  
 Tel: 0593-8988916  
 Fax: 0593-8988920



## Branches and Subsidiaries

### **Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司)**

Address: 3AS-1-1, No. 7 Huajun Plaza,  
Changzheng Da Road, Xianggelila  
County, Yunnan Province

Postal Code: 674499

Tel: 0887-8980066

Fax: 0887-8989811

### **CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)**

Address: Floor 24 and 25, Twin towers A,  
Buildings 3, No. 10, Qingfeng North  
Road, Yubei District, Chongqing

Postal Code: 401121

Tel: 023-63569568

Fax: 023-63569555

### **Fujian Shi Shi CQRC Village and Township Bank Co., Ltd. (福建石獅渝農商村鎮銀行有限責任公司)**

Address: No. 2454, 2456, 2458, Hong Xing  
International Building, Baqi Road,  
Shishi City, Fujian Province

Postal Code: 362700

Tel: 0595-82269866

Fax: 0595-82268878

### **Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭渝農商村鎮銀行有限責任公司)**

Address: A3-A6, 19th Pai, Kangde Huayuan  
Villa, Tancheng Town, Pingtan  
County, Fujian Province

Postal Code: 350400

Tel: 0591-86175991

Fax: 0591-86175991

### **Yunnan Xishan CQRC Village and Township Bank Co., Ltd. (雲南西山渝農商村鎮銀行有限責任公司)**

Address: No. 924, 926, 928 Dianchi Road,  
Dianchi National Tourist Resort,  
Kunming City, Yunnan

Postal Code: 650000

Tel: 0871-68183750

Fax: 0871-68189273



重庆农村商业银行  
CHONGQING RURAL COMMERCIAL BANK

Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing, China

Mail Box: 400023

[www.cqrcb.com](http://www.cqrcb.com)