重庆银行
BANK OF CHONGQING

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

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code：1963)
(Stock Code of Preference Shares：4616)

2018 ANNUAL REPORT

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

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Corporate Information

Legal Name and Abbreviation in Chinese
重慶銀行股份有限公司(Abbreviation: 重慶銀行)

Name in English
Bank of Chongqing Co., Ltd.

Legal Representative
LIN Jun

Authorized Representatives
LIN Jun
WONG Wah Sing

Secretary to the Board
PENG Yanxi

Joint Company Secretaries
WONG Wah Sing
HO Wing Tsz Wendy

Registered Address and Postal Code
No. 6 Yongpingmen Street, Jiangbei District,
Chongqing, the PRC
400024

Principal Place of Business in Hong Kong
Level 54, Hopewell Centre,
183 Queen's Road East, Hong Kong

Corporate Website
http://www.cqcbank.com

E-mail
ir@cqcbank.com

H Shares
Listing Exchange: The Stock Exchange of Hong Kong Limited
Stock Name: BCQ
Stock Code: 1963

Offshore Preference Shares
Listing Exchange: The Stock Exchange of Hong Kong Limited
Stock Name: BCQ 17USDPREF
Stock Code: 4616

Date and Registration Authority of Initial Incorporation
September 2, 1996
Administration for Industry and Commerce of Chongqing, the PRC

Unified Social Credit Code of Business License
91500000202869177Y

Financial License Registration Number
B0206H250000001

Auditors
International: *PricewaterhouseCoopers*
Address: 22/F, Prince's Building, Central, Hong Kong

Domestic: *PricewaterhouseCoopers Zhong Tian LLP*
Address: 11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC

Legal Advisor as to PRC Laws
Chongqing Jingsheng Law Firm

Legal Advisor as to Hong Kong Laws
Sullivan & Cromwell (Hong Kong) LLP

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

Domestic Share Registrar
China Securities Depository and Clearing Co., Ltd. Beijing Branch
Address: 5/F Jinyang Building, No.26 Jin Rong Street, Xicheng District, Beijing, the PRC

Financial Highlights

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

With respect to the financial statements of the Group prepared under the PRC GAAP (China Accounting Standards) and those under the IFRSs, there is no difference for the net profit attributable to shareholders of the Bank for the Reporting Period ended December 31, 2018 and the equity attributable to shareholders of the Bank as at the end of the Reporting Period.

2.1 Financial Data

	For the year ended December 31,					
(All amounts expressed in thousands of RMB unless otherwise stated)	**2018**	**2017**	**Year-on-year change between 2018 and 2017**	**2016**	**2015**	**2014**
OPERATING RESULTS			**Change in percentage (%)**			
Interest income[1]	**19,322,772**	18,920,176	N/A	16,226,274	15,507,610	13,236,153
Interest expense	**(12,447,126)**	(10,805,081)	15.2	(8,548,876)	(8,505,537)	(7,004,455)
Net interest income[1]	**6,875,646**	8,115,095	N/A	7,677,398	7,002,073	6,231,698
Net fee and commission income	**1,341,922**	1,680,056	(20.1)	1,926,017	1,512,053	908,846
Net trading gains/(losses), net gains on investment securities and other operating income[1]	**2,412,516**	219,655	N/A	(381)	78,455	342,566
Operating income	**10,630,084**	10,014,806	6.1	9,603,034	8,592,581	7,483,110
Operating expenses	**(2,571,121)**	(2,298,865)	11.8	(2,537,298)	(3,190,171)	(2,805,275)
Impairment losses	**(3,436,768)**	(2,999,164)	14.6	(2,411,134)	(1,135,300)	(889,566)
Operating profit	**4,622,195**	4,716,777	(2.0)	4,654,602	4,267,110	3,788,269
Share of profit of associates	**220,427**	178,378	23.6	3,910	2,809	2,035
Profit before income tax	**4,842,622**	4,895,155	(1.1)	4,658,512	4,269,919	3,790,304
Income tax	**(1,020,527)**	(1,130,958)	(9.8)	(1,156,345)	(1,099,858)	(963,161)
Net profit	**3,822,095**	3,764,197	1.5	3,502,167	3,170,061	2,827,143
Net profit attributable to shareholders of the Bank	**3,769,847**	3,725,881	1.2	3,502,167	3,170,061	2,827,143
Total other comprehensive income in the year, net of tax	**482,448**	(585,531)	N/A	(157,708)	297,891	202,580
Calculated on a per share basis (RMB)			**Change**			
Net assets per share attributable to shareholders of the Bank	**9.00**	8.33	0.67	7.61	6.81	5.88
Basic earnings per share[2]	**1.11**	1.19	(0.08)	1.12	1.17	1.05
Dividend per share	**0.154**	0.118	0.036	0.291	0.264	0.272
Major indicators of assets/liabilities			**Change in percentage (%)**			
Total assets	**450,368,973**	422,763,025	6.5	373,103,734	319,807,987	274,531,145
Of which: loans and advances to customers, net	**205,923,212**	172,162,090	19.6	146,789,046	121,816,452	104,114,756
Total liabilities	**415,757,400**	390,303,113	6.5	349,291,822	298,514,992	258,628,122
Of which: customer deposits	**256,394,193**	238,704,678	7.4	229,593,793	199,298,705	167,932,436
Share capital	**3,127,055**	3,127,055	0.0	3,127,055	3,127,055	2,705,228
Equity attributable to shareholders of the Bank	**33,051,012**	30,951,596	6.8	23,811,912	21,292,995	15,903,023
Total equity	**34,611,573**	32,459,912	6.6	23,811,912	21,292,995	15,903,023

2.2 Financial Indicators

(All amounts expressed in percentage unless otherwise stated)	For the year ended December 31, 2018	2017	Year-on-year change between 2018 and 2017	2016	2015	2014
Profitability indicators (%)			**Change**			
Average return on total assets[3]	**0.88**	0.95	(0.07)	1.01	1.07	1.17
Average return on equity attributable to shareholders of the Bank[4]	**12.8**	14.9	(2.1)	15.5	17.0	19.2
Net interest spread[5]	**1.78**	N/A	N/A	N/A	N/A	N/A
Net interest margin[5]	**1.79**	N/A	N/A	N/A	N/A	N/A
Net interest spread[1] (adjusted)	**1.79**	1.89	(0.10)	2.23	2.29	2.56
Net interest margin[1] (adjusted)	**2.07**	2.11	(0.04)	2.38	2.52	2.81
Net fee and commission income to operating income	**12.62**	16.78	(4.16)	20.06	17.60	12.15
Cost-to-income ratio[6]	**22.93**	22.00	0.93	23.72	30.69	31.02
Asset quality indicators (%)			**Change**			
Non-performing loan ratio[7]	**1.36**	1.35	0.01	0.96	0.97	0.69
Impairment allowances to non-performing loans[8]	**225.87**	210.16	15.71	293.35	243.98	318.87
Impairment allowances to total loans[9]	**3.08**	2.85	0.23	2.80	2.37	2.19
Indicators of capital adequacy ratio (%)			**Change**			
Core tier I capital adequacy ratio[10]	**8.47**	8.62	(0.15)	9.82	10.49	9.63
Tier I capital adequacy ratio[10]	**9.94**	10.24	(0.30)	9.82	10.49	9.63
Capital adequacy ratio[10]	**13.21**	13.60	(0.39)	11.79	11.63	11.00
Total equity to total assets	**7.69**	7.68	0.01	6.38	6.66	5.79
Other indicators (%)			**Change**			
Liquidity ratio[11]	**92.53**	79.55	12.98	60.05	55.32	52.53
Percentage of loans to the single largest customer[12]	**2.15**	2.28	(0.13)	4.52	4.00	4.62
Percentage of loans to the top ten customers[13]	**18.79**	17.19	1.60	29.24	30.79	25.21

Note:

(1) The Group adopted IFRS 9 – Financial Instruments (IFRS 9) issued by IASB in July 2014. IFRS 9 was first implemented on January 1, 2018. Combined with the requirements under IFRS 9 and IAS 1 – Presentation of Financial Statements (IAS 1), the realised and unrealised interest income from financial assets at fair value through profit or loss are classified into net gains on investment securities and net trading gains, respectively, and the financial assets at fair value through profit or loss are no longer presented as interest-earning assets, and thereby affecting the net interest income, net gains on investment securities, net trading gains, net interest spread and net interest margin. In accordance with the transition requirements under IFRS 9, the Group chooses not to restate the information of the comparative periods. Based on the classification, measurement and corresponding presentation requirements under IAS 39 – Financial Instruments: Recognition and Measurement (IAS 39), the net interest income calculated as the same period in the previous year was RMB8,641.58 million. In accordance with the requirements under IFRS 9, the net interest income is classified into net gains on investment securities of RMB1,626.91 million and net trading gains of RMB139.02 million, respectively. The adjusted net interest spread and net interest margin are calculated as the same period in the previous year according to IAS 39 in order to maintain the comparability of significant financial indicators for the two periods.

(2) The ratio of net profit (net of dividends of preference shares distributed during the year) attributable to shareholders of the Bank to weighted average number of ordinary shares.

(3) Calculated by dividing net profit by the average of total assets at the beginning and at the end of the period.

(4) Net profit (net of dividends of preference shares distributed during the year) attributable to shareholders of the Bank as a percentage of the average balance of equity, net of preference shares, attributable to shareholders of the Bank at the beginning and at the end of the period.

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

(6) Calculated by dividing operating expense (less tax and surcharges) by operating income.

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

(8) Calculated by dividing balance of impairment allowances on loans by balance of non-performing loans. Pursuant to regulatory requirements, the regulatory standard of such indicator of the Bank is 150%.

(9) Calculated by dividing balance of impairment allowances on loans by total principal of loans and advances to customers. Pursuant to regulatory requirements, the regulatory standard of such indicator of the Bank is 2.5%.

*(10) Core tier I capital adequacy ratio, tier I capital adequacy ratio and capital adequacy ratio were calculated in accordance with the guidance promulgated by China Banking and Insurance Regulatory Commission (the "**CBIRC**") (effective from January 1, 2013).*

(11) Liquidity ratio is calculated in accordance with the formula promulgated by the CBIRC.

(12) Calculated by dividing total loans to the single largest customer by net capital.

(13) Calculated by dividing total loans to the top ten customers by net capital.

Chairman's Statement

Dear Shareholders,

2018 has marked the first year for Bank of Chongqing to comprehensively promote high-quality development. This year, guided by the orientation of high-quality development and under the principle of making progress while ensuring stability, we actively adjusted business structure, comprehensively promoted business innovation, coordinated our development in terms of scale and efficiency, and continued to enhance efficiency and quality, thus maintaining a stable progressed business indicator and positive trend.

We insist on regarding as our responsibility, serving the real economy, and comprehensively promote the improvement in the service ability, and resultantly there is prosperous development of business segments, showing a good trend of transformation of traditional businesses for quality improvement, accelerated arrangement of innovative businesses, as well as integration and interaction of new and old businesses. We have promoted science and technology empowerment, implemented the strategy of innovation driven by big data intelligence, constructed and launched a new-generation core system and a big data intelligent risk control system, and have seen prosperous development of online financial products including inclusive finance for small and micro enterprises, and personal consumption. We have promoted the improvement in management efficiency and taken the lead in the adoption of IFRS 9, a new standard, and enhanced delicacy management of budgets and costs. In the Top 1,000 World Banks ranking from The Banker, a UK magazine, the Bank was ranked 252nd, up by 44 places as compared with the previous year; in the gyro evaluation of city commercial banks published by China Banking Association, the Bank was ranked 7th, up by 2 places as compared with last year; and the Standard & Poor rated the Bank's long-term issuer credit rating as "BBB-" and short-term issuer credit rating as "A-3", with rating outlook as stable. Our outstanding achievements rely on the strong support of our shareholders. Our achievement of targets is strongly supported by customers of the Bank. Our investors represent an inexhaustible driving force for our sound development. On behalf of the Board of Bank of Chongqing, I would like to take this opportunity to express our sincere gratitude to you.

"We are all running towards our dreams." In 2019, guided by Xi Jinping's thought on Socialism with Chinese Characteristics for a New Era, we will fully implement new development concepts, and take high-quality development as the target, high-end innovation as the driving force and high standard management as the guarantee method. We will stay true to our originality and accelerate transformation. In addition, we will strive to enhance our core competitiveness and value creativity, and pursue sustainable and healthy development, with the aim to create more value for our shareholders and investors.

Chairman of the Board of Directors
Lin Jun
Bank of Chongqing Co., Ltd.

President's Statement

Dear Shareholders,

In 2018, in accordance with the internal requirements of high-quality development, the Bank actively adjusted its development ideas, optimized business strategies, seized opportunities and the market, promoted innovation, adjusted structure, and improved quality and efficiency. With properly handling intricate and complex environmental changes, the Bank has achieved expected operating performances, maintained stable and sound trend in key business indicators, and realized coordinated development among the scale, efficiency, quality, structure and brand recognition.

Over the past year, the Bank has been working relentlessly to serve the real economy, and issued "Five-wheel Drive" policy to promote the development guidelines of private economy. We conducted comprehensive, in-depth and continuous research and visits to private enterprises, and developed such products as credit loans for the real economy, commercial bills, support loans for micro enterprises, small-value bill discounts, with the balance of loans for the real economy increasing by RMB4 billion. We actively promoted rural revitalization and financial poverty alleviation, and fulfilled the political role of a state-owned financial enterprise. We introduced "Shui Di Dai (稅抵貸)" and "Jie e Dai (捷e貸)" to further enhance the service capabilities for online customers. We issued "Jin Dou Card (金豆卡)" and "Talent Card (英才卡)" to continuously improve the card environment. At the same time, we successfully launched a new generation of core systems, which enhances the system's stability and business continuity to a new high, thus providing strong support for business development. These achievements were bound up with the understanding, trust and support from the investors, customers and the society. On behalf of the management team, I would like to express my most heartfelt gratitude to the people from all sectors of the society who care about and support the development of the Bank.

2019 is the crucial year for the Bank to implement the newly revised strategic development plan and enter into high-quality development. Adhering to the general work guideline of making progress while ensuring stability, and staging on higher political position and development level, the Bank will deeply integrate into the development strategies in Chongqing, Sichuan, Guizhou and Shaanxi regions. In the course of promoting the real economy, developing inclusive finance, supporting private enterprises, and stimulating the vitality of micro entities, the Bank will grasp strategic opportunities for its own development and growth, and reward investors with the value preservation and appreciation of its brands and strengths.

Executive Director and President
Ran Hailing
Bank of Chongqing Co., Ltd.

Recognitions and Awards

- In the Top 1,000 World Banks ranking from The Banker, a UK magazine, in 2018, the Bank was ranked 252nd, up by 44 places as compared with the previous year;

- The Bank was honored by the Chongqing Business Management Department of the People's Bank of China with the "Advanced Unit of Financial IC Card", "Advanced Unit of Financial Technology in Banking Financial Institutions of Chongqing", "Advanced Unit of Financial Standardization in Banking Financial Institutions of Chongqing" and "Advanced Unit of Network in Banking Financial Institutions of Chongqing";

- The Bank was honored by CBRC Chongqing Bureau as the "Outstanding Entity of Financial Services to Small and Micro Enterprises";

- The Business Department of the head office of the Bank was awarded by China Banking Association as the "Advanced Unit of Safety Management"

- The Business Department of Liangjiang Branch, Qijiang Sub-branch and the Guiyang Liupanshui Zhongshan Middle Road Sub-branch of the Bank were honored by China Banking Association as the "Top 1000 of Civilized and Standardized Service in China Banking Industry in 2018";

- The Bank was awarded by China Banking Association "Best Charity Contribution Award of China's Bank Industry";

- The Bank was awarded by China Central Depository & Clearing Co., Ltd. as the "'Excellent Financial Bond Issuer' of CCDC";

- The Bank was awarded by China Banking and Insurance Regulatory Commission with the "Third Category Award of Research Achievements in the Risk Management of Information Technology in the Banking Industry" and the "Fourth Category of Research Achievements in the Risk Management of Information Technology in the Banking Industry";

- The Bank was awarded "the third prize of the 'Workshop of Innovation and Development Theory of Internal Auditing in the New Era'" by the China Institute of Internal Audit.

Management Discussions and Analysis

6.1 Environment and Outlook

In 2018, global economic growth has gradually transformed from simultaneous recovery to diversion. As affected by unfavorable factors such as escalating trade frictions, intensified geopolitical conflicts and overlapping economic cycles, there was a lack of impetus in economic growth. The U.S. economy grew significantly during the year, while there showed signs of slow-down in economic indicators; the Eurozone economies grew steadily with slowing down in growth rate; the Japanese economy reappeared a trend of downturn; and emerging economies were rising in growth rate, among which, India recorded strong economic growth, while resource exporting countries, including Russia and Brazil, showed improving economic recovery and increasing growth as affected by the increase in energy prices.

In 2018, China's economy was maintained within a reasonable range, and continued the trend of overall stability as well as making progress while ensuring stability. As the further advancement of supply-side structural reforms, its reform and opening up continued to increase. China's GDP was RMB90.03 trillion this year, up by 6.6% year on year. The price level rose moderately, with the consumer price index rising by 1.2% year on year. China's monetary credit and financial markets operated smoothly as a whole: M2 increased by 8.1% to RMB182.67 trillion; the balance of M1 increased to RMB55.17 trillion with year-on-year growth of 1.5%; and the balance of M0 amounted to RMB7.32 trillion with year-on-year growth of 3.6%. As at December 31, 2018, the RMB loan balance was RMB136.30 trillion with year-on-year growth of 13.5%, among which the incremental RMB loans were RMB16.17 trillion, representing year-on-year growth of RMB2.64 trillion; and the RMB deposit balance was RMB177.52 trillion with year-on-year growth of 8.2%, among which the incremental RMB deposits were RMB13.40 trillion, representing a year-on-year decrease of RMB107.10 billion. In the year, total imports and exports amounted to RMB30.51 trillion, representing a record high and a year-on-year increase of 9.7%, among which total exports amounted to RMB16.42 trillion with a year-on-year increase of 7.1% and total imports amounted to RMB14.09 trillion with a year-on-year increase of 12.9%.

In 2018, focusing on targets of "Two Points" position, "Two Places" and "Two Highs", Chongqing continued to promote high-quality development with constant increase in the quality and efficiency of economic development. Its regional gross domestic product reached RMB2,036.32 billion, representing year-on-year growth of 6.0%. In particular, the primary, secondary and tertiary industries grew by 4.4%, 3.0% and 9.1% respectively year on year. The city's per capita disposable income for urban residents was RMB34,889, representing a year-on-year increase of 8.4%. As at December 31, 2018, the RMB loan balance from financial institutions within the city was RMB3,142.59 billion with year-on-year growth of 12.8%; the RMB deposit balance was RMB3,565.16 billion with year-on-year growth of 5.7%. The total imports and exports of the city increased by 15.9% year on year to RMB522.26 billion, among which the total exports amounted to RMB339.53 billion with a year-on-year increase of 17.7%, and the total imports amounted to RMB182.73 billion with a year-on-year increase of 12.5%.

In 2019, the global economic environment will be more complicated. Under the unfavorable influence of tightening global liquidity and escalating trade friction, the global economy will be exposed to a risk of shrinking from peak. Affected by these, the global economic recovery remained highly uncertain. China is in an important period of strategic opportunities, with strong resilience and great potential of economic development, and continuous emergence of innovation dynamism, with the continuous advancement of supply-side structural reforms and the introduction of various positive policies, China will continue the trend of high-quality development.

The Central Government has deployed the work of deepening the structural reform of financial supply side and preventing and defusing financial risks, which requires to focus on improving financial services and preventing and controlling financial risks, thus promoting the high-quality development of financial industry. It requires to build a multi-level and differentiated banking system with wide coverage, increase the number and percentage of small and medium-sized financial institutions, and improve financial services for small and micro enterprises as well as agriculture, rural areas, and farmers, which provide important policy support for the sustainable and healthy development to banking financial institutions, especially small and medium-sized banks.

As the largest municipality directly under the Central Government in China, the most developed metropolitan area in Western China and the largest central port city in the upper reaches of the Yangtze River, Chongqing is blessed with very obvious location advantages. In 2019, Chongqing will continue to focus on targets of “Two Points” position, “Two Places” and “Two Highs”, and promote the implementation of “Three Critical Battles” and “Eight Strategic Action Plans”, so as to ensure the regional economy within a reasonable range and maintaining healthy development. Benefiting from the implementation of various regional policies, financial institutions in the region will also obtain new development opportunities.

In 2019, adhering to the general work guideline of making progress while ensuring stability and with supply-side structural reform as the main line, the Group will deeply integrate into regional development pattern, continue to promote the transformation of professionalism, comprehensive management and Internet banking, and accelerate various structural adjustments and upgradings. In the course of promoting the real economy, developing inclusive finance, supporting private enterprises, and stimulating the vitality of micro entities, the Bank will grasp strategic opportunities for its own development and growth. The Group will fully implement various tasks and objectives, and focus on supporting the real economy, upgrading retail business, enhancing scientific and technological support, implementing reforms, strengthening risk control, defusing inventory risks, increasing talent reserves, and improving the quality and efficiency of management. The Group will formulate relevant work plans and enhance implementation.

With close focus on high-quality development, the Group will actively promote reforms in quality, efficiency and motivation, focus on asset quality, fine management, structural optimization and motivation conversion, put forth effort in dealing with relationships between current and long-term development, risk control and development, scale and efficiency as well as input and output. The Group will continuously improve corporate governance and internal management, comprehensively strengthen risk management and internal control, and fully fulfill the social responsibility of a financial enterprise to serve the real economy.

6.2 Financial Review

In 2018, China’s economy maintained medium to high growth rate. Driven by further optimization of economy structure, continuous improvement in development quality and continuous enhancement of consumption capacity, economy under new structure maintains high growth. However, influenced by factors such as weak global economic growth, trade friction escalation and cyclical stacking, there still exists great downward pressure. Faced with severe and complicated internal and external situations, the Group adheres to the requirements of high-quality development and sound development with stabilization to accelerate its structural adjustment and promote coordinated development of scale, efficiency, quality, structure and brand, so as to achieve overall stabilization with sound development of various business indicators. The Group recorded a net profit of RMB3,822.10 million in 2018, representing a year-on-year increase of RMB57.90 million or 1.5%.

As of December 31, 2018, the total assets of the Group amounted to RMB450,368.97 million, representing an increase of RMB27,605.95 million or 6.5% as compared to the end of the previous year. The Group comprehensively promotes policy implementation, actively serves the real economy, and achieves stable and sustainable credit supply by innovating business product types and increasing precision marketing efforts. As a result, net loans and advances to customers grew by RMB33,761.12 million, or 19.6%, to RMB205,923.21 million as compared to the end of the previous year. Meanwhile, the Group actively adjusted and optimized risk strategies and risk preferences, and strictly controlled its business risks. The non-performing loan ratio was at 1.36%, which is 0.01 percentage point higher than that at the end of the previous year. The Group remained customer-centric by continuously accelerating its business transformation and upgrading, as well as actively promoting the development of information intelligence and exploring online financial products and services, and strengthen the scale of debt business. As of December 31, 2018, the amount of customer deposits increased by RMB17,689.52 million to RMB256,394.19 million, representing an increase of 7.4% as compared to the end of the previous year, providing a fundamental guarantee for the Group's asset placement, revenue increase and risk resistance. Alongside the increase in income from the main business operations, the Group continually improved its management on budget and fees and strictly controlled its expenses. The cost-to-income ratio recorded a year-on-year increase of 0.93 percentage point to 22.93% in 2018, representing the consistently high operating efficiency of the Group.

As at December 31, 2018, the Group's capital adequacy ratio, tier I capital adequacy ratio and core tier I capital adequacy ratio were 13.21%, 9.94% and 8.47% respectively, representing a decrease of 0.39 percentage point, a decrease of 0.30 percentage point and a decrease of 0.15 percentage point as compared with the end of the previous year. All indicators had fulfilled the latest regulatory requirements on capital adequacy ratios applicable to the PRC banking industry.

I. Analysis of the Income Statement

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31, 2018	2017	Change in amount	Change in percentage (%)
Interest income[1]	**19,322,772**	18,920,176	N/A	N/A
Interest expense	**(12,447,126)**	(10,805,081)	(1,642,045)	15.2
Net interest income[1]	**6,875,646**	8,115,095	N/A	N/A
Net fee and commission income	**1,341,922**	1,680,056	(338,134)	(20.1)
Net trading gains/(losses)[1]	**467,771**	(21,220)	N/A	N/A
Net gains on investment securities[1]	**1,869,777**	140,480	N/A	N/A
Other operating income	**74,968**	100,395	(25,427)	(25.3)
Operating income	**10,630,084**	10,014,806	615,278	6.1
Operating expenses	**(2,571,121)**	(2,298,865)	(272,256)	11.8
Impairment losses	**(3,436,768)**	(2,999,164)	(437,604)	14.6
Share of profit of associates	**220,427**	178,378	42,049	23.6
Profit before income tax	**4,842,622**	4,895,155	(52,533)	(1.1)
Income tax	**(1,020,527)**	(1,130,958)	110,431	(9.8)
Net profit	**3,822,095**	3,764,197	57,898	1.5

Note:

(1) The Group first implemented IFRS 9 on January 1, 2018, given the different adoption requirements, the figures set out in the table above regarding the indicators for the two periods are not comparable.

In 2018, the net interest income of the Group amounted to RMB6,875.65 million, the net interest income calculated as the corresponding period of last year according to IAS 39 amounted to RMB8,641.58 million, representing a year-on-year increase of RMB526.48 million or 6.5%; and net fee and commission income amounted to RMB1,341.92 million, representing a year-on-year decrease of RMB338.13 million or 20.1%; share of profit of associates amounted to RMB220.43 million, representing a year-on-year increase of RMB42.05 million or 23.6%; operating expenses amounted to RMB2,571.12 million, representing a year-on-year increase of RMB272.26 million or 11.8%; and impairment losses amounted to RMB3,436.77 million, representing a year-on-year increase of RMB437.60 million or 14.6%. As a result of the foregoing factors, in 2018, the Group achieved a net profit of RMB3,822.10 million, representing a year-on-year increase of RMB57.90 million or 1.5%.

1. Net interest income

In 2018, the net interest income of the Group amounted to RMB6,875.65 million, the net interest income calculated as the same period in the previous year according to IAS 39 amounted to RMB8,641.58 million, representing an increase of RMB526.48 million or 6.5% as compared to the previous year.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31, 2018	2017	Change in amount	Change in percentage (%)
Interest income[(1)]	**19,322,772**	18,920,176	N/A	N/A
Interest expense	**(12,447,126)**	(10,805,081)	(1,642,045)	15.2
Net interest income[(1)]	**6,875,646**	8,115,095	N/A	N/A

Note:

(1) The Group first implemented IFRS 9 on January 1, 2018, given the different adoption requirements, the figures set out in the table above regarding the indicators for the two periods are not comparable.

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

	For the year ended December 31, 2018			For the year ended December 31, 2017		
(All amounts expressed in thousands of RMB unless otherwise stated)	Average balance	Interest income/ expense	Average yield/cost ratio(%)	Average balance	Interest income/ expense	Average yield/cost ratio (%)
ASSETS						
Loans and advances to customers	**194,399,165**	**11,848,155**	**6.09**	164,265,249	9,403,877	5.72
Investment securities	**109,574,922**	**5,590,107**	**5.10**	128,413,972	6,958,327	5.42
Cash and balances with central bank	**35,311,761**	**524,600**	**1.49**	38,415,688	578,520	1.51
Due from other banks and financial institutions	**45,435,429**	**1,359,910**	**2.99**	52,777,040	1,899,824	3.60
Financial assets at fair value through profit or loss(1)	**33,743,852**	**1,765,930**	**5.23**	1,427,609	79,628	5.58
Total interest-earning assets(1)	**418,465,129**	**21,088,702**	**5.04**	385,299,558	18,920,176	4.91
LIABILITIES						
Customer deposits	**245,527,455**	**6,379,071**	**2.60**	226,696,516	5,342,854	2.36
Due to other banks and financial institutions	**48,810,885**	**2,109,814**	**4.32**	51,856,549	2,159,215	4.16
Debt securities issued	**89,039,781**	**3,958,241**	**4.45**	79,566,027	3,303,012	4.15
Total interest-bearing liabilities	**383,378,121**	**12,447,126**	**3.25**	358,119,092	10,805,081	3.02
Net interest income(1)		**8,641,576**			8,115,095	
Net interest spread(1)			**1.79**			1.89
Net interest margin(1)			**2.07**			2.11

Note:

(1) After the first implementation of IFRS 9 since January 1, 2018, the financial assets at fair value through profit or loss are no longer presented as interest-earning assets. The adjusted net interest spread and net interest margin are calculated as the same period in the previous year according to IAS 39 in order to maintain the comparability of significant financial indicators for the two periods.

In 2018, the adjusted average balance of interest-earning assets of the Group increased by RMB33,165.57 million or 8.6% to RMB418,465.13 million as compared to the previous year. The adjusted average yield on interest-earning assets increased by 13 basis points to 5.04% as compared to the previous year.

In 2018, the average balance of interest-bearing liabilities of the Group increased by RMB25,259.03 million or 7.1% to RMB383,378.12 million as compared to the previous year. The average cost ratio of interest-bearing liabilities increased by 23 basis points to 3.25% as compared to the previous year.

As a result of the combined impact of the above-mentioned factors, the adjusted net interest spread of the Group decreased by 10 basis points to 1.79% as compared to the previous year, while the adjusted net interest margin decreased by 4 basis points to 2.07% as compared to the previous year.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**Due to changes in volume**	**Due to changes in interest rate**	**Change in interest income and expense**
ASSETS			
Loans and advances to customers	**1,836,589**	607,689	2,444,278
Investment securities	**(961,099)**	(407,121)	(1,368,220)
Cash and balances with central bank	**(46,113)**	(7,807)	(53,920)
Due from other banks and financial institutions	**(219,739)**	(320,175)	(539,914)
Financial assets at fair value through profit or loss(1)	**1,691,218**	(4,916)	1,686,302
Change in interest income	**2,300,856**	(132,330)	2,168,526
LIABILITIES			
Customer deposits	**489,248**	546,969	1,036,217
Due to other banks and financial institutions	**(131,647)**	82,246	(49,401)
Debt securities issued	**421,153**	234,076	655,229
Change in interest expense	**778,754**	863,291	1,642,045

Note:

(1) *Following the table above, the factors affecting the changes in interest income and interest expenses are analyzed as the same period in the previous year according to IAS 39 to maintain the comparability of significant financial indicators for the two periods.*

2. Interest income (adjusted)

In 2018, the interest income of the Group amounted to RMB19,322.77 million, the interest income calculated as the same period in the previous year according to IAS 39 amounted to RMB21,088.70 million, representing an increase of RMB2,168.53 million or 11.5% as compared to the previous year.

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

	For the year ended December 31, 2018			For the year ended December 31, 2017		
(All amounts expressed in thousands of RMB unless otherwise stated)	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Loans and advances to customers	**194,399,165**	**11,848,155**	**6.09**	164,265,249	9,403,877	5.72
Investment securities	**109,574,922**	**5,590,107**	**5.10**	128,413,972	6,958,327	5.42
Cash and balances with central bank	**35,311,761**	**524,600**	**1.49**	38,415,688	578,520	1.51
Due from other banks and financial institutions	**45,435,429**	**1,359,910**	**2.99**	52,777,040	1,899,824	3.60
Financial assets at fair value through profit or loss[(1)]	**33,743,852**	**1,765,930**	**5.23**	1,427,609	79,628	5.58
Total interest-earning assets[(1)]	**418,465,129**	**21,088,702**	**5.04**	385,299,558	18,920,176	4.91

Note:

(1) The average yield on interest-earning assets is calculated as the same period in the previous year according to IAS 39 to maintain the comparability of significant financial indicators for the two periods.

2.1 Interest income from loans and advances to customers

In 2018, the Group's interest income from loans and advances to customers amounted to RMB11,848.16 million, representing a year-on-year increase of RMB2,444.28 million or 26.0%, primarily due to the increase in average balance on loans and advances to customers by 18.3% and the increase in average yield by 37 basis points as compared to those of the previous year.

2.2 Interest income from investment securities

In 2018, the Group's interest income from investment securities amounted to RMB5,590.11 million, representing a year-on-year decrease of RMB1,368.22 million or 19.7%, primarily due to the decrease of 14.7% in average balance and the decrease of 32 basis points in average yield on investment securities as compared to those of the previous year, which were affected by the implementation of IFRS 9.

2.3 Interest income from cash and balances with central bank

In 2018, the Group's interest income from cash and balances with central bank amounted to RMB524.60 million, representing a year-on-year decrease of RMB53.92 million or 9.3%, primarily due to the decrease of 8.1% in average balance and the decrease of 2 basis points in average yield on cash and balances with central bank as compared to those of the previous year.

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

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

	For the year ended December 31, 2018			For the year ended December 31, 2017		
(All amounts expressed in thousands of RMB unless otherwise stated)	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Due from other banks and financial institutions for deposits and loans	**17,674,375**	**484,372**	**2.74**	21,097,913	781,097	3.70
Financial assets held under resale agreements	**27,761,054**	**875,538**	**3.15**	31,679,127	1,118,727	3.53
Total	**45,435,429**	**1,359,910**	**2.99**	52,777,040	1,899,824	3.60

In 2018, the interest income from the Group's amounts due from other banks and financial institutions for deposits and loans amounted to RMB484.37 million, representing a year-on-year decrease of RMB296.73 million or 38.0%, primarily due to the decrease of 16.2% in average balance of amounts due from other banks and financial institutions for deposits and loans and the average yield decreased significantly by 96 basis points as compared to those of the previous year.

In 2018, the interest income from the Group's financial assets held under resale agreements amounted to RMB875.54 million, representing a year-on-year decrease of RMB243.19 million or 21.7%, primarily attributable to the decrease of 12.4% in average balance and the decrease of 38 basis points in average yield on financial assets held under resale agreements as compared to those of the previous year.

As a result of the foregoing factors, the Group's total interest income due from other banks and financial institutions in 2018 decreased by RMB539.91 million or 28.4% to RMB1,359.91 million as compared to that of the previous year.

2.5 Financial assets at fair value through profit or loss (adjusted)

In 2018, the Group's adjusted interest income from financial assets at fair value through profit or loss amounted to RMB1,765.96 million, representing a significant year-on-year increase of RMB1,686.30 million or 2,117.7%, primarily due to the impact of IFRS 9 Reclassifications, the significant increase in average balance of financial assets at fair value through profit or loss by 2,263.7%, offset by the decrease in average yield by 35 basis points as compared to those of the previous year.

3. Interest expense

3.1 Interest expense on customer deposits

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

	For the year ended December 31, 2018			For the year ended December 31, 2017		
(All amounts expressed in thousands of RMB unless otherwise stated)	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Corporate deposits						
Demand	**68,642,651**	**547,940**	**0.80**	67,561,188	504,358	0.75
Time	**89,828,395**	**3,020,350**	**3.36**	84,743,805	2,545,799	3.00
Subtotal	**158,471,046**	**3,568,290**	**2.25**	152,304,993	3,050,157	2.00
Individual deposits						
Demand	**11,020,508**	**43,028**	**0.39**	10,341,769	40,380	0.39
Time	**65,066,317**	**2,482,138**	**3.81**	54,869,821	2,107,245	3.84
Subtotal	**76,086,825**	**2,525,166**	**3.32**	65,211,590	2,147,625	3.29
Other deposits	**10,969,584**	**285,615**	**2.60**	9,179,933	145,072	1.58
Total	**245,527,455**	**6,379,071**	**2.60**	226,696,516	5,342,854	2.36

In 2018, the Group's interest expense on customer deposits was RMB6,379.07 million, representing a year-on-year increase of RMB1,036.22 million or 19.4%, primarily due to a year-on-year increase in the average balance of customer deposits by 8.3%, and an increase in average cost ratio of customer deposits by 24 basis points as compared to that of the previous year.

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

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the year ended December 31, 2018**			For the year ended December 31, 2017		
	Average balance	**Interest expense**	**Average cost ratio (%)**	Average balance	Interest expense	Average cost ratio (%)
Deposits and loans from other banks	**38,663,520**	**1,816,778**	**4.70**	40,769,752	1,836,925	4.51
Borrowings from central bank	**2,169,564**	**63,507**	**2.93**	1,391,155	43,940	3.16
Financial assets sold under repurchase agreements	**7,977,801**	**229,529**	**2.88**	9,695,642	278,350	2.87
Total	**48,810,885**	**2,109,814**	**4.32**	51,856,549	2,159,215	4.16

In 2018, the Group's total interest expense on deposits and loans from other banks and financial institutions was RMB2,109.81 million, representing a year-on-year decrease of RMB49.40 million or 2.3%, primarily due to the year-on-year decrease in average balance of deposits and loans from other banks and financial institutions by 5.9%, offset by the year-on-year increase in average cost ratio by 16 basis points.

3.3 Interest expense on issuance of debt securities

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the year ended December 31, 2018**			For the year ended December 31, 2017		
	Average balance	**Interest expense**	**Average cost ratio (%)**	Average balance	Interest expense	Average cost ratio (%)
Subordinated debts	**7,500,000**	**354,583**	**4.73**	6,210,137	304,910	4.91
Financial debts for small and micro enterprises	**945,205**	**46,106**	**4.88**	3,000,000	146,582	4.89
Inter-bank certificates of deposits	**78,482,247**	**3,456,807**	**4.40**	70,355,890	2,851,520	4.05
Financial debts	**2,112,329**	**100,745**	**4.77**	–	–	–
Total	**89,039,781**	**3,958,241**	**4.45**	79,566,027	3,303,012	4.15

In 2018, the Group's interest expense on issuance of debts securities amounted to RMB3,958.24 million, representing a year-on-year increase of RMB655.23 million or 19.8%, primarily due to a year-on-year increase of 11.9% in average balance of issuance of debts securities and the increase in average cost ratio by 30 basis points as compared to that of the previous year.

4. Net interest spread and net interest margin

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

In 2018, the Group's adjusted average yield of interest-earning assets increased 13 basis points year on year, while the average cost ratio of interest-bearing liabilities increased 23 basis points year on year as compared to those of the previous year. The increase in the average cost ratio of interest-bearing liabilities exceeded the increase in adjusted average yield of interest-earning assets. In general, the Group's net interest spread (adjusted) was 1.79%, representing a year-on-year decrease of 10 basis points as compared to that of the previous year.

In 2018, the Group's net interest margin (adjusted) was 2.07%, representing a year-on-year decrease of 4 basis points, primarily due to a year-on-year increase of RMB33,165.57 million or 8.6% in the adjusted average balance of interest-earning assets, and a year-on-year increase of RMB526.48 million or 6.5% in net interest income (adjusted), with a slower growth rate than the growth rate of the adjusted average balance of interest-earning assets.

5. Non-interest income

5.1 Net fee and commission income

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31, 2018	2017	Change in amount	Change in percentage (%)
Fee and commission income	**1,453,712**	1,940,881	(487,169)	(25.1)
Financial advisory and consulting services	**144,757**	159,698	(14,941)	(9.4)
Wealth management agency services	**542,435**	887,823	(345,388)	(38.9)
Custodian services	**252,592**	358,836	(106,244)	(29.6)
Bank card services	**323,068**	280,296	42,772	15.3
Guarantees and credit commitments	**96,923**	140,016	(43,093)	(30.8)
Settlement and agency services	**93,937**	114,212	(20,275)	(17.8)
Fee and commission expense	**(111,790)**	(260,825)	149,035	(57.1)
Net fee and commission income	**1,341,922**	1,680,056	(338,134)	(20.1)

In 2018, the Group's net fee and commission income amounted to RMB1,341.92 million, representing a decrease of RMB338.13 million or 20.1% as compared to the previous year and accounting for 12.62% of operating income, down by 4.16 percentage points as compared to that of the previous year, mainly due to the great decrease in commission income from wealth management agency services, commission income from custodian services and commission income from guarantees and credit commitments.

Commission income from financial advisory and consulting services amounted to RMB144.76 million, representing a year-on-year decrease of RMB14.94 million or 9.4%, primarily due to service commission relief for corporate customers resulting from actively responding to national policies to support the development of the real economy.

Commission income from wealth management agency services amounted to RMB542.44 million, representing a significant year-on-year decrease of RMB345.39 million or 38.9%, primarily due to impact of the taxation on asset management products and the implementation of new regulations on asset management.

Commission income from custodian services amounted to RMB252.59 million, representing a year-on-year decrease of RMB106.24 million or 29.6%, primarily due to the decline in demand of such services influenced by regulatory policies.

Commission income from bank card services amounted to RMB323.07 million, representing a year-on-year increase of RMB42.77 million or 15.3%, primarily due to the accelerated growth in number of issued bank cards and volume of settled transactions.

Commission income from guarantees and credit commitments amounted to RMB96.92 million, representing a year-on-year decrease of RMB43.09 million or 30.8%, primarily due to the decrease in demand of such services.

Commission income from settlement and agency services amounted to RMB93.94 million, representing a year-on-year decrease of RMB20.28 million or 17.8%, primarily due to the decline in the scale of entrusted agency business.

5.2 Net trading gains/(losses)

The net trading gains/(losses) mainly consist of foreign exchange gains and fair value gains/(losses). Foreign exchange gains include gains and losses generated from foreign exchange spot transactions and gains and losses generated from the translation of foreign currency monetary assets and liabilities into Renminbi. In 2018, the Group's exchange gains amounted to RMB245.22 million. Fair value gains/(losses) mainly include profit and loss arising from changes in fair value of the trading securities. In 2018, the Group's fair value gains/(losses) amounted to RMB222.56 million. As a result of the above factors, in 2018, the Group's net trading gains amounted to RMB467.77 million.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2018	2017		
Foreign exchange gains	**245,215**	8,581	236,634	2,757.7
Fair value gains/(losses)	**222,556**	(29,801)	N/A	N/A
Total	**467,771**	(21,220)	N/A	N/A

5.3 Net gains on investment securities

In 2018, the Group's net gains on investment securities amounted to RMB1,869.78 million. Pursuant to the requirements of IFRS 9 (first implemented by the Bank on January 1, 2018) and IAS 1, the adjusted net gains on investment securities include investment gains of financial assets at fair value through profit or loss and net losses arising from de-recognition of financial investment at fair value through other comprehensive income, of which: the investment gains of financial assets at fair value through profit or loss were RMB1,884.34 million, and the net losses arising from de-recognition of financial investment at fair value through other comprehensive income were RMB-14.56 million.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2018	2017		
Net losses arising from de-recognition of held-for-trading financial assets	**N/A**	(33,389)	N/A	N/A
Net gains arising from de-recognition of available-for-sale financial assets	**N/A**	173,869	N/A	N/A
Investment gains of financial assets at fair value through profit or loss	**1,884,335**	N/A	N/A	N/A
Net losses arising from de-recognition of financial investment at fair value through other comprehensive income	**(14,558)**	N/A	N/A	N/A
Total	**1,869,777**	140,480	1,729,297	1,231.0

6. Operating expenses

In 2018, the Group's operating expenses were RMB2,571.12 million, representing a year-on-year increase of RMB272.26 million or 11.8%.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31, 2018	2017	Change in amount	Change in percentage (%)
Staff costs	**1,525,596**	1,282,237	243,359	19.0
Tax and surcharges	**134,100**	95,112	38,988	41.0
Depreciation and amortisation	**207,368**	184,088	23,280	12.6
General and administrative expenses	**554,472**	592,466	(37,994)	(6.4)
Others	**149,585**	144,962	4,623	3.2
Operating expenses	**2,571,121**	2,298,865	272,256	11.8

6.1 Staff costs

Staff costs constitute the largest component of the Group's operating expenses, accounting for 59.34% and 55.78% of its total operating expenses for 2018 and 2017 respectively.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31, 2018	2017	Change in amount	Change in percentage (%)
Salaries and bonuses	**1,126,679**	860,806	265,873	30.9
Pension expenses	**152,782**	156,083	(3,301)	(2.1)
Housing benefits and subsidies	**85,136**	80,783	4,353	5.4
Labour union and staff education funds	**27,289**	21,727	5,562	25.6
Other social security and welfare expenses	**133,710**	162,838	(29,128)	(17.9)
Staff costs	**1,525,596**	1,282,237	243,359	19.0

In 2018, the Group's staff costs amounted to RMB1,525.60 million, representing a year-on-year increase of RMB243.36 million or 19.0%, primarily because (1) the average remuneration and benefit per staff increased by 17.6% as compared to the previous year; (2) the number of staff increased due to the expansion of business scale and the increase in number of branches. As of December 31, 2018, the Bank had 4,119 full-time employees, representing an increase of 53 employees or 1.3% as compared to the end of the previous year.

6.2 Tax and surcharges

Tax and surcharges mainly relate to revenue generated from our financial products and services with respect to lending (interest income), transfer of securities and other financial services. In 2018, the Group's tax and surcharges were RMB134.10 million, representing a year-on-year increase of RMB38.99 million or 41.0%.

6.3 Depreciation and amortisation

The depreciation and amortisation in 2018 increased by RMB23.28 million or 12.6% to RMB207.37 million from the previous year as the growth of property and equipment of the Group remained stable.

6.4 General and administrative expenses

The general and administrative expenses in 2018 decreased by RMB37.99 million or 6.4% to RMB554.47 million from the previous year as the Group strictly controlled its administrative expenses.

7. Impairment losses

In 2018, the provisions for impairment losses of the Group recorded RMB3,436.77 million, representing an increase of RMB437.60 million or 14.6% as compared to the previous year. The increase in provisions for impairment was primarily due to the Bank's implementation of IFRS 9 since January 1, 2018, which changed the method for measuring impairment and enlarged the scope of provision.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the year ended December 31,**		**Change in**	**Change in**
	2018	2017	**amount**	**percentage (%)**
Impairment losses				
Loans and advances to customers	**N/A**	2,352,241	N/A	N/A
– Collectively assessed	**N/A**	416,418	N/A	N/A
– Individually assessed	**N/A**	1,935,823	N/A	N/A
Loans and receivables	**N/A**	631,693	N/A	N/A
Others	**12,100**	15,230	(3,130)	(20.6)
Expected impairment losses				
Loans and advances to customers carried at amortised cost	**3,531,882**	N/A	N/A	N/A
Loans and advances to customers at fair value through other comprehensive income	**50,166**	N/A	N/A	N/A
Financial investments carried at amortised cost	**(149,200)**	N/A	N/A	N/A
Financial investments at fair value through other comprehensive income	**(81,879)**	N/A	N/A	N/A
Loan commitments and financial guarantee contracts	**72,308**	N/A	N/A	N/A
Due from other banks and financial institutions	**1,391**	N/A	N/A	N/A
Impairment losses	**3,436,768**	2,999,164	437,604	14.6

8. Share of profit of associates

In 2018, the Group's share of profit of associates amounted to RMB220.43 million, representing a year-on-year increase of RMB42.05 million or 23.6%. As of December 31, 2018, the Group's associates included Chongqing Three Gorges Bank Co., Ltd. ("**Three Gorges Bank**"), Mashang Consumer Finance Co., Ltd. ("**Mashang Consumer Finance**") and Xingyi Wanfeng Village Bank Co., Ltd. ("**Xingyi Wanfeng**").

9. Income tax

The income tax rate applicable to the Group was 25%. The effective tax rates of the Group in 2018 and 2017 were 21.07% and 23.10% respectively.

The following table sets forth the profit before income tax and income tax for the years ended December 31, 2018 and December 31, 2017.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in	Change in
	2018	2017	**amount**	**percentage (%)**
Profit before income tax	**4,842,622**	4,895,155	(52,533)	(1.1)
Tax calculated at a tax rate of 25%	**1,210,656**	1,223,789	(13,133)	(1.1)
Tax effect arising from non-taxable income	**(166,189)**	(169,544)	3,355	(2.0)
Tax effect of expenses that are not deductible for tax purposes	**29,246**	153,364	(124,118)	(80.9)
Income tax adjustment for prior years	**(53,186)**	(76,651)	23,465	(30.6)
Income tax	**1,020,527**	1,130,958	(110,431)	(9.8)

II. Analysis of the Statement of Financial Position

1. *Assets*

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018		As at December 31, 2017	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Total loans and advances to customers	**212,430,769**	**47.1**	177,206,904	41.9
Of which: Total principal of loans and advances to customers	**211,209,051**	**46.9**	177,206,904	41.9
Interests receivable on loans and advances to customers	**1,221,718**	**0.2**	N/A	N/A
Total impairment allowances for loans	**N/A**	**N/A**	(5,044,814)	(1.2)
Total impairment allowances for the expected credit losses	**(6,507,557)**	**(1.4)**	N/A	N/A
Net loans and advances to customers	**205,923,212**	**45.7**	172,162,090	40.7
Investment securities[1]	**117,210,476**	**26.0**	158,726,899	37.5
Investment in associates	**1,638,323**	**0.4**	1,113,146	0.3
Cash and balances with central bank	**33,216,841**	**7.4**	43,727,432	10.3
Due from other banks and financial institutions	**57,915,079**	**12.8**	37,000,091	8.8
Financial assets at fair value through profit or loss	**27,421,858**	**6.1**	702,202	0.2
Property, plant and equipment	**3,023,292**	**0.7**	2,866,257	0.7
Deferred tax assets	**1,890,680**	**0.4**	1,380,953	0.3
Other assets	**2,129,212**	**0.5**	5,083,955	1.2
Total assets	**450,368,973**	**100.0**	422,763,025	100.0

Note:

(1) As of December 31, 2017, investment securities consist of loans and receivables, available-for-sale financial assets and held-to-maturity investments; On January 1, 2018, the Bank first implemented IFRS 9. As of December 31, 2018, investment securities consist of financial investment at fair value through other comprehensive income and financial investment measured at amortised cost.

As at December 31, 2018, the Group's total assets amounted to RMB450,368.97 million, representing an increase of RMB27,605.95 million or 6.5% over the end of the previous year, among which:

Total loans and advances to customers increased by RMB35,223.87 million or 19.9% to RMB212,430.77 million over the end of the previous year. This was primarily because the Group complied with the policy and stuck to its original aspiration to proactively serve the real economy and increased the credit supply for policy-oriented projects such as green credit, rural revitalization, poverty alleviation, shanty town transformation and the "Belt and Road" Initiative.

The investment securities amounted to RMB117,210.48 million, of which the financial investments at fair value through other comprehensive income amounted to RMB34,687.17 million and the financial investments measured at amortised cost amounted to RMB82,523.31 million.

Cash and balances with central bank decreased by RMB10,510.59 million or 24.0% to RMB33,216.84 million as compared to the end of the previous year, primarily due to lowered deposit reserve ratio resulting in a decrease of RMB6,780.85 million or 19.9% in statutory deposit reserves as compared to the end of the previous year, while the surplus deposit reserves decreased by RMB3,763.49 million or 41.8% as compared to the end of the previous year.

The amount due from other banks and financial institutions significantly increased by RMB20,914.99 million or 56.5% to RMB57,915.08 million over the end of the previous year, primarily due to: (1) the decrease of total amount due from other banks and financial institutions by RMB919.12 million or 5.0%; (2) the significant increase of RMB21,657.87 million or 116.3% in total financial assets held under resale agreements.

1.1 Loans and advances to customers

	As at December 31, 2018		As at December 31, 2017	
(All amounts expressed in thousands of RMB unless otherwise stated)	**Amount**	**Percentage of total (%)**	Amount	Percentage of total (%)
Loans and advances to corporate entities – measured at amortised cost				
– Corporate loans	**128,932,758**	**60.7**	109,780,133	62.0
– Discounted bills	**N/A**	**N/A**	4,802,366	2.7
Loans and advances to corporate entities – at fair value through other comprehensive income				
– Discounted bills	**13,501,381**	**6.3**	N/A	N/A
Subtotal	**142,434,139**	**67.0**	114,582,499	64.7
Retail loans – measured at amortised cost				
– Mortgage loans	**20,606,735**	**9.7**	17,235,358	9.7
– Individual consumption loans	**31,199,939**	**14.7**	30,024,576	16.9
– Credit card advances	**4,724,758**	**2.2**	4,193,902	2.4
– Personal business loans	**12,243,480**	**5.8**	11,170,569	6.3
Subtotal	**68,774,912**	**32.4**	62,624,405	35.3
Interests receivable on loans and advances to customers	**1,221,718**	**0.6**	N/A	N/A
Total loans and advances to Customers	**212,430,769**	**100.0**	177,206,904	100.0

As at December 31, 2018, the Group's total loans and advances to customers amounted to RMB212,430.77 million, representing an increase of RMB35,223.87 million or 19.9% as compared to the end of the previous year.

Loans and advances to corporate entities (excluding discounted bills) amounted to RMB128,932.76 million, representing an increase of RMB19,152.63 million or 17.4% as compared to the end of the previous year, and accounting for 60.7% of total loans and advances to customers, decreased by 1.3 percentage points from the end of the previous year. During the Reporting Period, the Group actively adjusted the credit structure in response to the state's industrial policy and focused on the real economy. During the Reporting Period, additional loans to the water conservation, environment and public facility administration industry, leasing and commercial services, construction and manufacturing industry increased by RMB14,056.56 million, RMB7,072.69 million, RMB1,221.02 million and RMB1,090.40 million respectively, achieving a rapid increase.

Retail loans amounted to RMB68,774.91 million, representing an increase of RMB6,150.51 million or 9.8% as compared to the end of the previous year, and accounting for 32.4% of total loans and advances to customers, down by 2.9 percentage points from the end of the previous year. Specifically, mortgage loans increased by RMB3,371.38 million or 19.6% as compared to the end of the previous year, mainly because the Group actively supported housing financing for the first suite and improving suite purchase resulting in rapid growth of personal housing mortgage loan balance; individual consumption loans significantly increased by RMB1,175.36 million or 3.9% as compared to the end of the previous year, mainly because the Group actively explored Internet online loans, continually innovate consumer loans products and launched new products such as "Jie e Dai (捷e貸)" version 2.0, "Xin e Dai (薪e貸)", and "Xing Fu Dai (new version) (幸福貸(新))", which realized the rapid growth of loan balance; credit card advances increased by RMB530.86 million or 12.7% as compared to the end of the previous year, mainly because the number of issued credit cards increased continually and the Group focused on seizing high-end customers resulting in the average overdraft amount of credit cards increased; and personal business loans increased by RMB1,072.91 million or 9.6% as compared to the end of the previous year, mainly because the Group has implemented the innovative strategy on products for small and micro enterprises, launched online finance, promoted the function of "online customer acquisition, smart approval, online lending", and developed "Hao Qi Dai (好企貸)" series and "Hao Yi Dai (好E貸)" respectively, leading to steady and healthy growth of personal business loans. During the period, the Group identified its market positioning, actively carried out business innovation, and achieved steady development in retail business in view of complex market changes.

Distribution of loans and advances to customers by type of collateral

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

	As at December 31, 2018		As at December 31, 2017	
(All amounts expressed in thousands of RMB unless otherwise stated)	**Amount**	**Percentage of total (%)**	Amount	Percentage of total (%)
Collateralised loans	**69,774,637**	**32.8**	69,308,295	39.1
Pledged loans	**22,235,920**	**10.5**	15,063,354	8.5
Guaranteed loans	**97,113,789**	**45.7**	75,927,183	42.9
Unsecured loans	**22,084,705**	**10.4**	16,908,072	9.5
Interest receivable on loans and advances to customers	**1,221,718**	**0.6**	–	–
Total loans and advances to customers	**212,430,769**	**100.0**	177,206,904	100.0

Impairment allowances for loans

The following table sets forth the Group's impairment allowances for loans for the dates indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Loans and advances to corporate entities				
January 1, 2018 (Restated)	1,633,763	1,899,933	1,312,599	4,846,295
Provision for impairment	1,300,754	1,101,636	3,047,745	5,450,135
Reversal of impairment allowances	(697,760)	(842,415)	(316,300)	(1,856,475)
Transfer out/Written-off	–	–	(3,412,771)	(3,412,771)
Transfer in the year:				
Transfer from Stage 1 to Stage 2	(78,964)	78,964	–	–
Transfer from Stage 1 to Stage 3	(69,221)	–	69,221	–
Transfer from Stage 2 to Stage 1	5,037	(5,037)	–	–
Transfer from Stage 2 to Stage 3	–	(466,676)	466,676	–
Transfer from Stage 3 to Stage 2	–	135,075	(135,075)	–
Recoveries of loans written-off in previous years	–	–	198,713	198,713
Unwind of discount	–	–	125,942	125,942
December 31, 2018	2,093,609	1,901,480	1,356,750	5,351,839
Retail loans				
January 1, 2018 (Restated)	368,525	264,887	828,629	1,462,041
Provision for impairment	215,553	258,630	353,874	828,057
Reversal of impairment allowances	(290,275)	(200,705)	(398,855)	(889,835)
Transfer out/Written-off	–	–	(437,959)	(437,959)
Transfer in the year:				
Transfer from Stage 1 to Stage 2	(16,092)	16,092	–	–
Transfer from Stage 1 to Stage 3	(28,784)	–	28,784	–
Transfer from Stage 2 to Stage 1	13,438	(13,438)	–	–
Transfer from Stage 2 to Stage 3	–	(51,261)	51,261	–
Transfer from Stage 3 to Stage 2	–	29,224	(29,224)	–
Transfer from Stage 3 to Stage 1	48,007	–	(48,007)	–
Recoveries of loans written-off in previous years	–	–	140,290	140,290
Unwind of discount	–	–	53,124	53,124
December 31, 2018	310,372	303,429	541,917	1,155,718

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31, 2017	
	Loans to corporate entities	Retail loans
Balance at the beginning of the year	3,253,544	978,051
Impairment allowances for loans to customers	1,990,170	1,193,938
Reversal of impairment allowances for loans to customers	(222,248)	(609,619)
Net impairment allowances for loans to customers	1,767,922	584,319
Unwind of discount on allowances during the year	(85,478)	(31,612)
Loans written off during the year	(1,441,399)	(231,775)
Recoveries of doubtful debts written off	228,733	22,509
Balance at the end of the year	3,723,322	1,321,492

For the year of 2018, in strict accordance with the relevant accounting and regulatory requirements, the Group took into account the external economic dynamics and macro monitoring policies and increased the impairment allowances for loans and advances to customers. As of December 31, 2018, the balance of impairment allowances for loans and advances to customers was RMB6,507.56 million, representing an increase of RMB1,462.74 million or 29.0% as compared to the end of the previous year; and the impairment allowances for non-performing loans ratio increased by 15.71 percentage points to 225.87% from that of the end of the previous year.

1.2 Investment securities

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018 Amount	As at December 31, 2018 Percentage of total (%)	As at December 31, 2017 Amount	As at December 31, 2017 Percentage of total (%)
Investment securities – financial investments at fair value through other comprehensive income				
Debt securities – measured at fair value				
– Listed outside Hong Kong	**5,243,620**	**4.5**	N/A	N/A
– Listed in Hong Kong	**4,176,011**	**3.5**	N/A	N/A
– Unlisted	**24,219,352**	**20.7**	N/A	N/A
Of which: Corporations debt	**20,527,463**	**17.5**	N/A	N/A
Policy banks debt	**2,090,419**	**1.8**	N/A	N/A
Commercial banks debt	**1,410,517**	**1.2**	N/A	N/A
Governments debt	**190,953**	**0.2**	N/A	N/A
Interest receivable on financial investments at fair value through other comprehensive income	**839,570**	**0.7**	N/A	N/A
Equity securities -measured at fair value				
– Unlisted	**208,600**	**0.2**	N/A	N/A
Of which: Equity investment	**208,600**	**0.2**	N/A	N/A
Others	**14**	**0.0**	N/A	N/A
Subtotal	**34,687,167**	**29.6**	N/A	N/A
Investment securities – financial investments measured at amortised cost				
Debt securities – measured at amortised cost				
– Listed outside Hong Kong	**12,754,742**	**10.9**	N/A	N/A
– Unlisted	**69,331,379**	**59.1**	N/A	N/A
Of which: Debt securities	**15,313,226**	**13.0**	N/A	N/A
Trust investments	**22,165,632**	**18.9**	N/A	N/A
Directional asset management plans	**26,918,000**	**23.0**	N/A	N/A
Debt financing scheme	**4,420,000**	**3.8**		
Others	**514,521**	**0.4**	N/A	N/A
Equity securities – measured at amortised cost				
– Unlisted	**315,505**	**0.3**	N/A	N/A
Of which:Wealth management products purchased from financial institutions	**315,505**	**0.3**	N/A	N/A
Interest receivable on debt securities at amortised cost	**1,595,712**	**1.4**	N/A	N/A
Less: expected credit impairment allowances	**(1,474,029)**	**(1.3)**	N/A	N/A
Subtotal	**82,523,309**	**70.4**	N/A	N/A

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018 Amount	As at December 31, 2018 Percentage of total (%)	As at December 31, 2017 Amount	As at December 31, 2017 Percentage of total (%)
Investment securities – available- for-sale financial assets				
Debt securities – measured at fair value				
– Listed outside Hong Kong	N/A	N/A	8,090,966	5.1
– Listed in Hong Kong	N/A	N/A	64,726	0.0
– Unlisted	N/A	N/A	28,456,501	17.9
Equity securities – measured at fair value				
– Listed outside Hong Kong	N/A	N/A	485,992	0.3
– Unlisted	N/A	N/A	8,600	0.0
Others	N/A	N/A	14	0.0
Subtotal	N/A	N/A	37,106,799	23.4
Investment securities – loans and receivables				
Debt securities – measured at amortised cost				
– Trust investments	N/A	N/A	34,532,649	21.8
– Directional asset management plans	N/A	N/A	38,663,857	24.2
– Wealth management products purchased from financial institutions	N/A	N/A	22,920,801	14.4
– Local government bonds	N/A	N/A	5,707,900	3.6
Less: Impairment allowances	N/A	N/A	(1,217,482)	(0.8)
Subtotal	N/A	N/A	100,607,725	63.4
Investment securities – held-to-maturity investments				
Debt securities – measured at amortised cost				
– Listed outside Hong Kong	N/A	N/A	11,827,162	7.5
– Unlisted	N/A	N/A	9,185,213	5.8
Subtotal	N/A	N/A	21,012,375	13.2
Total	**117,210,476**	**100.0**	158,726,899	100.0

As at December 31, 2018, the Group's balance of investment securities amounted to RMB117,210.48 million, representing a decrease of RMB41,516.42 million or 26.2% as compared to the end of the previous year, mainly due to the Group first implementing IFRS 9 on January 1, 2018, and pursuant to the new standard, part of the assets classified as investment securities in previous years are classified as financial assets at fair value through profit or loss. The Group formally implemented IFRS 9 on January 1, 2018 and reclassified investment securities in accordance with IFRS 9. As of 31 December 2018, financial investments at fair value through other comprehensive income was RMB34,687.17 million, accounting for 29.6% of total investment securities; financial assets measured at amortised cost was RMB82,523.31 million, accounting for 70.4% of total investment securities.

1.3 Investment in associates

(All amounts expressed in thousands of RMB unless otherwise stated)	**31 December 2018**	31 December 2017
Balance at the beginning of the year	**1,113,146**	238,394
Additional investment in associates	**316,796**	696,374
Share of profit of associates	**220,427**	178,378
Cash dividends declared	**(12,046)**	–
Balance at the end of the year	**1,638,323**	1,113,146

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

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

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

1.4 Financial assets at fair value through profit or loss

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018		As at December 31, 2017	
	Amount	**Percentage of Total (%)**	Amount	Percentage of Total (%)
Financial assets at fair value through profit or loss				
Debt securities – measured at fair value				
– Listed outside Hong Kong	**135,953**	**0.5**	359,485	51.2
– Unlisted	**16,451,930**	**60.0**	342,599	48.8
Of which: Trust investments	**5,174,858**	**18.9**	–	–
Directional asset management plans	**10,266,659**	**37.4**	–	–
Commercial banks debt	**702,578**	**2.6**	–	–
Corporations debt	**106,052**	**0.4**	152,836	21.8
Governments debt	**201,783**	**0.7**	189,763	27.0
Equity securities – measured at fair value				
– Listed outside Hong Kong	**438,523**	**1.6**	–	–
– Unlisted	**10,395,452**	**37.9**	–	–
Of which: Wealth management products purchased from financial institutions	**2,357,023**	**8.6**	–	–
Fund investments	**8,038,429**	**29.3**	–	–
Derivative financial instruments	**–**	**–**	118	0.0
Total	**27,421,858**	**100.0**	702,202	100.0

As at 31 December 2018, the Group's balance of financial assets at fair value through profit or loss amounted to RMB27,421.86 million, representing a significant increase of RMB26,719.66 million or 3,805.1% as compared to the end of the previous year, primarily because the Group first implemented the IFRS 9 on January 1, 2018 and certain assets classified as securities investment in previous years was reclassified as financial assets at fair value through profit or loss in the year.

2. Liabilities

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at December 31, 2018**		As at December 31, 2017	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Due to other banks and financial institutions	**57,089,939**	**13.7**	55,771,252	14.3
Financial liabilities at fair value through profit or loss	**657**	**0.0**	–	–
Customer deposits	**256,394,193**	**61.7**	238,704,678	61.2
Debt securities issued	**96,982,613**	**23.3**	88,727,330	22.7
Current tax liabilities	**548,673**	**0.1**	358,515	0.1
Other liabilities	**4,741,325**	**1.2**	6,741,338	1.7
Total liabilities	**415,757,400**	**100.0**	390,303,113	100.0

As at 31 December 2018, the Group's total liabilities amounted to RMB415,757.40 million, representing an increase of RMB25,454.29 million or 6.5% as compared to the end of the previous year. Customer deposits are the Group's largest source of capital, which amounted to RMB256,394.19 million, representing an increase of RMB17,689.52 million or 7.4% as compared to the end of the previous year; amounts due to other banks and financial institutions amounted to RMB57,089.94 million, representing a slight increase of RMB1,318.69 million or 2.4% as compared to the end of the previous year; bonds issued amounted to RMB96,982.61 million, representing an increase of RMB8,255.28 million or 9.3% as compared to the end of the previous year, primarily due to: (1) the Bank issued innovation-and-entrepreneurship themed bonds (雙創債金融債券) with a principal amount of RMB3 billion within the domestic inter-bank bond market of China in June 2018 and issued Green Financial Bond with a principal amount of RMB6 billion in total in two tranches within the domestic inter-bank bond market of China in November 2018; (2) as of 31 December 2018, the balance of the inter-bank certificates of deposit issued by the Group was RMB80,114.35 million, increased slightly by 2.4% as compared to the end of the previous year.

2.1 Customer deposits

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018		As at December 31, 2017	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Corporate demand deposits	**66,883,415**	**26.1**	69,460,773	29.1
Corporate time deposits	**85,905,724**	**33.5**	83,239,393	34.9
Individual demand deposits	**12,005,521**	**4.7**	10,275,560	4.3
Individual time deposits	**68,480,223**	**26.7**	57,445,728	24.1
Other deposits	**20,894,394**	**8.1**	18,283,224	7.6
Interest payable on customer deposits	**2,224,916**	**0.9**	–	–
Total customer deposits	**256,394,193**	**100.0**	238,704,678	100.0
Of which: Deposits held as collateral	**13,284,371**	**5.2**	6,601,609	2.8

As at December 31, 2018, the total customer deposits of the Group amounted to RMB256,394.19 million, representing an increase of RMB17,689.52 million or 7.4% as compared to the end of the previous year. Among which: Corporate deposits balance was RMB152,789.14 million, representing a slight increase of RMB88.97 million or 0.1% as compared to the end of the previous year; individual deposits balance was RMB80,485.74 million, representing an increase of RMB12,764.46 million or 18.8% as compared to the end of the previous year; corporate and individual demand deposits balance amounted to RMB78,888.94 million, representing a slight decrease of RMB847.40 million or 1.1% as compared to the end of the previous year; corporate and individual time deposits balance amounted to RMB154,385.95 million, representing an increase of RMB13,700.83 million or 9.7% as compared to the end of the previous year.

2.2 Debt securities issued

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018		As at December 31, 2017	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Subordinated debts				
Fixed rate Tier II capital debt – 2026	**1,497,618**	**1.5**	1,497,390	1.7
Fixed rate Tier II capital debt – 2027	**5,996,591**	**6.2**	5,996,454	6.7
Financial debts				
Fixed rate financial debt – 2018	**–**	**–**	2,999,074	3.4
Fixed rate financial debt – 2021	**2,995,341**	**3.1**	–	–
Fix-rate green financial debt – 2021	**5,996,470**	**6.2**	–	–
Inter-bank certificates of deposit	**80,114,348**	**82.6**	78,234,412	88.2
Interest payable on debt securities issued	**382,245**	**0.4**	–	–
Total	**96,982,613**	**100.0**	88,727,330	100.0

Pursuant to a resolution of the general meeting passed on May 16, 2014 and the Approval for Bank of Chongqing Co., Ltd. to Issue Tier II Capital Bonds (《關於重慶銀行股份有限公司發行二級資本債券的批覆》) (Yu Yin Jian Fu [2015] No. 107) by the China Banking Regulatory Commission Chongqing Bureau (中國銀行業監督管理委員會重慶監管局) ("CBRC Chongqing Bureau") on September 21, 2015, the Bank issued the RMB1,500 million Tier II Capital bonds within the domestic inter-bank bond market of China on February 19, 2016. Such Tier II Capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.4% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on February 22, 2021.

Pursuant to a resolution of the general meeting passed on June 17, 2016 and the Approval for Bank of Chongqing to Issue Tier II Capital Bonds(《關於重慶銀行發行二級資本債券的批覆》) (Yu Yin Jian Fu [2016] No. 162) by the CBRC Chongqing Bureau on November 30, 2016, the Bank issued the RMB6,000 million Tier II Capital bonds within the domestic inter-bank bond market of China on March 20, 2017. Such Tier II Capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.8% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on March 21, 2022.

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

Pursuant to a resolution of the extraordinary general meeting passed on November 25, 2011 and the Approval for Bank of Chongqing to Issue Financial Bonds (《關於重慶銀行發行金融債券的批覆》) (Yin Jian Fu[2012] No. 526) by the China Banking Regulatory Commission ("CBRC") on September 21, 2012, the Bank issued financial bonds for small and micro enterprises with a principal amount of RMB3,000 million within the domestic inter-bank bond market of China on April 25, 2013. Such financial bonds have a maturity of 5 years, with a fixed coupon rate of 4.78% per annum before maturity, payable annually. All proceeds raised are used for loans to small and micro enterprises. Suh bonds were redeemed on April 25, 2018.

Pursuant to a resolution of the general meeting passed on July 21, 2017 and the Approval for Bank of Chongqing to Issue Financial Bonds (《關於重慶銀行發行金融債券的批覆》) (Yu Yin Jian Fu [2017] No. 156) by the CBRC Chongqing Bureau on November 3, 2017, the Group issued RMB3,000 million innovation-and-entrepreneurship themed bonds within the domestic inter-bank bond market of China on June 8, 2018. Such bonds have a maturity of 3 years, with a fixed coupon rate of 4.50% per annum before maturity, payable annually. All proceeds raised are used for loans to innovation-and-entrepreneurship themed enterprises.

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

In 2018, the Group issued a total of 196 inter-bank certificates of deposit by discounting with a tenor of one month to one year. As at December 31, 2018, 119 issued inter-bank certificates of deposit were outstanding with a total nominal value of RMB81.65 billion.

In 2018, there were no defaults of principal and interest or other breaches with respect to these bonds since their issuances.

2.3 Due to other banks and financial institutions

	As at December 31, 2018		As at December 31, 2017	
(All amounts expressed in thousands of RMB unless otherwise stated)	**Amount**	**Percentage of total (%)**	Amount	Percentage of total (%)
Due to central bank	**3,232,088**	**5.7**	1,745,881	3.1
Deposits from other banks	**28,482,610**	**49.9**	36,832,862	66.1
Deposits from other financial institutions	**358,010**	**0.6**	5,098,009	9.1
Placements from other banks and financial institutions	**14,029,645**	**24.6**	6,100,000	10.9
Notes sold under repurchase agreements	**3,023,414**	**5.3**	–	–
Securities sold under repurchase agreements	**7,550,700**	**13.2**	5,994,500	10.8
Interest payable on due to other banks and financial institutions	**413,472**	**0.7**	–	–
Total	**57,089,939**	**100.0**	55,771,252	100.0

As at December 31, 2018, the Group's balance due to other banks and financial institutions amounted to RMB57,089.94 million, representing an increase of RMB1,318.69 million or 2.4% as compared to the end of the previous year. Among which: the Group's balance due to central bank increased rapidly by RMB1,486.21 million or 85.1% to RMB3,232.09 million as compared to the end of the previous year; deposits from banks decreased by RMB8,350.25 million or 22.7% to RMB28,482.61 million as compared to the end of the previous year; deposits from other financial institutions decreased rapidly by RMB4,740.00 million or 93.0% to RMB358.01 million as compared to the end of the previous year; the Group's placements from other banks and financial institutions significantly increased by RMB7,929.65 million or 130.0% to RMB14,029.65 million as compared to the end of the previous year; notes sold under repurchase agreements increased by RMB3,023.41 million as compared to the end of the previous year; and securities sold under repurchase agreements increased by RMB1,556.20 million or 26.0% to RMB7,550.70 million as compared to the end of the previous year.

3. Shareholders' equity

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at December 31, 2018**		As at December 31, 2017	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Share capital	**3,127,055**	**9.0**	3,127,055	9.7
Preferred shares	**4,909,307**	**14.2**	4,909,307	15.1
Capital reserve	**4,680,638**	**13.5**	4,680,638	14.4
Other reserves	**8,289,192**	**24.0**	6,637,648	20.5
Retained earnings	**12,044,820**	**34.8**	11,596,948	35.7
Total equity attributable to shareholders of the Bank	**33,051,012**	**95.5**	30,951,596	95.4
Non-controlling interests	**1,560,561**	**4.5**	1,508,316	4.6
Total equity	**34,611,573**	**100.0**	32,459,912	100.0

As at December 31, 2018, equity attributable to shareholders of the Bank amounted to RMB33,051.01 million, representing an increase of RMB2,099.42 million or 6.8% as compared to the end of the previous year, among which: the share capital was RMB3,127.06 million, preferred shares was RMB4,909.31 million, capital reserve was RMB4,680.64 million, other reserves was RMB8,289.19 million, and retained earnings was RMB12,044.82 million. Among other reserves, general reserve increased by RMB652.79 million as compared to the end of the previous year, as an additional reserve was provided to ensure that the general reserve was not less than 1.5% of the balance of risk assets as at the end of the previous year.

III. Loan quality analysis

1. Breakdown of loans by the five-category classification

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

	As at December 31, 2018		As at December 31, 2017	
(All amounts expressed in thousands of RMB unless otherwise stated)	**Amount**	**Percentage of total (%)**	Amount	Percentage of total (%)
Pass	**201,291,218**	**95.31**	167,870,228	94.74
Special mention	**7,036,669**	**3.33**	6,936,217	3.91
Substandard	**1,371,389**	**0.65**	1,449,377	0.82
Doubtful	**889,139**	**0.42**	807,165	0.45
Loss	**620,636**	**0.29**	143,917	0.08
Total principals of loans and advances to customers	**211,209,051**	**100.00**	177,206,904	100.00
Amount of non-performing loans	**2,881,164**	**1.36**	2,400,459	1.35

In 2018, faced with the challenges posed by macro-economic dynamics, the Group accelerated the construction of a comprehensive risk management system, continued to strengthen the prevention and control of credit risk, conducted a thorough risk review of credit assets, stepped up efforts in risk management, strengthened early risk warning, tracking and post-lending monitoring management. As a result of these efforts, the quality of the Group's credit assets was relatively good compared to other banks. As at December 31, 2018, the balance of non-performing loans was RMB2,881.16 million, representing an increase of RMB480.71 million as compared to the end of the previous year; non-performing loan ratio was 1.36%, representing an increase of 0.01 percentage point as compared to the end of the previous year. The amount of loans under special mention category accounted for 3.33% of total loans, representing a decrease of 0.58 percentage point as compared to that of the end of the previous year.

2. Concentration of loans

2.1 Concentration by industry and non-performing loans

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

	As at December 31, 2018				As at December 31, 2017			
(All amounts expressed in thousands of RMB unless otherwise stated)	Loans Amount	Percentage of total (%)	Non-performing Loan Amount	Non-performing loan ratio (%)	Loans Amount	Percentage of total (%)	Non-performing Loan Amount	Non-performing loan ratio (%)
Loans to corporate entities – measured at amortised cost								
Manufacturing	16,634,742	7.9	332,358	2.00	15,544,339	8.8	568,151	3.66
Wholesale and retail	13,462,906	6.4	671,628	4.99	14,587,355	8.2	684,360	4.69
Construction	12,182,083	5.8	114,003	0.94	10,961,064	6.2	107,338	0.98
Real estate	11,642,543	5.5	176,132	1.51	13,997,831	7.9	35,000	0.25
Leasing and commercial services	20,446,505	9.7	122,988	0.60	13,373,813	7.5	14,215	0.11
Water conservation, environment and public facility administration	35,482,723	16.8	3,248	0.01	21,426,164	12.1	248	0.00
Transportation, warehousing and postal services	2,422,016	1.1	6,384	0.26	2,075,708	1.2	15,015	0.72
Mining	2,417,486	1.1	397,447	16.44	2,710,914	1.5	221,325	8.16
Electricity, gas and water production and supply	3,638,130	1.7	144,336	3.97	3,319,765	1.9	4,800	0.14
Agriculture, forestry, animal husbandry and fishery	1,998,964	0.9	37,141	1.86	2,101,230	1.2	13,170	0.63
Household services, maintenance and other services	1,755,783	0.8	7,010	0.40	2,832,632	1.6	4,600	0.16
Education	631,729	0.3	–	–	768,353	0.4	–	–
Financing	765,493	0.4	–	–	90,446	0.1	–	–
Scientific research and technology services	994,808	0.5	–	–	1,044,204	0.6	–	–
Information transmission, software and information technology services	788,231	0.4	–	–	460,005	0.3	2,481	0.54
Accommodation and catering	1,150,115	0.5	10,795	0.94	954,832	0.5	18,965	1.99
Culture, sports and entertainment	383,030	0.2	–	–	257,500	0.1	–	–
Public administration, social security and social organizations	–	–	–	–	1,867,000	1.1	–	–
Health and social welfare	2,135,471	1.0	2,808	0.13	1,406,978	0.8	–	–
Discounted bills	N/A	N/A	N/A	N/A	4,802,366	2.7	–	–
Loans to corporate entities –measured at fair value through other comprehensive income								
Discounted bills	13,501,381	6.4	–	–	N/A	N/A	N/A	N/A
Retail loans – measured at amortised cost								
Retail loans	68,774,912	32.6	854,886	1.24	62,624,405	35.3	710,791	1.14
Total	211,209,051	100.0	2,881,164	1.36	177,206,904	100.0	2,400,459	1.35

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

In 2018, the Group strengthened the disposal of non-performing assets, continued to optimize its industry-specific credit entry and exit criteria for customers and further refined the management of industry quotas. Non-performing loan ratio at the end of 2018 was broadly comparable as compared to the end of the previous year. Major industries experienced the following changes:

The amount of non-performing loans in the manufacturing industry decreased by RMB235.79 million as compared to the end of the previous year, and the non-performing loan ratio decreased by 1.66 percentage points;

The amount of non-performing loans in the accommodation and catering industry decreased by RMB8.17 million as compared to the end of the previous year, and the non-performing loan ratio decreased by 1.05 percentage points;

The amount of non-performing loans in the information transmission, software and information technology services decreased by RMB2.48 million as compared to the end of the previous year, and the non-performing loan ratio decreased by 0.54 percentage point;

The amount of non-performing loans in the transportation, warehousing and postal service industry decreased by RMB8.63 million as compared to the end of the previous year, and the non-performing loan ratio decreased by 0.46 percentage point;

The amount of non-performing loans in the wholesale and retail industry decreased by RMB12.73 million as compared to the end of the previous year, but the non-performing loan ratio increased by 0.30 percentage point. This was mainly due to the fact that the amount of loans decreased faster than the decrease of the amount of non-performing loans as the Bank further reduced the total loans to such industry, leading to the slight increase in the non-performing loan ratio despite a significant decrease in the amount of non-performing loans.

2.2 Concentration of borrowers

As at December 31, 2018, the Bank's total loans to its largest single borrower accounted for 2.15% of its net capital while total loans to its top ten customers accounted for 18.79% of its net capital, which were in compliance with regulatory requirements. As at December 31, 2018, all of the Bank's loans to top ten single borrowers were loans in the pass category.

(1) Indicators of concentration

Major regulatory indicators	**Regulatory standard**	**As at December 31, 2018**	As at December 31, 2017	As at December 31, 2016
Loan concentration ratio for the largest single customer(%)	<=10	**2.15**	2.28	4.52
Loan concentration ratio for the top ten customers (%)	<=50	**18.79**	17.19	29.24

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

(2) Loans to top ten single borrowers

(All amounts expressed in thousands of RMB unless otherwise stated)	**Industry**	**As at December 31, 2018**	
		Amount	**Percentage of total principal of loans and advances (%)**
Customer A	Real estate	**956,543**	**0.45**
Customer B	Leasing and commercial services	**940,000**	**0.45**
Customer C	Household services, maintenance and other services	**860,000**	**0.41**
Customer D	Manufacturing	**850,000**	**0.40**
Customer E	Water conservation, environment and public facility administration	**840,000**	**0.40**
Customer F	Water conservation, environment and public facility administration	**835,000**	**0.40**
Customer G	Water conservation, environment and public facility administration	**795,000**	**0.38**
Customer H	Real estate	**777,000**	**0.37**
Customer I	Water conservation, environment and public facility administration	**775,000**	**0.37**
Customer J	Water conservation, environment and public facility administration	**745,000**	**0.35**

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

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018 Loan Amount	As at December 31, 2018 Non-performing Loan Amount	As at December 31, 2018 Non-performing loan ratio (%)	As at December 31, 2017 Loan Amount	As at December 31, 2017 Non-performing Loan Amount	As at December 31, 2017 Non-performing loan ratio (%)
Loans and advances to corporate entities –measured at amortized cost	**128,932,758**	**2,026,278**	**1.57**	114,582,499	1,689,668	1.47
Corporate loans	**128,932,758**	**2,026,278**	**1.57**	109,780,133	1,689,668	1.54
Short-term loans	**28,078,682**	**1,363,546**	**4.86**	31,664,977	1,048,240	3.31
Medium- and long – term loans	**100,854,076**	**662,732**	**0.66**	78,115,156	641,428	0.82
Discounted bills	**N/A**	**N/A**	**N/A**	4,802,366	–	–
Loans to corporate entities – at fair value through other comprehensive income						
Discounted bills	**13,501,381**	**–**	**–**	N/A	N/A	N/A
Retail loans – measured at amortized cost	**68,774,912**	**854,886**	**1.24**	62,624,405	710,791	1.14
Residential mortgage and personal commercial property loans (1)	**20,602,122**	**120,509**	**0.58**	17,223,965	90,061	0.52
Personal business and re-employment loans	**12,243,480**	**422,500**	**3.45**	11,170,569	430,757	3.86
Others(2)	**35,929,310**	**311,877**	**0.87**	34,229,871	189,973	0.55
Total	**211,209,051**	**2,881,164**	**1.36**	177,206,904	2,400,459	1.35

Notes:

(1) *Personal commercial property loans only include mortgage loans and exclude other consumer loans which are used to purchase commercial properties.*

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

As at December 31, 2018, the balance of non-performing loans and advances to corporate entities was RMB2,026.28 million, representing an increase of RMB336.61 million as compared to the end of the previous year. Non-performing loan ratio of loans and advances to corporate entities increased by 0.03 percentage point to 1.57% as compared to the end of the previous year, and the balance of non-performing retail loans was RMB854.89 million, representing an increase of RMB144.10 million as compared to the end of the previous year. Non-performing loan ratio of retail loans increased by 0.10 percentage point to 1.24% as compared to the end of the previous year.

2.4 Overdue loans and advances to customers

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

	As at December 31, 2018		As at December 31, 2017	
(All amounts expressed in thousands of RMB unless otherwise stated)	**Amount**	**Percentage of total (%)**	Amount	Percentage of total (%)
Past due within 90 days	**4,474,879**	**62.39**	4,257,704	52.71
Past due 90 days to 1 year	**1,488,638**	**20.76**	2,197,658	27.20
Past due over 1 year and within 3 years	**989,045**	**13.79**	1,562,371	19.34
Past due over 3 years	**219,704**	**3.06**	60,838	0.75
Total overdue loans and advances to customers	**7,172,266**	**100.00**	8,078,571	100.00

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

As at December 31, 2018, the total overdue loans amounted to RMB7,172.27 million, representing a decrease of RMB906.31 million as compared to the end of the previous year. Total overdue loans accounted for 3.40% of total principals of loans and advances to customers, representing a decrease of 1.16 percentage points as compared to the end of the previous year.

IV. Segment information

1. Summary of geographical segment

	As at December 31,							
	2018		2017		2016		2015	
(Expressed in percentage)	**Chongqing**	**Other areas**	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Deposits	**86.09**	**13.91**	84.36	15.64	81.55	18.45	81.19	18.81
Loans	**75.66**	**24.34**	76.18	23.82	74.93	25.07	75.82	24.18
Assets	**88.40**	**11.60**	87.34	12.66	85.88	14.12	83.37	16.63
Loan-to-deposit ratio	**62.34**	**124.10**	60.85	102.57	58.73	86.84	56.99	78.43
Non-performing loan ratio	**1.06**	**3.43**	1.09	2.71	0.76	1.64	0.65	2.02
Impairment allowance to non-performing loans	**244.68**	**181.86**	286.65	131.98	372.68	183.92	347.34	136.75

	For the year ended December 31,							
	2018		2017		2016		2015	
(Expressed in percentage)	**Chongqing**	**Other areas**	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Return on average total assets	**1.81**	**1.14**	2.35	(1.41)	1.07	0.63	1.27	0.05
Net fee and commission income to operating income	**15.05**	**6.09**	19.23	13.08	21.53	13.02	19.34	14.14
Cost-to-income ratio	**22.61**	**24.50**	20.61	33.35	22.85	30.11	29.58	40.47

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

2. *Summary of business segment*

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31, 2017 Corporate banking	Retail banking	Treasury	Unallocated	Total
Net interest income/(expense) from external customers	4,224,549	(163,526)	4,054,072	–	8,115,095
Inter-segment net interest income/(expense)	1,542,406	1,443,877	(2,986,283)	–	–
Net interest income	5,766,955	1,280,351	1,067,789	–	8,115,095
Net fee and commission income	320,783	185,592	1,173,681	–	1,680,056
Net trading gains/(losses)	8,581	–	(29,801)	–	(21,220)
Net gains on investment securities	–	–	140,480	–	140,480

V. Analysis of off-balance sheet items

Off-balance-sheet items of the Group mainly include bank acceptance bill, issuance of letters of credit, issuance of letters of guarantee, unused credit card limits, financial lease-out commitments, irrevocable loan commitments, operating lease commitments and capital expenditure commitments. As at 31 December 2018, the balance of bank acceptance bill was RMB18,012.26 million, representing an increase of RMB4,501.35 million or 33.3% as compared to the end of the previous year; the balance of issuance of letters of credit was RMB10,458.43 million, representing an increase of RMB4,253.80 million or 68.6% as compared to the end of the previous year; the balance of issuance of letters of guarantee was RMB3,940.63 million, representing a decrease of RMB690.34 million or 14.9% as compared to the end of the previous year; the balance of unused credit card limits was RMB3,169.45 million, representing an increase of RMB301.27 million or 10.5% as compared to the end of the previous year; the balance of irrevocable loan commitments was RMB79.93 million, representing a decrease of RMB30.08 million or 27.3% as compared to the end of the previous year; the balance of operating lease commitments was RMB148.08 million, representing a decrease of RMB8.93 million or 5.7% as compared to the end of the previous year; the balance of capital expenditure commitments was RMB368.65 million, representing a decrease of RMB10.16 million or 2.7% as compared to the end of the previous year.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2017			
	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance bill	13,510,911	–	–	13,510,911
Issuance of letters of credit	6,204,635	–	–	6,204,635
Issuance of letters of guarantee	1,412,042	3,218,275	650	4,630,967
Unused credit card limits	2,868,179	–	–	2,868,179
Financial Lease-out commitments	180,000	–	–	180,000
Irrevocable loan commitments	46,990	63,024	–	110,014
Operating lease commitments	42,949	88,803	25,255	157,007
Capital expenditure commitments	332,453	46,360	–	378,813
Total	24,598,159	3,416,462	25,905	28,040,526

6.3 Business Overview

6.3.1 Corporate Banking Business

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		
	2018	2017	Change (%)
Net interest income from external customers	**5,567,780**	4,224,549	31.8
Inter-segment net interest income	**1,826,220**	1,542,406	18.4
Net interest income	**7,394,000**	5,766,955	28.2
Net fee and commission income	**253,567**	320,783	(21.0)
Net trading gains	**245,215**	8,581	2757.7
Impairment losses	**(3,593,659)**	(2,223,317)	61.6
Operating expenses	**(1,340,359)**	(1,213,687)	10.4
– Depreciation and amortization	**(108,104)**	(97,189)	11.2
– Others	**(1,232,255)**	(1,116,498)	10.4
Profit before income tax	**2,958,764**	2,659,315	11.3

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at December 31, 2018**	As at December 31, 2017	Change (%)
Capital expenditure	**151,731**	138,140	9.8
Segment assets	**166,206,234**	154,284,077	7.7
Segment liabilities	**(182,012,244)**	(177,173,388)	2.7

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

(I) Corporate Deposits

As of December 31, 2018, the balance of our corporate deposits amounted to RMB152.79 billion, representing a slight increase of 0.1% or RMB89 million, accounting for 59.6% of the balance of total deposits.

According to Chongqing Administration of the PBOC, as of the end of 2018, the balance of our RMB corporate deposits (including security deposits) in Chongqing amounted to RMB126.47 billion, ranking the fourth in Chongqing, following the Chongqing branch of Industrial and Commercial Bank of China, Chongqing Rural Commercial Bank Co., Ltd. and the Chongqing branch of China Construction Bank. Our RMB corporate deposits in Chongqing accounted for a market share of 8.0%.

(II) Corporate Loans

The Bank actively promoted the Company's credit lending and continued to increase lending pace. With active compliance with policy orientation, the Bank conducted targeted marketing with projects following the direction of national policy, such as green credit, rural revitalization, poverty alleviation, shantytowns transformation and "Belt and Road" Initiative. Meantime, based on the research on the characteristics of Chongqing, Sichuan, Guizhou and Shaanxi regions, the Bank focused lending pace on regional advantageous industries. In terms of selecting industries, the Bank stayed to the origin and actively marketed with large customers in the real economy and non-cyclical industries. As for the selection of customers, the Bank actively responded to national calls, extended equal treatment to private enterprises and state-owned enterprises, with a view to selecting high-quality customers. We actively enhanced the ranking of our customers and cooperation stickiness by carrying out inter-headquarters marketing. In respect of application of our products, we integrated traditional credit granting practices, inter-bank cooperation as well as trade and financial instruments into a comprehensive solution which achieved satisfactory results in our marketing campaign to secure customers. As of December 31, 2018, the balance of our corporate loans (excluding discount of bills) amounted to RMB142.43 billion, representing growth of RMB27.85 billion or 24.3% as compared to the end of the previous year.

In terms of fulfilling its social responsibilities, the Bank supported national targeted poverty alleviation. It discharged its duties as the leading bank and created demonstration enterprises, projects and villages of financial poverty alleviation, with a view to promoting local economic development.

(III) Corporate Banking Products

Our corporate banking product portfolio achieved further improvement.

Firstly, to cater to the needs of our customers, we proactively tailored our debt products to specific industry features, settlement practices and capital retention patterns with reference to regional economic and industry conditions. We strove to cover customers' such needs as daily settlement and high-yield investment through comprehensively utilizing traditional deposits, large deposit certificates and structured deposits.

Secondly, as a proactive response to the national call, the Bank intensified support for the real economy by actively promoting new products such as "You You Dai (優優貸)" and "Order Loan (訂單貸)", completed multiple launches of loans, and constantly promoted it to sizable customers; built a model of entity credit loan to provide credit financing for regional high-quality entities to be listed, thus expanding customer base, and enhancing cooperation stickiness.

Thirdly, the Bank developed a platform for marketing settlement by batches and a margin platform to provide comprehensive transaction settlement service to enterprises; integrated with engineering fund platforms to market enterprise construction funds through full-process; established a platform covering banks, shares and enterprises to provide comprehensive service to enterprises seeking for listing; optimized cooperation among banks, governments and enterprises to continuously obtain debt issuance funds; and proactively marketed upstream and downstream customers and settlement funds with linked development of assets and liabilities to achieve a win-win situation between the Bank and enterprises.

Fourthly, with the aim to assist high-quality enterprises in financing overseas, the Bank introduced international technology on the basis of traditional credit analysis, and established a set of credit risk assessment and analysis system combining Chinese and foreign advantages to carry out overseas bond investment businesses with high standards and high starting points. In 2018, the Bank invested over US$700 million in an aggregate of 20 overseas bonds.

Fifthly, guided by market demand and adhering to the innovative concept of "bold assumption careful verification", the Bank continued to improve its financial product system in supply chain, launched "Shang Piao Tong (商票通)" products, which revitalized accounts receivable and payable of enterprises, promoted finance return to its origin and provided new solutions for serving the real economy, private enterprises, and small and micro enterprises.

6.3.2 Small and Micro Enterprise Banking Business

(I) Overview of Small and Micro Enterprise Banking Business as of December 31, 2018

As of December 31, 2018, according to the statistics of the four national ministries, the balance of our small and micro enterprise loans amounted to RMB74.94 billion, representing an increase of RMB8.55 billion or 12.9% as compared with the end of the previous year. The number of small and micro enterprise loan customers was 33,424, increasing by 12,294 as compared with the end of the previous year.

The weighted average interest rate of small micro loans was 6.63%, representing a decrease of 0.08 percentage points as compared with the end of the previous year, among which, the weighted average interest rate of small and micro enterprise loans with an individual lending amount of below RMB10 million was 6.25% in the fourth quarter of 2018, fulfilling the regulatory requirements of "Two Increases and Two Controls".

As regards to the customer structure, the Bank explored to develop a further business model of "small, micro and grass-root" enterprises. The small and micro enterprise loans with an individual lending amount of below RMB10 million (included) recorded a balance of RMB28.91 billion, representing an increase of RMB3.67 billion as compared with the end of the previous year. The number of loan customers was 32,762, increasing by 13,961 as compared with the end of the previous year. The small and micro enterprise loans with an individual lending amount of below RMB5 million (included) recorded a balance of RMB21.70 billion, accounting for 28.96% of the total small and micro enterprise loans; and the number of customers reached 31,880, accounting for 95.38% of the total number of small and micro enterprise customers of the Bank.

As regards to the risk management, the Bank strengthened its disposal of non-performing assets through transferring the income rights of non-performing assets and write-offs. The balance of non-performing loans for small and micro enterprises of the Bank amounted to RMB1.43 billion with a non-performing loan ratio of 1.90%, representing an increase of RMB0.27 billion or 0.15 percentage point as compared with the end of the previous year.

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

1. Improvement in the inclusive financial mechanism and enhancement of the driver for endogenous development

(1) Publication of inclusive financial policies. Formulated a series of policies including implementing opinions, special work plans and special incentive plans on high-quality development of financial services for small and micro enterprises, and created a fault-tolerant and error-correcting mechanism of compliance accountability, exemption for persons who work in due diligence, and tolerance of non-performing loans, in respect of financial services for small and micro enterprises, and continuously improve the top-level design. (2) Promotion of the building of intelligent finance. Promoted the "paperless" approval system and e-banking system for financial services for small and micro enterprise, and innovated and constructed a system of informatization and intelligentization of financial services for small and micro enterprises. (3) Establishment of a professional team. Established a marketing and promotion team in branches, in respect of financial services for small and micro enterprises, and promoted the establishment of a team in respect of financial services for small and micro enterprises, and carried out over 20 trainings in financial services for small and micro enterprises in the Bank, with a total of over 650 employees trained. (4) Joining in the financing guarantee system. Continuously improved the new mechanism of bank-guarantee company cooperation, risk sharing and compensation, and became one of the first contracted banks in the national financing guarantee fund system in Chongqing City.

2. Implementation of an innovation-driven strategy and acceleration of product iteration and upgrade

Launched four new innovative products including the "home mortgage loan (房抵貸)", "knowledge value credit loan (知識價值信用貸款)" and "supporting loan for growth of micro businesses (微型企業成長扶持貸款)", thus continuously enhancing the effective supply of financial products for small and micro enterprises. With a simplified credit process and a standardized credit period, "home mortgage loan (房抵貸)", a product in the "qidongli individual business loan (啟動力個人經營性貸款)" series, rapidly gained significant traction with small and micro enterprises; "supporting loan for growth of micro businesses (微型企業成長扶持貸款)", which was launched in response to the "Micro Business Development Plan of Chongqing Administration for Industry & Commerce", is provided in cooperation with limited companies which provide small and micro enterprise financing guarantee in Chongqing City, with the maximum credit amount of RMB500 thousand; "knowledge value credit loan (知識價值信用貸款)", which was launched in line with requirements of Chongqing Association for Science and Technology, provides credit support for small and micro enterprises in the scientific and technological enterprise management system in Chongqing City, with the maximum credit amount of RMB5 million.

3. Development of financial technology products and promotion of online credit businesses

Implemented the intelligence-driven product innovation strategy; on the basis of "hao qi loan (好企貸)", the first pure online credit product for small and micro enterprises in the financial sector in the western region, further integrated financial technology resources; developed and launched "hao qi shui di loan (好企稅抵貸)", "hao qi shang chao loan (好企商超貸)" and other online financial products for small and micro enterprises, with proprietary intellectual property rights, in consideration of taxation, industry and commerce, judicial, credit, corporate associated information and other data, and using CFCA electronic signature, OCR electronic identification, online cloud assessment and other intelligent risk control systems and data profiling technology, and continuously expanded the scope of financial services for small and micro enterprises, with business area covers one city and three provinces, namely Chongqing City, Sichuan Province, Shaanxi Province and Guizhou Province.

4. Resolution of the problem of maturity mismatch and innovation of refinancing product management

Promoted "annual review loan (年審貸)", "growth loan (成長貸)" and other medium and long term products, as well as refinancing products including "refinancing without repayment of the principal (無還本續貸)", resolved the problem of mismatch between capital demands of small and micro enterprises and the loan period. "Annual review loan (年審貸)", with the maximum term of 3 years and the maximum amount of RMB20 million, provides a medium and long term service of "completion of procedures on one occasion and repayment at maturity, without refinancing at annual review"; "growth loan (成長貸)", with the maximum term of 10 years and the maximum amount of RMB5 million, provides a financial service with loan term and repayment method options; "refinancing without repayment of the principal (無還本續貸)" helps reduce the interval between loans and loan turnover costs, with early loan investigation, review and approval.

5. Optimization of credit process design and innovation of the batch operation model

Designed a set of targeted comprehensive financial service solutions for the group of small and micro business clients with shared characteristics of "circle, park, chain, association and belt" and otherwise, through approval for access, grant of credit in batches and batch management, and carried out development based on the principle of "use of successful experiences in a single area for broader areas, and adoption of one policy for one group", and realized a shift from the "decentralized" operation mode to the "batch" operation mode, and became the "amplifier" for small and micro enterprise businesses. Enhanced the continuity and normativity of batch businesses through restructuring standardized product design factors and investigating approval modules. Set up hierarchical review and approval authorities, through extending the term of approved credit line to 3 years, so as to enhance the efficiency of batch businesses.

6. Acquisition of customers in rural areas and support for rural revitalization strategies

Deeply participated in the financial poverty alleviation and rural revitalization strategy, made a 2018-2020 three-year action plan, and achieved a good start in the financial poverty alleviation and rural revitalization strategy. (1) Mechanism-based empowerment and cooperation. Established an agriculture, country and peasant finance department in agriculture, country and peasant-related specialty institutions, created a "five-step" assurance mechanism and a mechanism of exemption for persons who work in due diligence, and built a "honest village" and the "two bases" linkage mode, and established strategic cooperation relations with Dianjiang County, Pengshui County and Wanzhou District. (2) Production innovation and targeted efforts. Developed and promoted "Zhikun Loan", a micro-credit for poverty alleviation, so as to support registered low-income families in getting rid of poverty; developed and promoted "agricultural loan for six new industries" to support the integrative development of the primary, secondary and tertiary industries in rural areas. Developed and promoted "road protection loan" and "construction loan", and supported the "extension of coverage to all villages" and other rural infrastructure development. (3) Basic service and stimulation of vitality. Set up a financial service site for the convenience of people, and designated financial service volunteers to carry out a series of "finance in villages" publicity, and solved the "last mile" problem of financial services in rural areas through mobile and portable terminals, banking service vehicles and otherwise.

7. Comprehensive implementation of policies in line with local conditions and improvement in the credit asset quality

Enhanced the management and control of credit asset quality of small and micro enterprise businesses, through three steps, namely "prevention, settlement and treatment". (1) Enhancement of post-lending management and consolidation of important processes of risk prevention and control. Carried out risk identification, random inspection as to chaotic phenomena in the market, and investigation into new non-performing loans, so as to enhance credit asset management and control. (2) Classified management and enhancement of management and control of problem credit. Carried out classified management of businesses which were guaranteed by guarantee companies, and continuously reduced existing problem credit, and enhanced material risk reduction and mitigation, and resolution of non-performing loans. Enhanced the disposal of non-performing assets and optimized the asset structure of small and micro-enterprise businesses.

6.3.3 Retail Banking Business

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		
	2018	2017	Change (%)
Net interest income/(expense) from external customers	**398,680**	(163,526)	N/A
Inter-segment net interest income	**1,526,162**	1,443,877	5.7
Net interest income	**1,924,842**	1,280,351	50.3
Net fee and commission income	**293,328**	185,592	58.0
Other operating income	**2,824**	25,936	(89.1)
Impairment losses	**61,776**	(128,925)	N/A
Operating expenses	**(1,028,132)**	(845,734)	21.6
– Depreciation and amortization	**(82,921)**	(67,725)	22.4
– Others	**(945,211)**	(778,009)	21.5
Profit before income tax	**1,254,638**	517,220	142.6

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018	As at December 31, 2017	Change (%)
Capital expenditure	**71,256**	60,056	18.6
Segment assets	**78,053,909**	67,074,827	16.4
Segment liabilities	**(81,570,116)**	(68,614,025)	18.9

(I) Personal Deposits

Benefiting from the continued and rapid economic growth in Chongqing and fully utilizing its advantage as a regional brand, the Bank constantly promoted and marketed its special time deposit products "Xing Fu Cun (幸福存)"and "Meng Xiang Cun (夢想存)", and continuously improved the maintenance of key customers such as VIP customers and subsidized customers, while strengthening marketing on young customers. The balance of personal deposits continued to increase steadily by RMB12.76 billion or 18.8% as compared with the end of the previous year to RMB80.49 billion, and the local market share of which has been gradually increased.

(II) Personal Loans

Personal consumption loans continued to develop steadily. The balance of personal consumption loans (including personal consumption loans and mortgage loans) increased by RMB4.55 billion to RMB51.81 billion, representing an increase of 9.6%. The Bank independently established a big data intelligent risk control system and implemented real-time automatic approval decision, based on which the Bank developed the first personal loan product using the big data risk control technology – "Jie e Dai (捷e貸)" version 2.0 and implemented real-time online approval and loan drawdown. The Bank also launched a credit loan product, "Xin e Dai (薪e貸)", for our mid- to high-end quality customer base and a revolving credit product, Xing Fu Dai (new version) (幸福貸(新)), for customers with property-owner, and both loans can be applied online through WeChat and mobile banking with instantly available pre-approved-credit amount and interest rate, greatly enhancing customer experience and winning good market response. The Bank continued to promote the healthy development of its personal consumption loans business through product innovation.

(III) Bank Cards

Bank card issuance and transaction volume of our bank card business recorded continuous growths. As of December 31, 2018, we had issued a total of 3,717,570 debit cards and the transaction volume amounted to RMB14.65 billion. The Bank successfully connected to China UnionPay Cloud Quick Pass APP, which added a mobile payment channel and improved payment convenience. The Bank has been committed to the expansion of functions such as consumption and settlement, and constantly promoting channel improvement and security enhancement to facilitate a healthy development of the bank card business.

6.3.4 Treasury Operations

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the year ended December 31,**		
	2018	2017	Change (%)
Net interest income from external customers	**909,186**	4,054,072	(77.6)
Inter-segment net interest expense	**(3,352,382)**	(2,986,283)	12.3
Net interest (expense)/income	**(2,443,196)**	1,067,789	N/A
Net fee and commission income	**795,027**	1,173,681	(32.3)
Net trading gains/(losses)	**222,556**	(29,801)	N/A
Net gains on investment securities	**1,869,777**	140,480	1231.0
Share of profits of associates	**220,427**	178,378	23.6
Other operating income	**880**	22,542	(96.1)
Impairment losses	**107,214**	(631,693)	N/A
Operating expense	**(163,636)**	(210,656)	(22.3)
– Depreciation and amortization	**(13,198)**	(16,869)	(21.8)
– Others	**(150,438)**	(193,787)	(22.4)
Profit before income tax	**609,049**	1,710,720	(64.4)

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at December 31, 2018**	As at December 31, 2017	Change (%)
Capital expenditure	**186,402**	179,090	4.1
Segment assets	**204,185,736**	200,019,858	2.1
Segment liabilities	**(152,173,991)**	(144,514,878)	5.3

In 2018, addressing the increasingly stringent regulatory environment and complex economic situation, the Bank continued to strengthen risk management of its treasury operations under the principle of compliance in business operations. While ensuring adequate liquidity, the Bank steadily pushed forward its treasury operations and recorded a profit before income tax of RMB0.61 billion for the year, and decreased by RMB1.10 billion or 64.4% as compared to the previous year.

(I) Breakdown of Bond-Securities Investment by Holding Purpose

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018		As at December 31, 2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Held-to-maturity	**N/A**	**N/A**	21,012,375	13.22
Loans and receivables	**N/A**	**N/A**	100,607,725	63.30
Available-for-sale	**N/A**	**N/A**	36,612,193	23.04
Held for trading	**16,587,883**	**12.42**	702,084	0.44
Financial investments carried at amortised cost	**82,523,309**	**61.77**	N/A	N/A
Financial investments at fair value through other comprehensive income	**34,478,553**	**25.81**	N/A	N/A
Total	**133,589,745**	**100.00**	158,934,377	100.00

The Bank adopted IFRS 9 for the first time on January 1, 2018, pursuant to which securities investment can be divided by holding purpose into held-for-trading financial investments, financial investments at amortised cost and financial investments measured at FVOCI. As at December 31, 2018, the balance of held-for-trading financial investments was RMB16.59 billion, accounting for 12.42%; the balance of financial investments at amortised cost was RMB82.52 billion, accounting for 61.77%; the balance of financial investments measured at FVOCI was RMB34.48 billion, accounting for 25.81%.

(II) Breakdown of Bond-Securities Investment by Credit Rating

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018		As at December 31, 2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
AAA	**6,616,679**	**4.95**	1,262,903	0.80
AA- to AA+	**14,450,387**	**10.82**	11,559,527	7.27
A+	**50,370**	**0.04**	–	–
Unrated	**110,037,027**	**82.37**	146,112,065	91.93
Interest receivable	**2,435,282**	**1.82**	–	–
Total	**133,589,745**	**100.00**	158,934,495	100.00

The Bank increased the holdings of bonds with controllable risks and high yield in 2018. As at December 31, 2018, the balance of AAA-rated securities investments increased by RMB5.35 billion as compared with the end of the previous year, with the proportion increased by 4.15 percentage points; the balance of AA- to AA+ rated securities investments increased by RMB2.89 billion as compared with the end of the previous year, with the proportion increased by 3.55 percentage points; the balance of A+rated securities investments increased by RMB50.37 million as compared with the end of the previous year, with the proportion increased by 0.04 percentage point; and unrated securities investment decreased by RMB36.08 billion as compared with the end of the previous year, with the proportion decreasing by 9.56 percentage points. The unrated securities investment mainly comprised loans and receivables and government bonds.

(III) Breakdown of Bond-Securities Investment by Remaining Maturity

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at December 31, 2018**		As at December 31, 2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Up to 3 months	**6,126,573**	**4.59**	28,515,015	17.94
3 to 12 months	**20,243,716**	**15.15**	36,985,886	23.27
1 to 5 years	**71,316,979**	**53.38**	58,010,823	36.50
Over 5 years	**35,902,477**	**26.88**	35,422,653	22.29
Total	**133,589,745**	**100.00**	158,934,377	100.00

As at December 31, 2018, the Bank's securities investment with remaining maturity within 12 months decreased by RMB39.13 billion from the end of the previous year, with the proportion decreasing by 21.47 percentage points.

(IV) Holdings of Financial Bonds

Financial bonds are marketable securities issued by policy banks and other financial institutions with a debt service term as agreed upon. As at December 31, 2018, the balance of our financial bonds was RMB5.04 billion in nominal value, mainly comprising financial bonds issued by policy banks. Set out below are the top 10 financial bonds in terms of nominal value held by the Bank as at the dates indicated.

Name of bond	**Par Value in RMB**	**Interest rate (%)**	**Maturity date**
2016 Policy Bank Financial Bond	1,000,000	3.18%	April 5, 2026
2018 Commercial Bank Bonds	800,000	4.50%	May 29, 2021
2018 Inter-bank Certificates of Deposits	500,000	3.15%	January 27, 2019
2016 Policy Bank Financial Bond	500,000	3.18%	September 5, 2026
2012 Policy Bank Financial Bond	500,000	3.87%	June 28, 2019
2012 Policy Bank Financial Bond	500,000	4.21%	June 29, 2019
2013 Policy Bank Financial Bond	460,000	5.04%	October 24, 2023
2006 Policy Bank Financial Bond	380,000	3.79%	June 28, 2021
2018 Commercial Bank Tier II Capital Bond	200,000	4.86%	September 5, 2028
2018 Commercial Bank Tier II Capital Bond	200,000	5.30%	June 8, 2028

6.3.5 Distribution Channels

(I) Physical Outlets

As of December 31, 2018, the Bank operated its business and marketed its retail banking products and services through 142 sub-units, including the business department of its Head Office, its small enterprise loan center, four primary branches, and 58 offsite self-service banking centers, and through its extensive distribution channels, such as mobile banking, online banking and direct banking, which cover all 38 districts and counties of Chongqing as well as three provinces in western China namely Sichuan Province, Shaanxi Province and Guizhou Province.

(II) Self-Service Banking Centers

The offsite self-service banking centers and self-service terminals of the Bank provide safe and convenient services to the customers of the Bank, and also enhance the input-output ratio of the Bank. As of December 31, 2018, the Bank had 58 offsite self-service banking centers, 136 onsite self-service banking centers and 547 self-service terminals, including 171 ATMs and 376 self-service deposit and withdrawal machines that offer withdrawal, account inquiry, bill payment, deposit, passcode changing and/or fund transfer services. In 2018, the Bank processed approximately 5.42 million self-service banking transactions, with a total transaction volume of RMB13.26 billion.

(III) Electronic Banking

1. Online Banking, Mobile Banking and WeChat Banking

(1) Personal Customers

As of December 31, 2018, the Bank had 1.50 million personal customers, including 0.73 million online banking customers, 0.72 million mobile banking customers and 0.05 million WeChat banking customers. The total number of transactions amounted to 5.03 million, including 0.89 million transactions through online banking and 4.15 million through mobiles phone. The total transaction volume amounted to RMB211.80 billion, including RMB64.97 billion through online banking and RMB146.83 billion through mobile banking.

(2) Corporate Entities

As of December 31, 2018, the Bank had 22,039 corporate online banking customers, representing an increase of 4,358 customers or 24.6% as compared with the end of the previous year. The total number of transactions amounted to 1.91 million, and the total transaction volume amounted to RMB313.89 billion.

2. Third Party Payment

As of December 31, 2018, 9 merchants in aggregate accessed to third party payment. The total number of transactions amounted to 31.50 million, and the total transaction volume amounted to RMB13.40 billion.

3. Online Lending Business

As of December 31, 2018, a total of 8,224 loans were granted under "Hao Qi Dai (好企貸)", representing an increase of 4,603 loans. The accumulated amount of loans granted reached RMB4.54 billion, representing an increase of RMB2.86 billion. There were 4,186 managed accounts with a balance of RMB2.66 billion.

(IV) Information Technology

In 2018, the Group promoted the information technology construction in an orderly manner and reached the annual objective successfully, laying a good foundation for the operation of the Bank.

We continued to strengthen internal control on information technology to enhance risk prevention and control capability based on information technology. Firstly, we continued our works on establishment of IT internal control system, and completed the modification of 2 IT internal control systems in 2018. Secondly, we proactively conducted classified information technology security protection. During the year, we classified the security level of 6 new information systems, filed 3 information systems with security level of Class II or above, and completed the onsite assessments and correction of 9 information systems with security level of Class III. Thirdly, we staged IT risk screening campaign to identify and eliminate risks. Fourthly, we deployed a security operation management platform to realize unified management of asset operation status and vulnerabilities and comprehensively identify potential security threats. Fifthly, we deployed a new desktop security management system to achieve computer access control, detection of illegal outreach, control of storage media and auditing of file flow.

We continued to ensure the stable operation of the Bank's information system, and enhanced the construction of infrastructure projects. Firstly, we effectively monitored the operation of the information system. Secondly, we strengthened the management of the network, systems, and security equipment, and carried out regular inspections. Thirdly, we conducted emergency drills of systems, networks, infrastructures in an orderly manner. Fourthly, we fully engaged in the construction of the disaster backup system in the "Two Sites and Three Centers" and completed the application deployment of intra-city disaster backup centers and dual-active backup system for key information systems, thus further enhancing the security level of the Bank's key information systems for security and stable operation.

We accelerated the innovation and integration of technology and business, facilitated the application of new technologies and promoted the upgrading and updating of information system. Firstly, we fully promoted the upgrading of our key business systems and innovation of their functions and completed the construction and launch of key business systems, such as the new generation core system, the new generation telephone banking system, and capital business management system. Secondly, we gave full support to the big data and intelligent financial technology innovation, completed a number of key business needs, including: the intelligent identification system for network customers utilizing dynamic face recognition technology was put into trial; Sichuan Hao Qi Dai (四川好企貸) was successfully launched based on the linkage transformation of more than 10 systems including online loan; Jie E Dai (捷E貸) 2.0 product was successfully launched based on the risk control decision-making model deployed at the self-built data platform; Hao E Dai (好E貸), a service for small and micro enterprises, was transformed and launched to meet the requirements of "two increases and two controls" of China Banking Regulatory Commission; we actively implemented the strategic cooperation with the Chongqing Stock Exchange and the integration with Chongqing Public Resource Trading Center, and integrated internal systems with municipal-level margin electronic bidding system on schedule; we cooperated with Chongqing Provident Fund Center to fully upgrade core systems, thus achieving real-time connection with core system of Chongqing Provident Fund Center; we completed the construction of error processing platform for UnionPay business, enhancing its accuracy and timeliness; and we completed the construction of inter and intra receipt system for commercial tenants to achieve self-marketing.

6.3.6 Particulars of Principal Associates

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

As at 15 June 2015, the Group established Mashang Finance with initial capital contribution of RMB54 million. As at 14 August 2016, Mashang Finance increased its registered capital to RMB1.3 billion, and the Group increased the investment to RMB205.27 million, which accounted for 15.79% of equity interest. As at 13 July 2017, Mashang Finance further increased its registered capital to RMB2.21 billion, and the Group increased the investment to RMB338.35 million, which accounted for 15.31% of equity interest. As at 9 August 2018, Mashang Finance further increased its registered capital to RMB4 billion, and the Group increased the investment to RMB655.14 million, which accounted 15.53% of equity interest.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**December 31, 2018**	December 31, 2017
Balance at the beginning of the year	**1,113,146**	238,394
Addition of investment in associates	**316,796**	696,374
Share of profit after tax of the associates	**220,427**	178,378
Cash dividend declared	**(12,046)**	–
Balance at the end of the year	**1,638,323**	1,113,146

6.4 Employees and Human Resources Management

6.4.1 Details of the employees

(I) Composition of employees

As of December 31, 2018, there were 4,119 employees on-duty, of which 752 or 18.26% were management personnel while 140 or 3.40% were marketing personnel, both worked at the Head Office, and 2,310 or 56.08% worked at branch outlets in Chongqing while 917 or 22.26% worked at branches in other cities.

(II) Range of their ages

The average age of the employees of the Bank was 34 years old. 191 or 4.64% of them were under the age of 25 while 1,073 or 26.05% aged between 26 to 30 years old. 1,379 or 33.48% of them aged between 31 to 35 years old while 484 or 11.75% of them aged between 36 to 40 years old. 476 or 11.55% of them aged between 41 to 45 years old while 395 or 9.59% of them aged between 46 to 50 years old and 121 or 2.94% of them aged above 50 years old.

(III) Educational background

488 or 11.85% of the employees of the Bank possessed a post-graduate qualification or above, and 7 of which held Doctoral degrees. 2,996 or 72.73% of them held Bachelor degrees while 635 or 15.42% of them received junior college degrees or below.

(IV) Composition of gender

The Bank had 1,813 male employees and 2,306 female employees, with the proportion of 44.02% and 55.98% respectively.

6.4.2 Overall management of human resources

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

6.4.3 Training and development of the employees

With close focus on strategic development planning and emphasis on key positions and core talents, the Bank vigorously promoted its construction of talent supply chain, and established a talent team that recognizes the Bank's corporate culture and aligns with the requirements of the Bank's strategic development, and improved the quality and efficiency of talent and employee training. The Bank has preliminarily set up a multiple dimension and level-and-category based employee training and development system, and established a career development channel system and a qualification and training credit system which is linked with the career development of the employees through building the E-learning and M-learning training platforms. A variety of mixed training techniques were introduced and innovative training mechanisms, measures and methods were continuously provided to keep promoting the overall standard of all the employees, thus building the Bank's advantages in talent competition.

6.5 Risk Management

6.5.1 Credit risk management

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

Developing an overall framework of credit policies. The Bank established the strategy for asset portfolio allocation from six dimensions, namely customer, product, region, industry, channel and mitigation, while at the same time adhering to the risk as the bottom line, the premise of compliance, the efficiency as the standard, the state-level major strategies as the guide, the support for the real economy as the priority, the expansion of financing channels as the direction, and following the path of the supply-side structural reform.

Enhancing credit risk management. On the basis of comprehensive evaluation of the Bank's credit product, credit granting process and credit granting system management, we will further clarify the risk management responsibilities of credit product management and before, during, and after credit granting, further strengthen management on whole process of credit granting and motivate to set clear responsibilities and performance standards for each stage of credit granting.

Preventing the risks related to incremental credit. By getting thorough information of borrowers and related parties through multiple channels, the Bank focused on, inter alia, shell-based financing and affiliated enterprise financing, and paid great attention to external financing risks involving private lending and fund raising. The Bank closely monitored the trace of credit funds, timely understood the risk warning information of borrowers and related parties, so as to take effective measures to get potential risks resolved.

Strengthening risk resolution to credit balance. The Bank Standardized the management process of problem credit, established systematic policy management framework of "one policy for one client" and realized the dynamic tracking of problem credit to improve the risk solutions and timeliness and accuracy of problem credit and information collection. Through implementing a centralized management mechanism for non-performing assets and setting detailed assessment and reward policies, the Bank stimulated the motivation for the collection and clearing and vigorously promoted debt collection through claiming and litigation to improve the recovery rate of collection.

Driving the internal ratings to be integrated into management system. The results of internal ratings plays a role in main operation process such as credit approval, post-lending monitoring, setting credit limit and differentiated credit policies, and also applies to measuring loan impairment provisions in compliance with IFRS 9.

6.5.2 Management on operational risk

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

During the Reporting Period, the Bank continued to improve operational risk management system and further promote the implementation and application of the management tools for operational risk. In particular, the Bank took various measures to: with the support of risk management systems, optimize the management system, improve the level of quantitative management; consummate the risk reporting process, report regularly summarized and assessment results, changes in risk monitoring indicators, collection of lost data, implementation of risk prevention and control measures, etc., to provide reference for management decision-making; strengthen risk monitoring in key sectors and key business process and achieve "early discovery, early intervention, early disposal" to ensure key measures implemented and risks reduced; continually strengthen its business continuity management, promote the construction of intra-city two business centers by taking advantage of new generation of core system as an opportunity to ensure sustainable operation of important business of the Bank as a whole.

6.5.3 Market risk management

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

6.5.3.1 Interest rate risk

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

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

The interest rate liberalization in China has continued with increasing frequency and range of market fluctuation since 2018. Market supervision was strengthened, which narrowed the interest spreads among commercial banks. Facing the interest rate liberalization and intensified competition in the financial market, the Group constantly improved the management of interest rate pricing and the interest rate risk management of bank accounts, adjusted the pricing strategies and the interest rate risk management strategies of bank accounts in due time and effectively guided the structure adjustment on re-pricing term and enhanced the perspective in interest rate risk management by the implementation of the policy of interest rate pricing and appraisal and proper use of the FTP and other tools, to ensure that revenue and market value were maintained at a relatively stable level.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
December 31, 2018							
Assets							
Cash and balances with central bank	32,621,825	–	–	–	–	595,016	33,216,841
Due from other banks and financial institutions	42,926,826	7,100,008	7,706,052	–	–	182,193	57,915,079
Financial assets at fair value through profit or loss	12,510	2,340,592	10,163,826	3,546,868	2,733,088	8,624,974	27,421,858
Loans and advances to customers	21,048,062	13,477,101	131,278,212	34,352,427	4,899,131	868,279	205,923,212
Investment securities							
– Financial investment at fair value through other comprehensive income	1,014,611	908,605	8,121,411	16,411,573	7,182,783	1,048,184	34,687,167
– Financial investment measured at amortised cost	4,320,220	1,114,148	11,493,042	53,103,467	10,896,720	1,595,712	82,523,309
Other financial assets	–	–	–	–	–	1,775,932	1,775,932
Total financial assets	101,944,054	24,940,454	168,762,543	107,414,335	25,711,722	14,690,290	443,463,398
Liabilities							
Due to other banks and financial institutions	(17,565,634)	(7,265,568)	(31,792,939)	–	(52,326)	(413,472)	(57,089,939)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(657)	(657)
Customer deposits	(92,336,786)	(11,850,779)	(60,111,322)	(87,159,126)	(2,711,264)	(2,224,916)	(256,394,193)
Debt securities issued	(4,262,108)	(22,482,064)	(53,273,604)	(9,088,383)	(7,494,209)	(382,245)	(96,982,613)
Other financial liabilities	–	–	–	–	–	(3,417,537)	(3,417,537)
Total financial liabilities	(114,164,528)	(41,598,411)	(145,177,865)	(96,247,509)	(10,257,799)	(6,438,827)	(413,884,939)
Total interest rate sensitivity gap	(12,220,474)	(16,657,957)	23,584,678	11,166,826	15,453,923	8,251,463	29,578,459

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

As of December 31, 2018, the Group's accumulated gap for all maturities amounted to RMB29,578.46 million, representing an increase of RMB1,613.38 million or 5.8% as compared to the end of the previous year.

6.5.3.2 Exchange rate risk

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

6.5.3.3 Sensitivity analysis

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

(1) Interest rate sensitivity analysis

(All amounts expressed in thousands of RMB unless otherwise stated)	Change of net interest income	
	December 31, 2018	December 31, 2017
+ 100 basis points parallel move in all yield curves	**(167,487)**	6,077
– 100 basis points parallel move in all yield curves	**167,487**	(6,077)

(All amounts expressed in thousands of RMB unless otherwise stated)	Change of other comprehensive income	
	December 31, 2018	December 31, 2017
+ 100 basis points parallel move in all yield curves	**(795,375)**	(583,862)
– 100 basis points parallel move in all yield curves	**835,318**	646,770

(2) Exchange rate sensitivity analysis

The following table shows the effect on profit before income tax when the Renminbi to foreign currency exchange rate moves by 1%.

(All amounts expressed in thousands of RMB unless otherwise stated)	Estimated profit/(loss) before income tax change	
	December 31, 2018	December 31, 2017
+ 1% upward change of foreign exchange rate	**54,089**	51,375
– 1% downward change of foreign exchange rate	**(54,089)**	(51,375)

6.5.4 Liquidity risk management

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

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

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

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

In addition, the Group continuously carried out liquidity risk stress tests (at least once a quarter) so that it can discover the weak links in liquidity risk management in advance through such stress tests and adopt relevant measures to constantly improve the liquidity risk management and control capability of the Bank. The results of the quarterly stress tests in 2018 indicated that the liquidity risks remained within a controllable range even under stressful conditions. Meanwhile, the Group established contingency plan for liquidity risk and standardized the contingency measures in emergency circumstances so as to improve the efficiency of reaction in emergency circumstances.

As at the end of 2018, all of the major indicators reflecting the Group's liquidity position met the regulatory requirements.

The Group uses liquidity gap analysis to assess liquidity risk. As at the end of 2018, the liquidity gap calculated at our undiscounted contractual cash flows categorized by contractual maturities was as follows:

(All amounts expressed in thousands of RMB unless otherwise stated)	**On demand**	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**In perpetuity**	**Overdue**	**Total**
December 31, 2018									
Net liquidity gap	**(77,094,835)**	**37,734,627**	**(17,384,101)**	**(50,429,271)**	**53,436,925**	**51,084,202**	**25,851,850**	**6,379,062**	**29,578,459**

(All amounts expressed in thousands of RMB unless otherwise stated)	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	In perpetuity	Overdue	Total
December 31, 2017									
Net liquidity gap	(77,373,892)	25,004,418	(21,781,720)	(42,354,149)	55,370,773	48,354,213	32,595,206	8,150,227	27,965,076

In 2018, the Group's cumulative gap for all maturities was RMB29,578.46 million, representing an increase of RMB1,613.38 million as compared to the end of the previous year. Although there was a shortfall in on-demand repayment of RMB77,094.84 million, the Group had an extensive and solid deposit customer basis. Current deposit settlement rates were higher and funding sources were stable, so the impact of the shortfall on the Group's real liquidity was not significant.

Liquidity coverage ratio

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2018	December 31, 2017
Qualified high-quality liquid assets	**43,812,705**	54,275,756
Net cash outflow in the next 30 days	**17,383,563**	27,932,208
Liquidity coverage ratio (%)	**252.04**	194.31

12 latest Administrative Measures for Liquidity Risk Management of Commercial Banks of the CBIRC requires that commercial banks' liquidity coverage ratios must reach 100% by the end of 2018. The Group measures its liquidity coverage ratio according to the latest Administrative Measures for Liquidity Risk Management of Commercial Banks of the CBIRC which came into effect on July 1, 2018. As of December 31, 2018, the Group's liquidity coverage ratio was 252.04 %, representing an increase of 57.73 percentage points as compared to the end of the previous year, which was in compliance with the regulatory requirements of the CBIRC.

Net Stable Funding Ratio

The net stable funding ratio ("NSFR") supervision index is introduced to ensure that commercial banks have sufficient and stable funding to meet the requirements of various assets and off-balance sheet risk exposures for stable funding. According to the Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks, which was implemented on 1 July 2018, the net stable funding ratio shall be no less than 100%.

As at 31 December 2018, Available and stable funds and required stable funds of the Group amounted to RMB260,143.94 million and RMB241,394.96 million, which meet the supervision requirement with the net stable funding ratio standing at 107.77%.

6.6 Capital Management

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

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

6.6.1 Capital adequacy ratio

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

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at December 31, 2018**		As at December 31, 2017	
	The Group	**The Bank**	The Group	The Bank
Net capital:				
Core Tier I Capital, net	**28,552,917**	**26,317,273**	26,303,430	24,351,832
Tier I Capital, net	**33,541,222**	**31,226,580**	31,260,935	29,261,139
Net capital	**44,558,427**	**41,704,166**	41,501,684	39,270,283
Capital adequacy ratio:				
Core Tier I Capital adequacy ratio (Expressed in percentage)	**8.47**	**8.15**	8.62	8.20
Tier I Capital adequacy ratio (Expressed in percentage)	**9.94**	**9.67**	10.24	9.85
Capital adequacy ratio (Expressed in percentage)	**13.21**	**12.92**	13.60	13.22

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

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2018	December 31, 2017
Core capital:		
Share capital	**3,127,055**	3,127,055
Counted part of capital surplus	**4,898,704**	4,325,902
Surplus reserve and general risk reserves	**8,016,715**	6,992,384
Counted part of retained earnings	**12,044,820**	11,596,948
Eligible portion of minority interests	**592,485**	361,481
Core Tier I Capital deductibles items:		
Full deductibles items	**(126,862)**	(100,340)
Threshold deduction items	**–**	–
Core Tier I Capital, net	**28,552,917**	26,303,430
Other Tier I Capital, net	**4,988,305**	4,957,505
Tier II Capital, net	**11,017,205**	10,240,749
Net capital	**44,558,427**	41,501,684
On-balance sheet risk-weighted assets	**307,153,940**	276,140,999
Off-balance sheet risk-weighted assets	**10,518,068**	10,969,438
Risk-weighted assets for exposure to counterparty credit risk	**345**	8,449
Total credit risk-weighted assets	**317,672,353**	287,118,886
Total market risk-weighted assets	**555,006**	544,914
Total operational risk-weighted assets	**19,064,920**	17,605,686
Total risk-weighted assets before applying capital base	**337,292,279**	305,269,486
Total risk-weighted assets after applying capital base	**337,292,279**	305,269,486
Core Tier I Capital adequacy ratio (Expressed in percentage)	**8.47**	8.62
Tier I Capital adequacy ratio (Expressed in percentage)	**9.94**	10.24
Capital adequacy ratio (Expressed in percentage)	**13.21**	13.60

As of the end of the Reporting Period, the Group's capital adequacy ratio was 13.21%, representing a decrease of 0.39 percentage point as compared to the end of the previous year. Tier I Capital adequacy ratio was 9.94%, representing a decrease of 0.30 percentage point as compared to the end of the previous year. Core Tier I Capital adequacy ratio was 8.47%, representing a decrease of 0.15 percentage point as compared to the end of the previous year. The change in capital adequacy ratio during the Reporting Period was mainly due to: (1) the Bank's increment of impairment allowances in accordance with the requirements of IFRS 9, leading to a decrease in retained earnings; and (2) a decline in capital adequacy ratio to certain extent as a result of sound development of various operations and growth of total on- and off-balance sheet risk-weighted assets.

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

6.6.2 Leverage ratio

As at the end of the Reporting Period, the Group's leverage ratio was 7.05%, which was in compliance with the regulatory requirements of the CBIRC.

(All amounts expressed in thousands of RMB unless otherwise stated)	**December 31, 2018**	December 31, 2017
Leverage ratio(%)	**7.05**	6.89
Tier I Capital	**33,668,084**	31,361,275
Deductions from Tier I Capital	**126,862**	100,340
Tier I Capital, net	**33,541,222**	31,260,935
On-balance sheet assets after adjustment	**442,851,211**	422,662,686
Off-balance sheet assets after adjustment	**32,908,500**	31,243,712
On- and off-balance sheet assets after adjustment	**475,759,711**	453,906,398

Significant Events

Related Party Transactions

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

Material Litigation and Arbitration

The Group has a total of 27 outstanding legal claims of RMB284.54 million as at 31 December 2018 (31 December 2017: 16 outstanding legal claims for RMB281.36 million). After consulting legal professionals, the management believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

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

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

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

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

Material Contracts and their Performance

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

Major Asset Purchases, Sales and Mergers

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

Publication of Annual Report

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

Change in Share Capital and Shareholders

Changes in the Ordinary Shares

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

	As at December 31, 2017		Changes during the Reporting Period			**As at December 31, 2018**	
	Number	Percentage	Issue of new shares	Others	Sub-total	**Number**	**Percentage**
1. Shareholding of Domestic Shares legal persons	1,490,785,032	47.67%	–	–	–	**1,490,785,032**	**47.67%**
Of which: Shareholding of state-owned legal persons[1]	1,034,153,537	33.07%	–	–	–	**1,034,153,537**	**33.07%**
Shareholding of private legal persons	456,631,495	14.60%	–	–	–	**456,631,495**	**14.60%**
2. Shareholding of Domestic Shares natural persons	57,248,961	1.83%	–	–	–	**57,248,961**	**1.83%**
Of which: Shareholding of employee natural persons	35,234,266	1.13%	–	37,327	37,327	**35,271,593**	**1.13%**
Shareholding of natural persons other than employees	22,014,695	0.70%	–	(37,327)	(37,327)	**21,977,368**	**0.70%**
3. H Shares	1,579,020,812	50.50%	–	–	–	**1,579,020,812**	**50.50%**
Total	3,127,054,805	100.00%	–	–	–	**3,127,054,805**	**100.00%**

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

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

Name of shareholder	**Nature of shareholder**	**Total number of shares held**	**Shareholding percentage**
Chongqing Yufu Assets Management Group Co., Ltd.	State-owned	407,929,748	13.05%
Chongqing Road & Bridge Co., Ltd.[1]	Private	171,339,698	5.48%
Chongqing Land Group	State-owned	139,838,675	4.47%
Chongqing Water Conservancy Investment Group Co., Ltd.	State-owned	139,838,675	4.47%
Lifan Industry (Group) Co., Ltd.	Private	129,564,932	4.14%
Peking University Founder Group Co., Ltd.	State-owned	94,506,878	3.02%
Chongqing South Group Limited	Private	68,602,362	2.19%
Chongqing Transport and Travel Investment Group Limited	State-owned	37,456,522	1.20%
Chongqing Expressway Co., Ltd.	State-owned	29,942,325	0.96%
Minsheng Industrial (Group) Co., Ltd.	State-owned	24,191,310	0.77%
Total		**1,243,211,125**	**39.75%**

Note: (1) Chongqing International Trust Co., Ltd., acting in concert with Chongqing Road & Bridge Co., Ltd., holds and jointly holds non-overseas listed shares of the Bank 195,102 shares and 171,534,800 shares, representing 5.49% of the Bank's total shares.

Particulars of Domestic Shares Pledged of the Bank

Name of shareholder	Total number of shares held	Total number of shares held Shareholding percentage	Number of shares pledged	Number of shares pledged Percentage of total shares held
Chongqing South Group Limited	68,602,362	2.19%	68,600,000	99.99%
Chongqing Shengwang Machinery & Electric Equipment Import & Export Co., Ltd.	5,000,000	0.16%	5,000,000	100.00%
Chongqing Sincere Holding(Group) Co., Ltd.	4,877,587	0.16%	4,877,587	100.00%
Chongqing Zungui Construction Engineering Co., Ltd.	4,500,000	0.14%	4,500,000	100.00%
Chongqing Hubang Industry (Group) Co., Ltd.	4,052,290	0.13%	4,052,290	100.00%
Haikou Xinyuan Industrial Development Co., Ltd.	2,281,734	0.07%	2,281,734	100.00%
Hainan Venture Capital Management Co., Ltd.	1,488,054	0.05%	1,488,054	100.00%
Zhang Jialun	595,064	0.02%	595,064	100.00%
Total	**91,397,091**	**2.92%**	**91,394,729**	**N/A**

Interests and Short Positions of Substantial Shareholders and Other Persons

As at December 31, 2018, the interests of substantial shareholders (as defined under the SFO), other than Directors and Supervisors of the Bank, in H Shares and the underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO and to the best knowledge of the Bank were as follows:

Unit: share

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

Name of shareholder	Capacity	Number of H Shares held	Percentage of the total number of H Shares of the Bank (%)	Percentage of the total share capital of the Bank (%)
Christine Yen WONG[1]	Interest of spouse	458,574,853 (long position)	29.04	14.66
Harold Tsu-Hing WONG[1]	Deemed interest	458,574,853 (long position)	29.04	14.66
SAIC Motor HK Investment Limited[2]	Beneficial owner	240,463,650 (long position)	15.23	7.69
SAIC Motor Corporation Limited[2]	Interest of a controlled corporation	240,463,650 (long position)	15.23	7.69
Lifan International (Holdings) Limited (力帆國際（控股）有限公司)[3]	Beneficial owner	165,254,000 (long position)	10.47	5.28
Chongqing Lifan Industry (Group) Import and Export Co., Ltd. (重慶力帆實業（集團）進出口有限公司)[3]	Interest of a controlled corporation	165,254,000 (long position)	10.47	5.28
Lifan Industry (Group) Co., Ltd.[3]	Interest of a controlled corporation	165,254,000 (long position)	10.47	5.28
Chongqing Lifan Holdings Co., Ltd.[3]	Interest of a controlled corporation	165,254,000 (long position)	10.47	5.28
Chongqing Huiyang Holdings Co., Ltd.[3]	Interest of a controlled corporation	165,254,000 (long position)	10.47	5.28
YIN Mingshan[3]	Interest of a controlled corporation	165,254,000 (long position)	10.47	5.28
CHEN Qiaofeng[3]	Interest of spouse	165,254,000 (long position)	10.47	5.28
Funde Sino Life Insurance Co., Ltd.[4]	Beneficial owner	150,000,000 (long position)	9.50	4.80
	Interest of a controlled corporation	67,570,150 (long position)	4.28	2.16
Chongqing Beiheng Investment & Development Limited	Beneficial owner	84,823,500 (long position)	5.37	2.71
Fund Resources Investment Holding Group Company Limited[4]	Beneficial owner	67,570,150 (long position)	4.28	2.16

Notes:

(1) Dah Sing Bank, Limited held 458,574,853 H Shares of the Bank. Dah Sing Bank, Limited is wholly owned by Dah Sing Banking Group Limited, which is in turn owned as to approximately 74.37% by Dah Sing Financial Holdings Limited. Mr. David Shou-Yeh WONG is the beneficial owner of approximately 40.97% of the issued share capital of Dah Sing Financial Holdings Limited and Ms. Christine Yen WONG is the spouse of Mr. David Shou-Yeh WONG. For the purpose of the SFO, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Mr. David Shou-Yeh WONG, Ms. Christine Yen WONG and Mr. Harold Tsu-Hing WONG are deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited.

(2) SAIC Motor HK Investment Limited held 240,463,650 H Shares of the Bank. SAIC Motor HK Investment Limited is wholly owned by SAIC Motor Corporation Limited. For the purpose of the SFO, SAIC Motor Corporation Limited is deemed to be interested in the Shares of the Bank held by SAIC Motor HK Investment Limited.

(3) As confirmed by Chongqing Lifan Industry (Group) Import and Export Co., Ltd., Lifan Industry (Group) Co., Ltd., Chongqing Lifan Holdings Co., Ltd., Chongqing Huiyang Holdings Co., Ltd., Mr. YIN Mingshan and Ms. CHEN Qiaofeng, as at December 31, 2018, Lifan International (Holdings) Limited held 165,254,000 H Shares of the Bank. Lifan International (Holdings) Limited is wholly owned by Chongqing Lifan Industry (Group) Import and Export Co., Ltd. which is wholly owned by Lifan Industry (Group) Co., Ltd. Lifan Industry (Group) Co., Ltd. is owned as to 49.40% by Chongqing Lifan Holdings Co., Ltd., which is in turn owned as to 72% by Chongqing Huiyang Holdings Co., Ltd. Mr. YIN Mingshan is the beneficial owner of approximately 51% of the interests of Chongqing Huiyang Holdings Co., Ltd. and Ms. CHEN Qiaofeng is the spouse of Mr. YIN Mingshan. For the purpose of the SFO, Chongqing Lifan Industry (Group) Import and Export Co., Ltd., Lifan Industry (Group) Co., Ltd., Chongqing Lifan Holdings Co., Ltd., Chongqing Huiyang Holdings Co., Ltd., Mr. YIN Mingshan and Ms. CHEN Qiaofeng are deemed to be interested in the Shares of the Bank held by Lifan International (Holdings) Limited.

(4) Funde Sino Life Insurance Co., Ltd. held 150,000,000 H Shares of the Bank and Fund Resources Investment Holding Group Company Limited held 67,570,150 H Shares of the Bank. Fund Resources Investment Holding Group Company Limited is wholly owned by Funde Sino Life Insurance Co., Ltd. For the purpose of the SFO, Funde Sino Life Insurance Co., Ltd. is deemed to be interested in the Shares of the Bank held by Fund Resources Investment Holding Group Company Limited.

(5) HSBC International Trustee Limited, the trustee of a discretionary trust established for the benefit of the family members of Mr. David Shou-Yeh Wong (the grantor), held 37.66% interests in Dah Sing Financial Holdings Limited indirectly. For the purpose of the SFO, HSBC International Trustee Limited is deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited (see note (1) above).

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

At the end of the Reporting Period, Chongqing Yufu Assets Management Group Co., Ltd., Dah Sing Bank, Limited, Lifan Industry (Group) Co., Ltd., SAIC Motor Corporation Limited, Funde Sino Life Insurance Co., ltd. and Chongqing Road & Bridge Co., Ltd. held 462,179,748 Shares, 458,574,853 Shares, 294,818,932 Shares, 240,463,650 Shares, 217,570,150 Shares and 171,339,698 Shares of the Bank respectively, representing 14.78%, 14.66%, 9.43%, 7.69%, 6.96% and 5.48% of the Bank's total share capital respectively, and are substantial shareholders (as defined under the SFO) of the Bank. Except for the aforesaid shareholders, there were no other legal person shareholders holding 5% or more of total share capital of the Bank, nor were there any other employees or natural persons (other than employees) holding 5% or more of Shares of the Bank.

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

Preference Shares

Issuance and Listing of Preference Shares in the Last Three Years

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

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

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

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

Number of Holders and Shareholding of the Preference Shares

As at the end of the Reporting Period, the total number of preference shareholders (or proxies) of the Bank was one.

Unit: share

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

Notes:

(1) *All shares held by the above shareholder are unconditional shares of the Bank.*

(2) *The shareholding of preferred shareholders is based on the information contained in the register of preferred shareholders of the Bank.*

(3) *As the issuance is a non-public offer, the information contained in the register of preferred shareholders refers to the proxies of allocated persons.*

(4) *The Bank is not aware that there are any relationships or concerted actions among the above preferred shareholders and ordinary shareholders.*

(5) *Shareholding means the proportion of offshore preference shares held by preferred shareholders to the total number of offshore preference shares.*

Dividend Distribution of Preference Shares

According to the resolution and authorization of shareholders' meeting, the Bank considered and approved the Resolution on Proposal of Dividend Distribution of Offshore Preference Shares at the Board meeting dated December 14, 2018. The Bank paid dividends in cash to shareholders of offshore preference shares once a year. Non-cumulative dividend payment method was adopted for offshore preference shares, and shareholders of offshore preference shares shall not participate in the distribution of residual profits with the ordinary shareholders after distribution according to the agreed dividend rate.

In accordance with the relevant laws and regulations, the Bank shall withhold and pay income tax at a rate of 10% when distributing dividends on offshore preference shares. The relevant taxes and fees shall be borne by the Bank, and listed into dividends of offshore preference shares. According to the issuance terms of offshore preference shares, as at December 20, 2018, the Bank distributed US$45,000,000 of dividends of offshore preference shares, among which: US$40,500,000 was actually paid to shareholders of offshore preference shares, and income tax of US$4,500,000 was withheld.

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

	2018	
Type of Offshore Preference Shares	**Dividend rate**	**Total dividends (tax inclusive)**
Offshore Preference Shares	**5.4%**	**US$45,000,000**

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

Redemption or Conversion of Preference Shares

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

Restoration of Voting Rights of Preference Shares

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

Accounting Policy Adopted for Preference Shares and its Reasons

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

Directors, Supervisors and Senior Management

Directors, Supervisors and Senior Management

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

Name	Position	Gender	Age
LIN Jun	Chairman and Executive Director	Female	55
RAN Hailing	Executive Director and President	Male	55
LIU Jianhua	Executive Director and Vice President	Male	53
WONG Wah Sing	Executive Director and Joint Company Secretary	Male	58
WONG Hon Hing	Non-executive Director and Vice Chairman	Male	66
DENG Yong	Non-executive Director	Male	59
LV Wei	Non-executive Director	Female	47
YANG Yusong	Non-executive Director	Male	46
TANG Xiaodong	Non-executive Director	Male	49
WU Heng	Non-executive Director	Male	42
LI He	Independent Non-executive Director	Male	65
KONG Xiangbin	Independent Non-executive Director	Male	49
WANG Pengguo	Independent Non-executive Director	Male	47
JIN Jingyu	Independent Non-executive Director	Male	53
YANG Xiaotao	Employee Supervisor, Chairperson of the Board of Supervisor	Male	55
HUANG Changsheng	Employee Supervisor	Male	55
ZHOU Xiaohong	Employee Supervisor	Male	52
CHEN Yan	Shareholder Supervisor	Male	55
WU Bing	Shareholder Supervisor	Male	55
CHEN Zhong	External Supervisor	Male	62
YIN Xianglong	External Supervisor	Male	56
PENG Daihui	External Supervisor	Male	64
SUI Jun	Vice President	Male	51
YANG Shiyin	Vice President	Female	53
ZHOU Guohua	Vice President	Male	53
PENG Yanxi	Vice President and Secretary to the Board	Female	42
HUANG Ning	Vice President	Male	44

Changes in Directors, Supervisors and Senior Management

1. On February 28, 2018, the Bank received a resolution from the board of supervisors of the Bank on the proposed appointment of Mr. PENG Daihui as external supervisor. On May 25, 2018, the 2017 annual general meeting of the Bank approved the proposed appointment of Mr. PENG Daihui as an external supervisor, with effect from May 25, 2018.

2. On March 9, 2018, the Bank received the Approval of the Qualification of Ms. LIN Jun (Yu Yin Jian Fu [2018] No. 23) issued by CBRC Chongqing Office on the same day, approving the qualification of Ms. LIN Jun for serving as a Director of the Bank and the chairman of the Board. The term of office of Ms. LIN Jun as an executive Director and the chairman of the fifth session of the Board has become effective from the date of such approval and shall end upon the expiry of the fifth session of the Board.

3. On May 25, 2018, the Board received Mr. TO Koon Man Henry's resignation as an independent non-executive Director of the Bank, a member of each of the Audit Committee, Connected Transactions Control Committee and Risk Management Committee under the Board due to health reasons, with effect from May 25, 2018. In accordance with Rule 3.21 of the Listing Rules, Dr. JIN Jingyu, an independent non-executive Director of the Bank, has been appointed as a member of the Audit Committee under the Board on the same day.

4. On 25 May 2018, the Board considered and approved the proposed appointment of Dr. SONG Ming as an independent non-executive Director of the Bank. The appointment was considered and approved at the second extraordinary general meeting of 2018 on 14 September 2018 and is subject to the approval by the CBIRC Chongqing Bureau.

5. On 22 August 2018, the Board received a resignation letter from Mr. YANG Jun, informing the Board of his resignation from his positions as a non-executive Director of the Bank, a member of each of the Strategic Committee, Remuneration and Appraisal Committee and Nomination Committee under the Board with effect from August 22, 2018, due to other work commitments.

6. On 22 August 2018, the Board considered and approved the proposed appointment of Mr. TANG Xiaodong as a non-executive Director of the Bank, a member of each of the Strategic Committee, Remuneration and Appraisal Committee and Nomination Committee under the Board. The appointment was considered and approved at the second extraordinary general meeting of 2018 on 14 September 2018 and was approved by the CBIRC Chongqing Bureau pursuant to the CBIRC Chongqing Bureau's Approval of Appointment Qualification of Mr. TANG Xiaodong (《重慶銀保監局關於湯曉東任職資格的批覆》)(Yu Yin Bao Jian Fu [2018] No. 2) dated 18 December 2018. The term of office of Mr. TANG Xiaodong as a non-executive Director has become effective from the date of CBIRC Chongqing Bureau's approval and shall end upon the expiry of the fifth session of the Board.

7. On 30 October 2018, the Board considered and approved the proposed appointment of Mr. WU Heng as a non-executive Director of the Bank. The appointment was considered and approved at the third extraordinary general meeting of 2018 on 28 December 2018 and was approved by the CBIRC Chongqing Bureau pursuant to the CBIRC Chongqing Bureau's Approval of Appointment Qualification of Mr. WU Heng (《重慶銀保監局關於吳珩任職資格的批覆》) (Yu Yin Bao Jian Fu [2019] No. 139) dated 12 April 2019. The term of office of Mr. WU Heng as a non-executive director has become effective from the date of CBIRC Chongqing Bureau's approval and shall end upon the expiry of the fifth session of the Board.

8. On 19 December 2018, the Bank received the CBIRC Chongqing Bureau's Approval of Appointment Qualification of Mr. YANG Yusong (《重慶銀保監局關於楊雨松任職資格的批覆》) (Yu Yin Bao Jian Fu [2018] No.3) issued by the CBIRC Chongqing Bureau on 18 December 2018 to approve the qualification of Mr. YANG Yusong as a non-executive Director of the Bank. The term of office of Mr. YANG Yusong as a non-executive Director has become effective from the date of CBIRC Chongqing Bureau's approval and shall end upon the expiry of the fifth session of the Board.

During the transition period from the date of approval of the qualification of Mr. Tang Xiaodong and Mr. Yang Yusong as the Bank's non-executive Directors by CBIRC Chongqiong Bureau to the date of approval of the qualification of Dr. Song Ming as the Bank's independent non-executive Director by CBIRC Chongqiong Bureau, the Bank will not be in full compliance with Rule 3.10A of the Listing Rules regarding the number of independent non-executive directors is at least one-third of the board of directors.

Biographies of Directors, Supervisors and Senior Management

1. Biographies of Directors

Executive Directors

Ms. LIN Jun (林軍), aged 55, has been the chairman and an executive Director since March 9, 2018. Ms. LIN is also the chairman of the Strategic Committee of the Bank.

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

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

Mr. RAN Hailing (冉海陵), aged 55, has been an executive Director of the Bank since February 18, 2011 and has been the president of the Bank since April 9, 2013. Mr. RAN is also the chairman of the Information Technology Guidance Committee, and a member of the Strategic Committee and the Risk Management Committee of the Bank.

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

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

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

Mr. LIU Jianhua (劉建華), aged 53, has been the vice president of the Bank and a member of the party committee since October 2014 and an executive Director since August 1, 2016. Mr. LIU was appointed as the chief anti-money laundering officer on May 31, 2016, and he is also a member of the Consumer Protection Committee, the Information Technology Guidance Committee, the Risk Management Committee and the Connected Transactions Control Committee of the Bank.

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

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

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

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

Mr. WONG Wah Sing (黃華盛), aged 58, has been an executive Director and the chief risk officer since September 13, 2016. Mr. WONG is also a member of the Information Technology Guidance Committee, Risk Management Committee and Consumer Protection Committee of the Bank.

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

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

Non-executive Directors

Mr. WONG Hon Hing (黃漢興), aged 66, nominated by Dah Sing Bank, one of our substantial Shareholders, has been a non-executive Director and vice chairman of the Bank since July 25, 2007. Mr. WONG is also the chairman of the Consumer Protection Committee and a member of the Strategic Committee of the Bank.

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

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

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

Mr. DENG Yong (鄧勇), aged 59, nominated by Yufu, one of our substantial Shareholders, has been a non-executive Director of the Bank since February 1, 2013. Mr. DENG is also a member of the Audit Committee of the Bank.

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

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

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

Ms. LV Wei (呂維), aged 47, nominated by Chongqing Road & Bridge, has been a non-executive Director of the Bank since June 3, 2009. Ms. LV is also a member of the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Consumer Protection Committee of the Bank.

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

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

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

Mr. YANG Yusong (楊雨松), aged 46, was nominated by one of the Bank's major shareholders, Yufu, and has served as a non-executive director of the Bank since December 17, 2018.

Mr. YANG is currently a director, deputy general manager and member of the Party committee of Yufu. Prior to that, Mr. YANG was a staff of the finance department of Chongqing Municipal Federation of Trade Unions, deputy manager of investment banking of Chongqing branch, deputy manager of Chongqing Lingjiang Road Office, and general manager of Guiyang Hequn Road Office of Huaxia Securities Co., Ltd, manager of the investment department and assistant general manager of Chongqing Gangjiu Co., Ltd, assistant manager, deputy manager and manager of the investment department of Chongqing Yufu Assets Management Co., Ltd, head of the investment management department, head of corporate business department and head of financial business department of Chongqing Yufu Assets Management Group Co., Ltd.

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

Mr. TANG Xiaodong (湯曉東), aged 49, nominated by Lifan Industrial (Group) Co., Ltd., one of our substantial Shareholders, has been a non-executive Director of the Bank since December 17, 2018. Mr. TANG is also a member of the Strategic Committee, Remuneration and Appraisal Committee and Nomination Committee of the Bank.

Mr. TANG currently serves as the president of Chongqing Lifan Holdings Co. Ltd., a director of Lifan Industry (Group) Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 601777), a director of Chongqing Lifan Finance Co., Ltd., a director of Lifan Financial Leasing (Shanghai) Co., Ltd., a director of Chengdu Mobo Network Technology Co., Ltd., a director of Shanghai Zhongke Lifan Electric Vehicle Co., Ltd. and a director of Hiboridd (Chongqing) Automotive Power Control System Co., Ltd.. Mr. TANG had served as the representative of the Chongqing Commodity Exchange from April 1994 to May 1997. He had served as the department head of Investment Securities Department of Lifan Industrial (Group) Co., Ltd. from January 2000 to December 2003, the general manager of Guangdong Nanjin Futures Brokerage Co., Ltd. from February 2002 to May 2004, the general manager of Bulgarian LEVEE Electric Co., Ltd. from June 2004 to January 2007, and the secretary of the board of directors of Lifan Industrial (Group) Co., Ltd. from February 2007 to October 2017.

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

Mr. WU Heng (吴珩), aged 42, nominated by SAIC Motor Corporation Limited, a shareholder of the Bank, has been a non-executive director of the Bank since April 12, 2019.

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

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

Independent Non-executive Directors

Mr. LI He (李和), aged 65, was appointed as an independent non-executive Director of the Bank on September 4, 2013. Mr. LI is also the chairman of the Risk Management Committee and a member of the Connected Transactions Control Committee, Audit Committee and Strategic Committee of the Bank.

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

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

Mr. KONG Xiangbin (孔祥彬), aged 49, has been an independent non-executive Director of the Bank since April 28, 2014. Mr. KONG is also the chairman of the Connected Transactions Control Committee and a member of the Remuneration and Appraisal Committee, Nomination Committee, Information Technology Guidance Committee and Consumer Protection Committee of the Bank.

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

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

Mr. WANG Pengguo (王彭果), aged 47, has been an independent non-executive Director of the Bank since April 28, 2014. Mr. WANG is also the chairman of the Audit Committee and a member of the Remuneration and Appraisal Committee, Nomination Committee, Risk Management Committee and Connected Transactions Control Committee of the Bank.

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

Mr. WANG served as deputy chief accountant of Chongqing Zhongding Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司) from August 1999 to February 2001, deputy chief accountant of Chongqing Zhongding Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司) from December 1996 to July 1999, as well as the financial director and deputy head of the finance department of Chongqing Machine Tools Industry Company (重慶機床工具工業公司) from December 1992 to November 1996.

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

Dr. JIN Jingyu (靳景玉), aged 53, has been an independent non-executive Director of the Bank since April 28, 2014. Dr. JIN is also the chairman of the Remuneration and Appraisal Committee and Nomination Committee and a member of the Information Technology Guidance Committee, Audit Committee and Connected Transactions Control Committee of the Bank. Dr. JIN is the chairman of the Academic Council, a professor in finance and tutor of doctorate and master degree postgraduate students of the School of Finance of Chongqing Technology and Business University (重慶工商大學).

Dr. JIN has served in the Chongqing Technology and Business University (重慶工商大學) (formerly known as Chongqing College of Commerce (重慶商學院) in 2003 and before) since May 1997, where he has served successively as associate professor, professor and deputy director of the Department of Finance and Investment. Dr. JIN also served concurrently as the chairman of Chongqing Tandy Pharmaceutical Industry Co., Ltd. (重慶天地藥業有限公司) from June 2005 to February 2010, and served concurrently as a director and secretary to the board of directors of Chongqing Wanli Storage Battery Co., Ltd. (重慶萬裡蓄電池股份有限公司) (now known as Chongqing Wanli New Energy Co., Ltd. (重慶萬裡新能源股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600847)), from January 2006 to March 2010, served as a director and secretary to the board of directors of Southwest Synthetic Pharmaceutical Co., Ltd. (西南合成製藥股份公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000788), from July 2002 to June 2003, and a business director of the Financing Service Company (融資服務公司) and general manager of the 1st business division of Dapeng Securities Company Limited (大鵬證券有限責任公司) from September 1997 to September 2002. Dr. JIN served as an independent director of Chongqing Financial Products Exchange Co., Ltd. (重慶金融產品交易所有限責任公司) from June 2015 to July 2017, and is currently an independent non-executive director of Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 2722).

Dr. JIN graduated with a bachelor's degree from the department of mathematics of Henan University (河南大學) in 1991, studied in the University of Science and Technology of China (中國科學技術大學) majoring in management science and received a master's degree in engineering in 1995, and studied in Southwest Jiaotong University (西南交通大學) majoring in management science and engineering and received a doctor's degree in management in 2007. Dr. JIN is a director of the corporate operations research branch of the Operations Research Society of China (中國運籌協會), a director of the China Investment Professional Construction Committee (中國投資專業建設委員會) and a part-time researcher of the Upper Yangtze River Economic Research Center (長江上游經濟研究中心).

2. Biographies of Supervisors

Employee Supervisors

Mr. YANG Xiaotao (楊小濤), aged 55, has been appointed as an employee Supervisor since March 2015 and is currently the chairperson of the board of Supervisors of the Bank. Mr. YANG Xiaotao joined the Bank in March 2015. He is currently a party committee member of the Bank. Mr. YANG Xiaotao worked at Wulong sub-branch of Agricultural Bank of China since November 1979 and held a number of positions including credit officer and chief accountant at Huolu Office, director at Xiangkou Office, chief of industrial and commercial credit section, vice president, president and party committee secretary of the sub-branch. He served as vice president, party committee member and union chairman at Chongqing Fuling Branch of Agricultural Bank of China from August 1998 to July 2002. He was deputy chief of the Corporate Division of Chongqing branch of Agricultural Bank of China from July 2002 to July 2003, and served as chairman and party committee secretary of Chongqing Changshou District Rural Credit Cooperative Union from July 2003 to November 2006. He was a deputy director and party committee member of Chongqing Rural Credit Cooperative Union from November 2006 to June 2008, and vice president and party committee member of Chongqing Rural Commercial Bank Co., Ltd. From June 2008 to February 2015. Mr. YANG did not hold any directorship in any other listed companies in the last three years.

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

Mr. HUANG Changsheng (黃常勝), aged 55, was appointed as an employee Supervisor in April 2013.

Mr. HUANG joined the Bank in September 1996. Mr. HUANG is currently deputy secretary of the party committee, and chairman of the labor union of the Bank. Mr. HUANG previously served as director of the banking department, director of the credit department and director of the general office of Xiaolongkan sub-branch of the Bank, assistant to manager of Guanyinqiao sub-branch of the Bank, assistant to director, deputy director and director of the general office of the Bank, secretary to the Board and deputy director of the Board's office (in charge), general manager of the human resources department of the Bank, head of the preparation group of Guiyang Branch, and secretary of the party committee and president of Guiyang Branch of the Bank.

Prior to joining the Bank, Mr. HUANG worked as director of the credit department of Shapingba Urban Credit Cooperative in Chongqing from February 1994 to September 1996. Mr. HUANG did not hold any directorship in any other listed companies in the last three years.

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

Mr. ZHOU Xiaohong (周曉紅), aged 52, has been appointed as an employee Supervisor since March 2015. Mr. ZHOU joined the Bank in May 1995. He is currently the general manager and party committee secretary of the management department of Yuzhong District of the Bank. Mr. ZHOU previously served as administrator of credit department of the Bank, the assistant to president, deputy president (in charge) and president of Jianxindong Road sub-branch of the Bank and president of Jianxinbei Road sub-branch of the Bank.

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

Mr. ZHOU obtained an executive master degree in business administration from Chongqing University in July 2011. Mr. ZHOU is a senior economist.

Shareholder Supervisors

Mr. CHEN Yan (陳焰), aged 55, nominated by Chongqing Land Group (a shareholder of the Bank) was appointed as a shareholder Supervisor of the Bank in March 2014.

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

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

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

Mr. WU Bing (吳冰), aged 55, nominated by Chongqing Beiheng Investment & Development Limited (a shareholder of the Bank), was appointed as a shareholder Supervisor of the Bank in August 2015.

Mr. WU has been the chairman of the board of supervisors of Chongqing Gaoke Group Co., Ltd and Chongqing Beiheng Investment &Development Limited since October 2014. Prior to that, Mr. WU successively served as No. 1 Investment Bureau (招商一局) and director of the Policy Development Research Office (政策發展研究室) of the Chongqing New North Zone Management Committee (重慶北部新區管理委員會) from May 2008 to October 2014; president of Economic and Trade Bureau of Chongqing Economic and Technological Development Zone Management Committee (重慶經開區管理委員會經貿局) from October 2003 to May 2008; head of Office, head of Policy Research Office and president of Legal Affairs Bureau of Chongqing Economic and Technological Development Zone Management Committee from June 2000 to October 2003; and deputy director (in charge) of Policy Research Office and Social Development Office of the Chongqing People's Government from July 1997 to June 2000.

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

External Supervisors

Mr. CHEN Zhong (陳重), aged 62, was appointed as an external Supervisor of the Bank in June 2016.

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

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

Mr. YIN Xianglong (殷翔龍), aged 56, was appointed as an external Supervisor of the Bank in March 2014.

Mr. YIN has been the deputy head of Kanghua Certified Public Accountants (康華會計師事務所) and legal representative and executive director of Chongqing Huakang Asset & Land & Real Estate Valuation Co., Ltd. (重慶華康資產評估土地房地產估價有限責任公司) since November 2010. Mr. YIN served as deputy head of the Chongqing branch of RSM China Certified Public Accountants (中瑞嶽華會計師事務所) from January 2010 to October 2010. Prior to this, Mr. YIN served as head of Fengdu branch and head of compliance, chief quality supervisor, deputy chief accountant at the head office of Chongqing Jinhui Certified Public Accountants (重慶金匯會計師事務所) from January 2001 to December 2009; chief accountant at Chongqing Fengrui Certified Public Accountants (重慶豐瑞會計師事務所) from November 1998 to December 2000, head of Fengdu branch of Fuling

Certified Public Accountants (涪陵會計師事務所) from December 1990 to October 1998. Mr. YIN worked at Fengdu County Finance Bureau from December 1978 to November 1990. Mr. YIN did not hold any directorship in any other listed companies in the last three years.

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

Mr. PENG Daihui (彭代輝), aged 64, was appointed as an external supervisor of the Bank in May 2018.

Mr. PENG successively served as the special member and the deputy chairman of the Ethnic and Religious Affairs Commission of Chongqing Municipal Political Consultative Conference from January 2008 to December 2017. Mr. PENG worked as director of asset liability management department, and vice president and party committee member of Chongqing branch of Agricultural Bank of China from February 2000 to November 2014. Mr. PENG served successively as office deputy director and section chief of agricultural credit section in Nanchong Central Sub-branch, president and party committee secretary of Yuechi sub-branch, vice president and party member of Fuling branch, president and secretary of party committee of Fuling branch of Agricultural Bank of China from January 1984 to January 2000. He served as cashier, accountant and director of Yihe Credit Cooperatives (義和信用社) in Leshan, Wusheng County from December 1976 to December 1983. He also served as adjunct professor of School of Civil and Commercial Law, Southwest University of Political Science and Law from January 2007 to December 2010.

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

3. Biographies of Senior Management

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

Mr. SUI Jun (隋軍), aged 51, was appointed as the vice president of the Bank since April 2017. Mr. SUI currently is responsible for corporate credit management, information technology, internet finance and other business management and development.

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

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

Ms. YANG Shiyin (楊世銀), aged 53, was appointed as vice president and party committee member of the Bank in August 2014. Ms. YANG joined the Bank in September 2001. She had served as manager of Yangjiaping Sub-branch and manager of Jiefangbei Sub-branch of the Bank. She served as the chief executive officer of the corporate business of the Bank from January 2011 to August 2014, responsible for the corporate, trade finance, real estate finance and other businesses. During such period, Ms. YANG worked on secondment as deputy director in the Market and Investment Bureau of China Development Bank from March 2011 to December 2011. Ms. YANG is currently responsible for the financial management and credit review management.

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

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

Mr. ZHOU Guohua (周國華), aged 53, was appointed as vice president of the Bank in October 2014, and Mr. Zhou is a party committee member of the Bank. Mr. ZHOU joined the Bank in September 2003. He had served as chief and assistant to the director of the office of the board of Supervisors, deputy manager of Yubei Sub-branch (in charge), and manager of Chongqing Hi-tech Industrial Development Zone Branch, chief and manager of Great Hall Sub-branch and chief operations officer of the Bank. He is currently responsible for the management and development of the corporate, trade finance, real estate finance, treasury operations and asset management businesses of the Bank.

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

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

Ms. PENG Yanxi (彭彥曦), aged 42, has been the vice president of the Bank since March 11, 2016. Ms. PENG is currently responsible for the management and development of the related work such as the offices of the Board of Directors, corporate culture and institutional development businesses of the Bank.

Ms. PENG joined the Bank in November 2015 as a party committee member of the Bank. Prior to joining the Bank, Ms. PENG served successively as deputy general manager of the human resources department (in charge), general manager of the human resources department, head of the listing office, director of the general office, chief of the board of directors' office and the board of supervisors' office, secretary to the board of directors and party committee member of Chongqing Rural Commercial Bank Co., Ltd. from August 2008 to November 2015. Prior to that, Ms. PENG served successively as an officer in the human resources and education division and deputy division chief of retail banking department of Chongqing Rural Credit Cooperative Union from January 2003 to August 2008. She worked as an accountant in business department and a staff in the general office of Chongqing Rural Credit Cooperative Union (Nan'an Branch) from July 1998 to January 2003.

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

Mr. HUANG Ning (黃寧), aged 44, has been vice president of the Bank since March 11, 2016. Mr. HUANG is currently responsible for the management and development of the retail banking business, the credit card business, and the administrative and security work.

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

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

Emolument of Directors, Supervisors and Senior Management of the Bank

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

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

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

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

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

	Number of Senior Management	
Band *(RMB)*	**2018**	2017
0-500,000	**8**	8
500,001-1,000,000	**–**	–
Total	**8**	8

Corporate Governance Report

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

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

Save as disclosed in the section headed "Directors, Supervisors and Senior Management — Changes in Directors, Supervisors and Senior Management", during the Reporting Period, the Bank strictly complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules, and adopted the recommended best practices as specified therein where appropriate.

The Bank also strictly complied with the provisions of relevant laws and regulations and the Listing Rules governing management of insider information, amended the Articles of Association, adjusted the composition of the Board and its special committees, adjusted the composition of the Board of Supervisors, and conducted performance appraisals on the Board, senior management and their members. The Bank further upgraded its standards of information disclosure and standardized its work on management of investor relations to enhance the transparency and corporate governance standards of the Bank.

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

General Meeting

Information of General Meetings

During the year of 2018, the Bank held one general meeting, one domestic Shareholders' class meeting, one H Shareholders' class meeting and three extraordinary general meetings, details of which are set out below:

On March 16, 2018, the Bank held the first extraordinary general meeting of 2018 to consider and approve a special resolution on the extension of validity period of the Authorization Matters relating to the issuance of Non-capital Financial Bonds.

On May 25, 2018, the Bank held the 2017 Annual General Meeting, the first domestic shareholders' class meeting in 2018 and the first H shareholders' class meeting in 2018, respectively, which mainly considered and approved the following 12 ordinary resolutions and 7 special resolutions: the report of the Board of Directors of the Bank for 2017, the annual report of the Bank for 2017, the financial budget proposal of the Bank for 2018, the report of the Board of Supervisors of the Bank for 2017, the final financial accounts of the Bank for 2017, the profit distribution plan of the Bank for 2017, the re-appointment of PricewaterhouseCoopers (羅兵咸永道會計師事務所) and PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) as external auditors of the Bank for 2018, the proposed amendments to Administrative Measures on Remuneration for Leading Team of Bank of Chongqing (for trial implementation), the proposed appointment of Mr PENG Daihui as external supervisor of the Bank, the authorization of the Shareholders' meeting to the Board of the Bank, the proposed amendments to Feasibility Analysis Report on the Use of Proceeds from the Initial Public Offering of RMB-denominated Ordinary Shares (A Shares), the status report on the use of previously raised funds, the extension of validity period of the resolution relating to proposed initial public offering of A shares and the authorization to the Board of Directors of the Bank, the proposed amendments to the Articles of Association and formulation of the draft Articles of Association which shall be applicable and effective upon A Share Listing, the analysis on dilution of current returns as a result of the proposed initial public offering of A shares and remedial measures, the proposed amendments to the Procedural Rules for General Meetings of Bank of Chongqing, the proposed amendments to the Procedural Rules for the Board of Directors, the proposed amendments to the Procedural Rules for the Board of Supervisors, and the general mandate relating to the issuance of H Shares. The first Shareholders' class meeting was divided into H share Shareholders' class meeting and domestic Shareholders' class meeting, which considered and approved 2 special resolutions, namely the analysis on dilution of current returns as a result of the proposed initial public offering of A shares and remedial measures, and the extension of validity period of the resolution relating to proposed initial public offering of A shares and the authorization to the Board of Directors of the Bank.

On September 14, 2018, the Bank held the second extraordinary general meeting of 2018 to consider and approve 2 ordinary resolutions, namely the proposed appointment of Dr. SONG Ming as an independent non-executive Director of the Bank and the proposed appointment of Mr. TANG Xiaodong as a non-executive Director of the Bank.

On December 28, 2018, the Bank held the third extraordinary general meeting of 2018 to consider and approve 3 ordinary resolutions, namely the appointment of Mr. WU Heng as a non-executive Director of the Bank, the proposed amendments to the Administrative Measures on Outward Equity Investments of the Bank, and the proposed amendments to the Administrative Measures for Connected Transactions of the Bank.

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

The Board and Special Committees

Implementation of Resolutions of General Meetings by the Board

During the Reporting Period, the Board of the Bank strictly implemented the resolutions passed at general meetings and the matters entrusted by general meetings, and earnestly implemented the proposals considered and approved at the general meeting regarding the 2017 profit distribution plan, the 2017 financial accounts, the re-appointment of external auditors for the year of 2018 and the amendments to the Articles of Association.

Composition of the Board

As of the date of the report being published, the Board of the Bank comprised a total of 14 Directors, including 4 executive Directors, namely, Ms. LIN Jun (Chairman), Mr. RAN Hailing (President), Mr. LIU Jianhua and Mr. WONG Wah Sing; 6 non-executive Directors, namely, Mr. WONG Hon Hing (Vice Chairman), Mr. DENG Yong, Ms. LV Wei, Mr. YANG Yusong, Mr. TANG Xiaodong and Mr, WU Heng; and 4 independent non-executive Directors, namely, Mr. LI He, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu.

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

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

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

Changes in Directors

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

Operation of the Board

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

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

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

Duties and Powers of the Board

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

(I) convening general meetings and reporting its performance to general meetings;

(II) implementing the resolutions adopted at general meetings;

(III) deciding on business plans, investment proposals and development strategy of the Bank;

(IV) formulating the annual financial budget and final accounts of the Bank;

(V) formulating profit distribution plan and loss recovery plan of the Bank;

(VI) making proposals regarding increase or reduction of the Bank's registered capital, issue of bonds or other securities and listing plans;

(VII) formulating proposals on major acquisitions, share repurchases, mergers, separation, dissolution or change in corporate form of the Bank;

(VIII) deciding on external investments, acquisition and disposal of assets, pledges of assets, trust asset management and major connected transactions of the Bank within the authorities authorized by the general meeting;

(IX) considering and approving any guarantee to be provided by the Bank when the total amount of external financing guarantees of the Bank has exceeded 10% (excluded) but not more than 30% (included) of the latest audited total assets of the Bank;

(X) deciding on establishment, dissolution and merger of the Bank's internal management departments and branches, which may be exercised by the Strategy Committee of the Bank according to the authorization of the Board of Directors;

(XI) appointing or removing the president and the secretary to the Board; to appoint or remove vice presidents, the chief financial officer, the chief executive officer and other senior management personnel based on the recommendations of the president, and to decide on matters relating to their emoluments and their rewards and punishments;

(XII) overseeing the senior management's performance of their duties to ensure that senior management has effectively performed its management duties;

(XIII) establishing the Bank's basic management system, and conducting regular evaluations to improve corporate governance of the Bank;

(XIV) determining the Bank's policies on risk management and internal control;

(XV) managing proposals for any amendments to the Articles of Association of the Bank;

(XVI) handling information disclosure matters and assuming ultimate responsibility for completeness and accuracy of the accounting and financial reporting system of the Bank;

(XVII) proposing appointment or change of auditors of the Bank at general meetings;

(XVIII) receiving the work report of the president and assessing his performance;

(XIX) reviewing the Bank's development strategy on a regular basis and supervising its implementation, managing the Bank's capital base, and assuming ultimate responsibility for the capital adequacy ratio management; and

(XX) exercising other duties and powers prescribed by the laws, administrative regulations, department rules or the Articles of Association of the Bank or conferred by the general meetings.

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

Appointment of Directors

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

Board Meetings

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

During the Reporting Period, the Board convened 15 meetings in total (including 8 written resolutions and 7 on-site meetings), at which 132 proposals were considered and approved on the matters mainly including amendments to relevant corporate governance documents, financial reports, profit distribution and nomination of Director candidates. Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held in 2018 (Directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present) are set out below:

Members of the Board	Attendance in person/by proxy/required (number of times)									
	The Board	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee	Strategic Committee	Risk Management Committee	Connected Transactions Control Committee	Information Technology Guidance Committee	Consumer Protection Committee	General Meeting
Executive Directors										
LIN Jun	13/0/13				10/0/10					4/0/4
RAN Hailing	14/1/15				11/0/11	5/0/5		2/0/2		3/0/4
LIU Jianhua	14/1/15					5/0/5	6/0/6	2/0/2	2/0/2	4/0/4
WONG Wah Sing	15/0/15				1/0/1	5/0/5		2/0/2	2/0/2	4/0/4
Non-executive Directors										
WONG Hon Hing	15/0/15				11/0/11				2/0/2	2/0/4
DENG Yong	13/2/15	12/0/12								0/0/4
LV Wei	15/0/15	12/0/12	5/0/5	2/0/2					2/0/2	4/0/4
YANG Jun (resigned on 22 August 2018)	7/1/8		4/0/4	2/0/2	9/0/9					2/0/2
TANG Xiaodong	0/0/0		0/0/0	0/0/0	0/0/0					1/0/1
YANG Yusong	0/0/0									0/0/1
Independent non-executive Directors										
LI He	12/3/15	12/0/12			10/0/11	5/0/5	10/0/10			2/0/4
TO Koon Man Henry (resigned on 25 May 2018)	7/0/7	5/0/5				2/0/2	5/0/5			1/0/1
KONG Xiangbin	15/0/15		5/0/5	2/0/2			10/0/10	2/0/2	2/0/2	4/0/4
WANG Pengguo	14/1/15	12/0/12	5/0/5	2/0/2		2/0/3	10/0/10			4/0/4
JIN Jingyu	15/0/15	7/0/7	5/0/5	2/0/2			10/0/10	2/0/2		2/0/2

Notes:

1. For details of changes in Directors, please refer to the section headed "Directors, Supervisors and Senior Management – Changes in Directors, Supervisors and Senior Management".

2. Attendance in person includes participation by way of on-site attendance as well as electronic means such as telephone and online video conference.

Independent Non-executive Directors

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

On May 25, 2018, Mr. TO Koon Man Henry resigned as an independent non-executive Director of the Bank. The Board considered and approved the resolution on the proposed appointment of Dr. SONG Ming as an independent non-executive Director of the Bank, and the appointment of Dr. SONG Ming was considered and approved at the second extraordinary general meeting of 2018 on 14 September 2018 and is subject to the approval by the CBIRC Chongqing Bureau.

On December 17, 2018, CBIRC approved Mr. Yang Yusong and Mr. TANG Xiaodong's qualification as non-executive Directors of the Bank.

During the transition period from the date of approval of the qualification of Mr. TANG Xiaodong and Mr. YANG Yusong as the Bank's non-executive Directors by the CBIRC Chongqing Bureau to the date on which Dr. SONG Ming's qualification of directorship is approved by CBIRC Chongqing Bureau, the Bank is not fully in compliance with Rule 3.10A of the Listing Rules, which stipulates that the number of independent non-executive directors shall represent at least one-third of the board.

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

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

Directors' Responsibility for Preparation of Financial Statements

The Directors have acknowledged their responsibility for preparing the financial statements of the Bank for the year ended December 31, 2018.

The Directors are responsible for overseeing the preparation of financial statements for each accounting period to make sure that such financial statements give a true and fair view of the financial conditions, operating results and cash flows of the Bank. In preparing the financial statements for the year ended December 31, 2018, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.

Continuous Professional Development Program for Directors

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

Training for the Directors shall be carried out on an ongoing basis. The Bank encourages all Directors to participate in continuous professional development, to develop and update their knowledge and skills. During the Reporting Period, all 15 Directors of the Bank (including executive Directors, Ms. LIN Jun, Mr. RAN Hailing, Mr. LIU Jianhua and Mr. WONG Wah Sing; non-executive Directors Mr. WONG Hon Hing, Mr. DENG Yong, Ms. LV Wei, Mr. YANG Jun (resigned), Mr. YANG Yusong and Mr. TANG Xiaodong; and independent non-executive Directors Mr. LI He, Mr. TO Koon Man Henry(resigned), Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu) participated in two trainings organized by the Bank. The Bank provided the Directors with updates on the Listing Rules and other applicable regulatory requirements from time to time, to ensure that the Directors will make their contribution to the Board with informed and relevant information, abide by the Code and enhance their awareness of sound corporate governance practices.

For the year ended December 31, 2018, the trainings attended by the Directors covered the following topics:

Date	Topic	Name of Organizer	Training Hours
April 26, 2018	IPO Special training	Fangda Partners, China Merchants Securities and PwC	Three Hours
May 15, 2018	Strategic planning research survey	Bank of Chongqing	Eight Hours

Corporate Governance Functions of the Board

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

1. formulated and reviewed the Bank's corporate governance policies and practices, and made recommendations;

2. reviewed and monitored the training and continuous professional development of Directors and senior management members;

3. reviewed and monitored the Bank's policies and practices in respect of compliance with laws, regulations and regulatory requirements;

4. formulated, reviewed and monitored the codes of conduct for Directors and employees; and

5. reviewed compliance with the Code and the disclosures in the Corporate Governance Report of the Bank.

Special Committees under the Board

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

(I) Audit Committee

As at December 31, 2018, the Bank's Audit Committee consisted of 5 Directors, including Mr. WANG Pengguo (independent non-executive Director) as chairman, and Mr. DENG Yong (non-executive Director), Ms. LV Wei (non-executive Director), Mr. LI He (independent non-executive Director) and Dr. JIN Jingyu (independent non-executive Director) as members. The establishment of the Audit Committee is in compliance with Rules 3.10(2) and 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include.

The primary duties of the Audit Committee include:

1. to conduct audit analysis and monitoring assessment on significant matters of the Bank including implementation of strategic planning, corporate governance, risk management, internal control, business operation and development and information technology and the overall risks that may arise;

2. to provide guidance to special audits on risk management, connected transactions management, compliance management, financial management, treasury management, remuneration management, information technology management and other aspects;

3. with respect to external auditors:

   (1) to make recommendations to the Board on appointment and removal of the external auditors (including any issues on resignation or dismissal of such auditors), and give opinions on the qualification, expenses and terms of engagement for such auditors;

   (2) to review and monitor whether the external auditors are independent and objective and the audit procedures are effective in accordance with appropriate criteria, and discuss with the external auditors on the nature and scope of the audit and reporting obligations before the audit commences;

   (3) to develop and implement policies on the engagement of an external auditor to provide non-audit services;

   (4) to review the letter in respect of the auditing issued by the external auditor to the management, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and the management's response; and

   (5) to ensure that the Board will provide a timely response to the issues raised in the letter in respect of the auditing issued by the external auditor to the management;

4. to monitor accounting policies, financial position and financial reporting procedures, examine financial information and its disclosure including the integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports of the Bank, and to review significant financial reporting judgments contained therein. In this regard, before submitting the relevant statements and reports before submission to the Board, the committee shall focus particularly on receiving:

   (1) any changes in the accounting policies and practices;

   (2) areas involving major judgment calls;

(3) significant adjustments resulting from audit;

(4) the going concern assumptions and any qualified opinions;

(5) compliance with accounting standards; and

(6) compliance with the Listing Rules and other legal or regulatory requirements in relation to financial reporting;

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

5. to be in charge of the Bank's annual audits, and supervise the senior management to remedy the problems identified in audit and implement the auditing recommendations;

6. to act as the key representative body for overseeing the Bank's relationship with the external auditor; and to serve as a bridge between the internal audit department and external auditors, and ensure coordination between the internal and external auditors; to decide on establishment of internal audit department, staffing, appointment and dismissal of the person in charge, audit project budget and remuneration of internal auditors, and ensure that the internal audit department is adequately resourced in the Bank;

7. to propose to the Board on establishment of internal audit department, staffing, appointment and dismissal of the person in charge, audit project budget and remuneration of internal auditors, and ensure that the internal audit department is adequately resourced in the Bank;

8. to regularly examine the Bank's internal audit work and assess working procedures and results of the internal audit department, and report to the Board;

9. with respect to internal control matters:

   (1) to review and monitor financial control, internal control and risk management systems of the Bank, review relevant rules and regulations and their implementation, and examine and evaluate the compliance and effectiveness of major business activities of the Bank;

   (2) to discuss with the management on the internal control system, and conduct continuous inspection and supervision to ensure that the management has discharged its duty to establish an effective internal control system, including the adequacy of resources, qualifications and experience of staff of the Bank in respect of its accounting and financial reporting function, and their training programs and budget;

   (3) to ensure that appropriate arrangements are made to enable employees to raise concerns in strict confidence on potential misconduct in respect of financial reporting, internal control or other aspects, and enable the Bank to conduct a fair and independent investigation and take proper measures; and

(4) to consider any findings of major investigations of internal control matters and the management's response on its own initiative or as delegated by the Board;

10. to keep track of the trends, research and analysis of internal audit, guide and promote the internal audit department to update and improve audit techniques, methods and tools; and

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

During the Reporting Period, the Audit Committee held a total of 12 meetings, at which 34 matters were considered including the 2017 financial statements and notes. Meanwhile, the Audit Committee held 1 meeting with the auditors in accordance with the newly amended code provisions of the Code.

(II) Remuneration and Appraisal Committee

As of December 31, 2018, the Bank's Remuneration and Appraisal Committee consisted of 5 Directors, including Dr. JIN Jingyu (independent non-executive Director) as chairman, Ms. LV Wei (non-executive Director), Mr. TANG Xiaodong (non-executive Director), Mr. KONG Xiangbin (independent non-executive Director) and Mr. WANG Pengguo (independent non-executive Director) as members, with a majority of the members being independent non-executive Directors.

The primary duties of the Remuneration and Appraisal Committee include:

1. to propose the remuneration management measures or plans for Directors and senior management to the Board according to their scope of duties, importance, complexity of work, scarcity on market and the remuneration level for comparable positions in the same industry in accordance with relevant policies and regulations, which should mainly include, but not limited to: the basis, basic criteria, appraisal procedures and key indicators for basic salary and performance-based salary, specific steps of implementation and incentives;

2. to review and approve the management's remuneration proposals with reference to the corporate policies and objectives established by the Board;

3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

4. to make recommendations to the Board on the remuneration of non-executive Directors;

5. to propose employment conditions elsewhere in the Bank to be determined by the Board considering salaries paid by comparable companies, time commitment and responsibilities;

6. to review compensation payable to executive Directors and senior management for any loss or termination of office or appointment;

7. to review compensation arrangements relating to dismissal or removal of Directors for misconduct;

8. to review duty performance of the Directors and senior management and the performance assessment on them;

9. to review the Bank's policy, structure and procedure for all remuneration of the Directors and senior management;

10. to supervise the execution of and make recommendations to amend the Bank's remuneration system;

11. to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his own remuneration; and

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

During the Reporting Period, the Remuneration and Appraisal Committee held 2 meetings in total, at which 5 proposals were considered on the matters including adjustments to the remuneration for leading team of the Bank.

(III) Nomination Committee

As of December 31, 2018, the Bank's Nomination Committee consisted of 5 Directors, including Dr. JIN Jingyu (independent non-executive Director) as chairman, Ms. LV Wei (non-executive Director), Mr. TANG Xiaodong (non-executive Director), Mr. KONG Xiangbin (independent non-executive Director) and Mr. WANG Pengguo (independent non-executive Director) as members, with a majority of the members being independent non-executive Directors.

The primary duties of the Nomination Committee include:

1. to review the structure, size and composition (including skills, knowledge and experience) of the Board and the management annually with reference to the Bank's business management, asset scale and share capital structure, and make recommendations regarding any proposed changes in the Board in line with the Bank's corporate strategy;

2. to review criteria and procedures for selection of Directors and senior management members, and make recommendations to the Board on their appointments;

3. to search for qualified candidates for Director and senior management posts;

4. to conduct first review of the candidates for Director and senior management posts and make recommendations to the Board on their appointments;

5. to assess the independence of independent non-executive Directors;

6. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the President; and

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

During the Reporting Period, the Nomination Committee held 5 meetings in total, and considered 5 proposals including the proposal of Ms. LIN Jun as the authorized representative of Bank of Chongqing Co., Ltd.

The diversity policy of the Board is summarized as follows:

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

As at the date hereof, the Board comprises 14 Directors, including 2 female and 1 person who is ordinarily resident in Hong Kong. The Board is diverse in terms of gender, nationality, professional background and skills of its members.

(IV) Strategic Committee

As of December 31, 2018, the Bank's Strategic Committee consisted of 5 Directors, including Ms. LIN Jun (chairman and executive Director) as chairman, and Mr. RAN Hailing (executive Director and President), Mr. WONG Hon Hing (non-executive Director), Mr. TANG Xiaodong (non-executive Director) and Mr. LI He (independent non-executive Director) as members.

The primary duties of the Strategic Committee include:

1. to conduct real-time analysis on domestic and international macro economy and financial situation, interpret the domestic and international systems and policies which have significant influence on the Bank's strategic direction and business decisions, conduct real-time analysis on the Bank's core competitiveness and conduct prospective study on the new trend in the development of banking industry, in order to provide decision-making reference and basis for the strategic management of the Board, and to formulate business objectives and long term development strategy of the Bank;

2. to study and formulate the mid- to long-term development strategy of the Bank, including but not limited to:

    (1) to study and formulate the mid- to long-term strategic objectives of the Bank;

    (2) to study the business model of the Bank's operation and development and formulate the Bank's development direction and business structure;

(3) to study and approve the plan of establishment and dissolution and merger of the Bank's internal organizational structure;

(4) to approve the optimization plans of establishment, elimination, dissolution and merger and relocation of branches and independent accounting sub-branches within Chongqing under the annual institution development plan approved by the Board; and

(5) to study and approve the mid- to long-term business development plans of the branches of the Bank;

3. to study and adjust the annual business plan submitted by the management, and submit it to the Board for consideration and approval;

4. to study and formulate the relevant systems and implementation plans of the Bank's foreign investment, mergers and acquisitions, examine major investments, for example, fixed assets investments and equity investments, and put forward suggestions or opinions;

5. to oversee and inspect the implementation of the Bank's strategic planning, annual business plans and investment schemes;

6. to study the major matters which have influence on the development of the Bank and make recommendations; and

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

During the Reporting Period, the Strategic Committee held 11 meetings in total to report and considers 37 matters including the cancellation and merger of the Investor Relations and Securities Affairs Department and duties transformation.

(V) Risk Management Committee

As of December 31, 2018, the Bank's Risk Management Committee consisted of 5 Directors, including Mr. LI He (independent non-executive Director) as chairman, and Mr. RAN Hailing (executive Director and President), Mr. LIU Jianhua (executive Director), Mr. WONG Wah Sing (executive Director) and Mr. WANG Pengguo (independent non-executive Director) as members.

The primary duties of the Risk Management Committee include:

1. business strategies and plans:

(1) to consider the Bank's risk strategy, preferences, and tolerance, and make recommendations and suggestions to the Board;

(2) to consider or make recommendations on the risk management function division of the Board and senior management, and report to the Board for approval;

(3) to consider the Bank's risk limit management framework and the limit, and report to the Board for approval;

(4) to consider the Bank's overall policy of risk management, and report to the Board for approval;

(5) to consider the Bank's overall policy of compliance management, and report to the Board for approval;

(6) to consider the Bank's overall policy of security work and anti-money laundering work, and report to the Board for approval;

(7) to consider and approve the risk organization structure and its function;

(8) to consider and approve the Bank's risk management standard, important risk measurement methods and tools; and

(9) to consider and approve the risk class policy, including credit risk, operational risk and market risk;

2. operation and implementation:

(1) to consider the power of the president delegated by the Board and risk-taking activities that go beyond the scope of authority of the management, and report to the Board for approval;

(2) to receive the report of the Bank's management on the implementation of risk policy regularly on a quarterly basis, put forward suggestions and measures for improvement and report the result to the Board;

(3) to monitor all kinds of risks the Bank faces, consider and approve risk monitoring report, compliance risk report, asset and liability management analysis report, and report to the Board;

(4) to put forward the overall requirements of security work, consider and approve the security work report and report to the Board; and

(5) to put forward the overall requirements of anti-money laundering work, consider and approve the anti-money laundering work report and report to the Board; and

3. monitoring and evaluating:

(1) to evaluate whether the Bank establishes a complete system of risk management organization, personnel, procedures, systems and internal control;

(2) to oversee the implementation of the management on the Bank's risk management principles, standards and policies;

(3) to receive the report of Risk Management and Internal Control Committee on considering and approving matters, monitor and evaluate the effectiveness of the risk management operation of the management level;

(4) to examine and evaluate the effectiveness of the Bank's security work;

(5) to examine and evaluate the effectiveness of the Bank's anti-money laundering work.

During the Reporting Period, the Risk Management Committee held 5 meetings in total to report and considers 28 matters including the 2017 risk monitoring report.

(VI) Connected Transactions Control Committee

As of December 31, 2018, the Bank's Connected Transactions Control Committee consisted of 5 Directors, including Mr. KONG Xiangbin (independent non-executive Director) as chairman, and Mr. LIU Jianhua (executive Director), Mr. LI He (independent non-executive Director), Mr. WANG Pengguo (independent non-executive Director), and Dr. JIN Jingyu (independent non-executive Director) as members.

The primary duties of the Connected Transactions Control Committee include:

1. to draft the management system of connected transactions, monitor and examine the implementation of the connected transactions system of the Bank's Directors, senior management and connected persons;

2. to control the amount of connected transactions and regulate connected transactions to ensure the transactions comply with regulations;

3. to accept the filing of general connected transactions;

4. to conduct first review of the connected transaction proposals required of being submitted to the Board for consideration and approval, put forward professional review opinions before submitting to the Board for approval;

5. to collect, sort and confirm the list and information of the Bank's connected parties; and

6. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's shares are listed and as delegated by the Board.

During the Reporting Period, the Connected Transactions Control Committee held 10 meetings in total, at which 21 proposals involving connected transactions were considered on the matters including changes in the list of connected persons.

(VII) *Information Technology Guidance Committee*

As of December 31, 2018, the Bank's Information Technology Guidance Committee consisted of 5 Directors, including Mr. RAN Hailing (executive Director and President) as chairman, and Mr. LIU Jianhua (executive Director), Mr. WONG Wah Sing (executive Director), Mr. KONG Xiangbin (independent non-executive Director) and Dr. JIN Jingyu (independent non-executive Director) as members.

The primary duties of the Information Technology Guidance Committee include:

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

2. to regularly assess the overall performance of information technology work as well as the implementation progress of information technology strategic planning and major projects on an annual basis, and continue to promote the implementation of information technology strategies;

3. to coordinate the Risk Management Committee to master the major information technology risk and determine the acceptable risk level; guide and supervise the senior management and relevant management departments to carry out activities for identification, measurement, monitoring and control of information technology risk;

4. to coordinate the Audit Committee and internal audit departments to carry out information technology risk audits, and supervise the rectification;

5. to guide the work of the Information technology Management Committee, and conduct a first review of its annual report on information technology risk before submitting to the Board;

6. to hire external information technology experts as required, invite or tell the Bank's senior management and functional department staff to attend meetings, receive the reports of relevant business lines or departments on information technology situation, put forward improvement measures or suggestions and monitor their implementation; and

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

During the Reporting Period, the Information Technology Guidance Committee held 2 meetings in total, at which 3 matters were considered including the 2017 information technology work report.

(VIII) *Consumer Protection Committee*

As of December 31, 2018, the Bank's Consumer Protection Committee consisted of 5 Directors, including Mr. WONG Hon Hing (non-executive Director) as chairman, and Mr. LIU Jianhua (executive Director), Mr. WONG Wah Sing (executive Director), Ms. LV Wei (non-executive Director) and Mr. KONG Xiangbin (independent non-executive Director) as members.

The primary duties of the Consumer Protection Committee include:

1. to formulate the Bank's strategic planning of consumer protection, review and approve the Bank's relevant policies and the periodical work targets of consumer protection, and ensure their consistency with the Bank's overall business strategy and major policies;

2. to review and approve the Bank's organization structure of consumer protection, and urge the senior management and the leading group of the head office of consumer protection to effectively implement relevant work of consumer protection;

3. to listen to the special report from the senior management on consumer protection on a regular basis, and evaluate the overall effectiveness of consumer protection as well as the implementation progress of consumer protection strategic planning and major projects on a regular basis;

4. to oversee and assess the Bank's consumer protection regarding its comprehensiveness, timeliness and effectiveness, and the senior management's performance of their duties;

5. to guide the work of the leading group of consumer protection, and conduct a preliminary review on its annual report on consumer protection before submitting to the Board;

6. to appoint external consumer protection experts, if required, invite or inform the Bank's senior management and leading group department staff to attend meetings, listen to the reports of relevant business lines or departments on consumer protection work, put forward improvement measures or suggestions and monitor their implementation; and

7. to exercise other duties as delegated by the Board.

During the Reporting Period, the Consumer Protection Committee held 2 meetings in total, at which 10 matters were considered including the 2017 Consumer Protection Work Report of Bank of Chongqing.

Board of Supervisors

Composition of the board of Supervisors

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

Chairperson of the board of Supervisors

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

Changes in Supervisors

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

Meetings of the board of Supervisors

In 2018, the board of Supervisors held a total of 7 meetings, at which 32 proposals were considered and audited on matters including main tasks of the board of Supervisors, annual report, financial budget and final account, dividend distribution plan, review report, appraisal report on performance of Supervisors.

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

Members of the board of Supervisors	Attendance in person/by proxy/required (number of times)
YANG Xiaotao	7/0/7
HUANG Changsheng	7/0/7
PENG Daihui	3/0/3
CHEN Zhong	7/0/7
YIN Xianglong	7/0/7
CHEN Yan	7/0/7
WU Bing	7/0/7
ZHOU Xiaohong	7/0/7

Special Committee under the board of Supervisors

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

Supervision and Nomination Committee

As of December 31, 2018, the Bank's Supervision and Nomination Committee consisted of 5 Supervisors, including Mr. PENG Daihui (external Supervisor) as chairman, Mr. HUANG Changsheng (employee Supervisor), Mr. YIN Xianglong (external Supervisor), Mr. WU Bing (shareholder Supervisors) and Mr. ZHOU Xiaohong (employee Supervisor) as members.

The primary duties of the Supervision and Nomination Committee include:

1. formulating specific proposal for the board of Supervisors to exercise its supervisory functions and powers;

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

3. conducting investigation on specific matters of the Bank with the authorization of the board of Supervisors and reporting the results to the board of Supervisors;

4. formulating the procedures and criteria for selecting and appointing Supervisors according to relevant laws and conducting preliminary review on the qualifications and conditions for candidates of Supervisors and proposing to the board of Supervisors;

5. exercising other duties prescribed in laws, administrative regulations and rules and required by applicable securities regulatory authorities in the jurisdiction where the Bank's Shares are listed, and as delegated by the board of Supervisors.

During the Reporting Period, the Supervision and Nomination Committee held 2 meetings and reviewed 2 proposals, including the qualifications of appointing supervisors and the inspection plan.

Senior Management

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

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

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

(II) to organize the implementation of the Bank's annual business plan and investment proposals;

(III) to draft plans for the establishment of the Bank's internal management structure;

(IV) to draft the Bank's basic management system;

(V) to formulate concrete regulatory systems for the Bank;

(VI) to nominate candidates and recommend removal to the Board for vice presidents, the chief financial officer, the chief executive officer and other senior management members;

(VII) to appoint or remove other executive officers within internal management departments and branches (other than those required to be appointed or removed by the Board);

(VIII) to authorize senior management members and executive officers of the internal functional departments and branches to engage in operation activities;

(IX) to take urgent measures to assist the Bank in case of a run on the Bank or other major emergencies, and report to the relevant banking regulatory authorities in PRC, the Board, and the board of Supervisors immediately; and

(X) to exercise other duties and powers prescribed in the Articles of Association or delegated by the Board.

Delegation of Power by the Board

The Board and the management led by the President exercise their respective powers in accordance with their responsibilities as set out in the Articles of Association. Apart from implementing resolutions of the Board, the management takes charge of the daily operation and management of the Bank. Major capital expenditure projects should be approved by the Board through the annual budget proposal and then be implemented. Any projects that are either not included in the budget proposal, or included in the budget proposal but without detailed expenditures, will be decided by the President with the authorization by the Board. Such other matters delegated by the Board to the management include non-inter-bank self-operated business, inter-bank self-operated business, intermediary business, acquisition of fixed assets, commodity and service purchase, disposal of assets, write-off of assets, transfer of assets, mortgage of assets, external financing guarantee, related party transactions, donations to external bodies, mobilization and use of funds and establishment of departments, provided that the amount of such transaction does not exceed a certain limit. For details, please refer to the section headed "Duties and Powers of the Board" in the Corporate Governance Report of this annual report.

Chairman and President

The roles and functions of the Chairman and the President of the Bank are carried out by different persons to comply with the suggestions of the Listing Rules.

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

Securities Transactions by Directors and Supervisors

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

External Auditors and Auditors' Remuneration

The audit opinion of the external auditors engaged by the Bank and their responsibilities are set out in the "Independent Auditor's Report" on pages 133 to 138.

The Bank has engaged PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP respectively as the international and domestic auditors of the Bank for 2018. The fees as agreed to be paid by the Bank to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP for the audit of the financial statements for the year ended December 31, 2018 were RMB4.33 million.

Internal Control

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

The Board attaches great importance to the construction of its internal control. Pursuant to internal control rules, including the Basic Rules on Internal Control of Enterprises jointly promulgated by five ministries and commissions including the Ministry of Finance, and the Internal Control Guidelines for Commercial Banks issued by CBRC, the Board established an internal control system covering the Bank's various business processes and operations as well as each department and position. They define the five components of the internal control system, namely internal control environment; risk identification and assessment; internal control measures; information communication and feedback; and monitoring, evaluation and remedies. They especially provide general arrangements for controls with focuses on credit, capital, deposits and bank card business as well as accounting management, financial activities and information system.

The Board will continue to promote the construction of internal control, facilitate the continuous improvement and perfection of internal control, and pursue long-term, sustainable and steady operation and development. As at December 31, 2018, the Board conducted a review of the Bank's internal control system according to the Basic Rules on Internal Control of Enterprises. The review covered all significant controls of the Bank, including financial, operational and compliance controls and risk management functions. The Board believes that there were no significant defects in the Bank's design or implementation of internal control.

Company Secretary

Ms. HO Wing Tsz Wendy, an executive director of corporate services of Tricor Services Limited, an external service provider, has been engaged as a joint company secretary of the Bank, and Mr. WONG Wah Sing, joint company secretary, is the chief contact person for the external company secretary. Each of them has complied with the requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the financial year ended December 31, 2018.

Information Disclosure

Effective Communication with Shareholders

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

Shareholders' Rights

Procedures for Request of Shareholders for Convening an Extraordinary General Meeting

The Bank effectively protects Shareholders' rights in strict compliance with regulatory requirements and its corporate governance system. An extraordinary general meeting shall be convened by the Board within two months upon request in writing by Shareholders holding 10% or more of the Bank's outstanding shares with voting rights to convene an extraordinary general meeting. In addition, upon request in writing to the Board by Shareholders individually or collectively holding 10% or more of the total number of the Bank's Shares with voting rights to convene an extraordinary general meeting or a class meeting, the Board shall furnish a written reply stating its agreement or disagreement to convene an extraordinary general meeting or a class meeting within 10 days upon receipt of such request. In the event that the Board does not agree to convene such extraordinary general meeting or fails to furnish any reply within 30 days upon receipt of such request, the Shareholders making such request may convene a general meeting on their own within four months upon receipt of such request by the Board. The procedure for convening such meeting shall be consistent with that for convening general meetings by the Board to the greatest extent possible (Shareholders may refer to the Articles of Association published on the web sites of the Stock Exchange and the Bank for details).

Proposals at General Meetings

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

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

Investor Relations

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

Office of the Board of Directors of Bank of Chongqing Co., Ltd.
No. 6 Yongpingmen Street, Jiangbei District, Chongqing, the PRC
Tel: +86 (23) 6379 2129
Fax: +86 (23) 6379 2238
E-mail: ir@cqcbank.com

Principal place of business in Hong Kong of Bank of Chongqing Co., Ltd.:
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

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

Shareholders' Enquiries

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

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

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

Office of the Board of Directors of Bank of Chongqing Co., Ltd.
No. 6 Yongpingmen Street, Jiangbei District, Chongqing, the PRC
Tel: +86 (23) 6336 7417
Fax: +86 (23) 6379 2238

Additional Information

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

Report of the Board of Directors

The Board is pleased to present the report of the Board of Directors together with the audited financial statements of the Bank for the year ended December 31, 2018.

Principal Activities

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

Business Review

Overview

In 2018, as affected by unfavorable factors such as escalating trade frictions, intensified geopolitical conflicts and overlapping economic cycles, the global economic growth has gradually transformed from simultaneous recovery to diversion, there was a lack of impetus in economic growth and a risk of shrinking from peak. China's economy was maintained within a reasonable range, and remained overall stability as well as making progress while ensuring stability. As the further advancement of supply-side structural reforms, its reform and opening up continued to increase, thus increasing new growth impetus.

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

Faced with severe and complicated internal and external situations, the Group adhered to the requirements of high-quality development, made progress while ensuring stability, and accelerated structural adjustment. Benefiting from our concerted efforts and hard-working, the Group showed a positive and positive trend.

Operating indicators were stable and positive. As at December 31, 2018, the Group's audited total assets amounted to RMB450.37 billion, representing an increase of 6.5% as compared with the end of last year; the balance of deposits amounted to RMB256.39 billion, representing an increase of 7.4% as compared with the end of last year; the total loans and advances to customers amounted to RMB205.92 billion, representing an increase of 19.6% as compared with the end of last year; and major indicators such as total assets, deposits and loans maintained rapid growth. The net profit for 2018 amounted to RMB3.82 billion, representing a steady increase of 1.5% as compared with last year. As of December 31, 2018, the Group's NPL ratio was 1.36%, representing an increase of 0.01 percentage point as compared with the end of the previous year; the capital adequacy ratio, Tier I capital adequacy ratio and Core Tier I capital adequacy ratio were 13.21%, 9.94% and 8.47%, respectively; and risk management indicators fully met regulatory requirements.

The Group remained stable in business development and continued to launch new products. The Group actively implemented the national policy to serve the real economy, and developed such products as credit loans for the real economy, commercial bills, support loans for micro enterprises, small-value bill discounts, with the balance of loans for the real economy increasing by RMB4 billion. Meantime, the Group fully expanded its online businesses, invested a total of RMB4.5 billion in "Hao Qi Dai (好企貸)", and launched Shui Di Dai (税抵貸), Jie e Dai (捷e貸) and retail online financial products to further enhance service capabilities for online customers.

Reform and innovation were stable and effective. During the year, the Group focused on promoting a series of tasks and targets, including the reform of the assessment and incentive mechanism, the reform of management and personnel system, the reform of the capital market supplement mechanism, and the reform of the full-process management of credit, thus continuously enhancing the operational vitality of the Group, and providing system guarantee for the Group's sustained and healthy development.

Risk prevention and control were stable and practical. The Group effectively adjusted and optimized risk strategies and preferences, reshaped a compliant and healthy credit culture, further consolidated foundation for risk management and control, and actively defused inventory risks through transferring the income rights of non-performing assets and write-offs. In addition, the Group continued to combine key management with daily monitoring, promote the optimization of the overall risk management structure, and enhance risk management and control capabilities.

The Group strengthened management and improved quality. The Group implemented in-depth refine management, and actively strengthened information technology support, management of data quality, management of strategic planning, compliance construction of internal control and basic research work during the year. The Group continued to improve the quality of various management work as well as the operation and management efficiency of the Group.

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

Major Risks and Uncertainties

For the major risks and uncertain factors faced by the Bank, please refer to the sub-section of "6.5 Risk Management" in the section of "Management Discussions and Analysis" in this annual report.

Employment Relations and Retirement Benefit

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

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

Relations with Customers and Major Customers

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

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

In 2018, the aggregate amount of interest income and other operating income generated from the five largest customers of the Bank represented an amount not exceeding 30% of the total interest income and other operating income of the Bank.

Environmental Protection Policy and Implementation

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

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

Compliance with Laws and Regulations

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

Subsequent Major Events with Significant Influence on the Bank

The Bank conducted a comprehensive review on the financial performance of 2018 pursuant to the national laws and regulatory requirements and prepared annual report for the year of 2018. No major event having significant influence on the Bank has occurred after completion of annual financial review.

Profits and Dividends

The Bank's revenue for the year ended December 31, 2018 and the Bank's financial position as at the same date are set out in the section headed "Financial Statements" of this annual report.

A final dividend of RMB0.118 per share (tax inclusive) for the year ended December 31, 2017 ("**2017 Final Dividend**"), amounting to a total dividend of RMB368,992,466.99 (tax inclusive) based on the profit and number of shares issued for the year ended December 31, 2017, was distributed by the Bank to all Shareholders of the Bank upon consideration and approval at the 2017 annual general meeting held on May 25, 2018. The 2017 Final Dividend was distributed to holders of H Shares and domestic shares on July 20, 2018.

The Board of the Bank has proposed a final dividend of RMB0.154 per share (tax inclusive) for the year ended December 31, 2018 ("**2018 Final Dividend**"), amounting to an aggregate amount of RMB481,566,439.97 (tax inclusive) to all shareholders of the Bank. The dividend distribution proposal will be submitted to the 2018 annual general meeting for approval. If the proposal is approved at the 2018 annual general meeting, the dividend will be distributed to holders of domestic shares and holders of H Shares whose names appear on the register of members on June 30, 2019. The proposed dividend will be denominated in RMB. Dividends to holders of domestic shares shall be paid in RMB, and dividends to holders of H Shares shall be paid in Hong Kong dollars. The exchange rate of RMB to HK$ to be adopted shall be the average middle rates of the five business days preceding the date of declaration of such dividends by the Bank at the 2018 annual general meeting (being May 24, 2019, inclusive) as announced by the People's Bank of China. The register of members of the Bank will be closed from Monday, June 24, 2019 to Sunday, June 30, 2019 (both days inclusive), during such period no transfer of domestic shares or H Shares will be registered. In order to be entitled to the dividend payment, holders of H shares of the Bank who have not registered the related transfer documents are required to lodge the transfer documents together with the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on Friday, June 21, 2019.

The Board of the Bank proposed to distribute the 2018 final dividends on Friday, July 19, 2019. If there are any expected changes to the dividend payment date, an announcement will be published.

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

(All amounts expressed in millions of RMB except percentages, unless otherwise stated)	2017	2016	2015
Cash dividend (tax inclusive)	368.99	909.97	825.54
As a percentage of profit for the year	10%	26%	26%

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

Annual General Meeting of 2018 and Closure of Register of Members

The Bank's 2018 annual general meeting will be held on Friday, May 24, 2019. In order to determine the holders of H Shares who are eligible to attend and vote at the 2018 annual general meeting, the register of members of the Bank will be closed from Wednesday, April 24, 2019 to Friday, May 24, 2019 (both days inclusive), and during such period no transfer of shares will be registered. Holders of H Shares of the Bank who wish to attend and vote at the 2018 annual general meeting must lodge all transfer documents accompanied by the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, April 23, 2019.

Change in the Reserves

Details of the changes in the reserves of the Bank for the year ended December 31, 2018 are set out in the "Consolidated Statements of Changes in Equity" to the "Financial Statements" and the note "Other Reserves" to the "Financial Statements" of this annual report.

Summary of Financial Information

The summary of the operating results and assets and liabilities of the Bank for the five years ended December 31, 2018 is set out in the "Financial Highlights" of this annual report.

Donations

The charitable and other donations made by the Bank for the year ended December 31, 2018 amounted to approximately RMB10.07 million.

Property and Equipment

Details of the changes in property and equipment of the Bank for the year ended December 31, 2018 are set out in the note "Property, Plant and Equipment" to the "Financial Statements" of this annual report.

Substantial Shareholders

Details of the Bank's substantial shareholders as at December 31, 2018 are set out in "Change in Share Capital and Shareholders" of this annual report.

Purchase, Sale and Redemption of Listed Securities of the Bank

During the year ended December 31, 2018, the Bank had not purchased, sold or redeemed any listed securities of the Bank.

Pre-emptive Rights

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

Share Capital

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

Equity-linked Agreement

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

Directors, Supervisors and Senior Management

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

Confirmation of Independence by the Independent Non-executive Directors

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

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

At December 31, 2018, the interests of the Directors, the Supervisors and the chief executives of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules are as follows:

Domestic Shares

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

Save as disclosed above, none of the Directors, the Supervisors, or the chief executives of the Bank or their associates held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at December 31, 2018.

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

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

Arrangements to Purchase Shares or Debentures

At no time during the year ended December 31, 2018 was the Bank, its holding company or any of its fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Directors' and Supervisors' Interests in Contracts and Service Contracts

Saved for the continuing connected transactions which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as at December 31, 2018 and at any time during the year, none of the Directors or Supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Bank's business to which the Bank is a party. None of the Directors and Supervisors has entered into a service contract with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

Permitted Indemnity Provision

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

Management Contract

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

Directors and Supervisors' Interests in Competing Business

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

Corporate Governance

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

Connected Transactions

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

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the IASB. Certain related party transactions set out in Note 43 to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none constitutes a discloseable connected transaction as required under the Listing Rules.

Remuneration Policies for Directors, Supervisors and Senior Management

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

The remuneration system for the Directors, Supervisors and senior management of the Bank adheres to the principle of balancing incentives and restraints, focusing on both short-term and long-term incentives and integrating governmental control with market regulation. The structure of the remuneration system consists of basic salary, annual performance bonus, term incentives. The Bank makes contribution to various statutory pension plans organized by governments at all levels in the PRC for its Directors, Supervisors and senior management.

Public Float

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

Tax Relief (H Shareholders)

Non-resident enterprise shareholders

According to the Enterprise Income Tax Law of the PRC and the related provisions of implementation, both effective on January 1, 2008, the Bank shall withhold the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose name appear on the register of H shareholders on June 30, 2019.

Non-resident individual shareholders

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

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

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

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

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

Auditor

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were appointed as the domestic and international auditors for 2018, respectively.

PricewaterhouseCoopers has audited the Bank's financial report for 2018 prepared according to the international financial reporting standards and issued an auditor report with no qualified opinions.

Report of the Board of Supervisors

In 2018, pursuant to the Company Law, Guidelines on the Corporate Governance of Commercial Banks (商業銀行公司治理指引), Work Guidelines for the Board of Supervisors of Commercial Banks (商業銀行監事會工作指引) and the Articles of the Bank, thoroughly implementing the spirit of the Report of the 19th National Congress of the Communist Party of China, and staying focused on three tasks, namely deepening the financial reform, serving the real economy, and preventing and controlling financial risks, the board of Supervisors carefully performed its supervision duties, and deeply and pragmatically carried out various supervision activities, and played an important role in improving the corporate governance, promoting structure adjustment, facilitating business transformation, enhancing risk management and control as well as maintaining the sustainable and sound development of the Bank in line with the Bank's focus and theme of development.

I. Report on Major Tasks

During the Reporting Period, 9 meetings were held by the Board of Supervisors and the Supervision and Nomination Committee, at which an aggregate of 34 supervision matters, briefings and reports were received and considered, including, among others, Proposals and Reports on Inspection, Assessment Report on Performance of Supervisors, Financial Budget and Final Account, and Profit Distribution Plan. Supervisors attended 4 shareholders' meetings, and were presented at 15 meetings of the Board and 40 various committees under it to supervise the compliance of the resolutions and meeting procedures with laws and regulations.

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

(I) Strengthened supervision over key areas, and performed solid and comprehensive inspections on projects.

During the Reporting Period, the board of Supervisors conducted an aggregate of 3 comprehensive inspections on projects, including the centralized supervision and inspection of the Bank for 2017, special inspection on real estate business, and special inspection on authorization management and implementation. Through inspections, the board of Supervisors identified problems and made recommendations in 14 aspects, and made 4 proposals to the Board of Directors, senior management, President and chief financial officer as to the performance of their duties. The problems identified by the board of Supervisors included, among others, compensation management, performance assessment, business risk and authorization management.

(II) Continued to strengthen interim supervision, and promptly identified major problems and significant risks.

During the Reporting Period, the Board of Supervisors continued to strengthen interim supervision, alerting the Board of Directors any problems identified during supervision in a timely matter for rectification deployment. The board of Supervisors formed special reports of daily supervision and issued Reminder Letter from the Board of Supervisors on 3 separate occasions in respect of major risks and identified problems in the project loan (financing) of "Kaibang • Liangjiang City" (凱邦 • 兩江城) with RMB820 million, the performance of duties of person in charge of non-independent accounting branch and deferred payment of performance compensation, urged for the rectification of such problems and effectively helped the Bank further standardize and improve relevant management mechanics, filling up loopholes in time and lowering risks. The board of Supervisors conducted tracking and supervision on the improvement of personnel management, and completed with preceding, concurrent and aftermath tracking.

(III) Strengthened the follow-up evaluation of execution of rectifications and improved the effectiveness of supervision.

During the Reporting Period, the Board of Supervisors conducted follow-up review in respect of the rectification of 18 problems revealed in 8 supervision matters including special inspection in 2017, centralized supervision and inspection in 2017 as well as the routine supervision. The Board of Supervisors also visited the offices of the Board of Directors, the human resources department, the risk management department, the asset and liability management department, personal banking department and Guiyang Branch. The Board of Supervisors verified the rectification measures and implementation status one by one, and issued 3 evaluation opinions. In addition, the Board of Supervisors reviewed and sorted out 111 problems raised by 4 departments, namely the inspection team of municipal party committee, municipal accounting office, the Board of Supervisors of the Bank, and discipline inspection and supervision team, and identified key supervision areas in future. Through revealing the matters and supervising the rectifications, the Board of Supervisors effectively promoted the Bank's internal control and improve the system, and helped to enhance management efficiency and quality.

(IV) Actively promoted the effective operation of collaborative supervision and improved the overall quality and efficiency of supervision.

Since the establishment of the collaborative supervision mechanism in 2017, the board of Supervisors has actively played a leading role in organizing the joint leadership group meeting on a quarterly basis, coordinating the supervision work of the Bank, clarifying the key supervision areas, organizing and implementing supervision and inspection programs across the Bank, and promoting the effective operation of collaborative system. As such, the Bank has formed a sound situation with integrated work planning, effective integration of resources, in-depth integration of information and overall improvement of efficiency.

(V) Continued to carry out performance supervision and implement performance assessment.

During the Reporting Period, the board of Supervisors continued to carry out performance supervision. Firstly, the board of Supervisors performed a general evaluation on the Board of Directors, senior management on their performance in 2017, and individually evaluated the President and the person in charge of finance. Secondly, the board of Supervisors performed individual evaluation on the Board of Directors with quantitative and qualitative indicators through self-evaluation, peer evaluation and the evaluation from the board of Supervisors. Thirdly, the board of Supervisors performed an off-office evaluation on the resigned director Mr. To Koon Man Henry. Fourthly, the board of Supervisors established standardized personal performance files of the directors, supervisors and senior management members which will be updated on a quarterly basis.

In 2018, the board of Supervisors continued self-improvement to acquire better capability for performance. In response to the lack of cooperation and the formalism in rectifications by certain departments and institutions, the board of Supervisors issued the Notice on Further Strengthening Process Supervision and Supervision Measures, emphasizing supervision requirements and clarifying supervision measures. The board of Supervisors also revised the Assessment Measures on the Performance of Duties of the Senior Management of the Board of Bank of Chongqing Co., Ltd. and the Rules of Procedure of the Board of Supervisors, and complemented relevant regulations. The board of Supervisors organized supervisors to participate in the counseling training on A- share IPO to learn relevant regulations and regulatory requirements. Through attending the 14th Joint Conference of Chairman of Supervisors of Urban Commercial Banks in Beijing, Tianjin, Shanghai and Chongqing, we hosted the exchange meetings with Bank of Guangzhou and Bank of Tangshan. As such, the Bank was granted a chance to increase communication with other commercial banks, and to learn advanced working experience from them by sharing rules of procedures of the board of supervisors. In addition, the board of Supervisors successively implemented research to branching organizations, to understand their operation conditions and major difficulties encountered. The board of Supervisors improved its work through constant learning and research to enhance its efficiency of supervision.

II. Independent Opinions on Relevant Matters

(I) Performance of Duties by the Board of Directors and Senior Management

During the Reporting Period, the Board of Directors earnestly, diligently and proactively implemented national and local financial policies and resolutions of Shareholders' meetings in accordance with the provisions of the Articles of Association and Due Diligence Guidelines for Board of Directors in Joint-stock Commercial Banks, while consciously accepting supervision from the board of Supervisors. They also had an accurate grasp of the macro trends in the nation and the reform and development direction of the Bank, making material decisions and adjustments in a timely manner. They placed emphasis on corporate governance, risk prevention and control, capital management, compensation management, consolidated management, internal control and compliance management. In accordance with regulatory requirements, the Board of Directors regularly listened to business performance reports, profitability analysis reports, risk monitoring reports, asset and liability management analysis reports, anti-money laundering work reports, case prevention reports and compliance management reports. Based on market changes and the Bank's actual situation, the Board of Directors timely adjusted development strategies, gave full play to a scientific decision-making, effectively promoted the construction of a risk management system of Bank of Chongqing, and put into effect the capital management, internal control and compliance management, and anti-money laundering work, making fruitful achievements in promotion of supply-side structural reform, facilitation of strategic transformation, laying a solid foundation for deepening of reform and the fast and stable development of the Bank. The decisions of the Board of Directors were made with sound reason, and complied with the procedures set out in the Articles of Association. The Directors of the Bank performed their duties carefully, responsibly and diligently. In accordance with the "Performance evaluation methods for Directors of the Board of Supervisors of Bank of Chongqing Co., Ltd.", the Board of Supervisors conducted an assessment for the performance of 11 directors, and all of the evaluation results were "excellent".

During the Reporting Period, the senior management fully implemented the general working arrangement by the Board of Directors with strict adherence to various regulatory requirements, earnestly implementing the advice from the Board of Supervisors. Adhering to the guidelines of reform and innovation, the Bank constantly innovates products and service models and steadily promotes business development, to achieve continuous optimization of business structure. The foundation for risk prevention and control was consolidated to continuously promote the comprehensive optimization of risk management framework, and new progress has been made in the prevention and control of credit risk, operational risk, market risk liquidity risk and reputation risk. The Bank continuously improved internal management, focused on key tasks and vulnerabilities, established a sound system, conducted centralized management of procurement bidding, expense reimbursement and use of seals, strengthened the management of office premises, employee behavior and licenses, and consolidated the foundation for internal control compliance and internal management. The Bank actively promoted the reform of assessment and incentive mechanism, implemented the economic value-added assessment model under the overall risk management framework, and strengthened the guiding role of the assessment mechanism. The Bank vigorously promoted the reform of capital marketization-based supplementary mechanism, and accelerated the promotion of A- share IPOs, which exceeded expectations. The Bank thoroughly implemented new anti-money laundering regulations, and built an anti-money laundering system to enhance the inspection of anti-money laundering. The Bank strengthened budget and expense management, and strove to achieve cost reduction and efficiency, thus effectively enhancing the development quality and efficiency of Bank of Chongqing.

(II) Operations in Compliance with Laws and Regulations

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

(III) Financial Report

The 2018 financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

(IV) Acquisition and Disposal of Assets

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

(V) Related Party Transactions

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

(VI) Internal Control

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

(VII) Social Responsibility

During the Reporting Period, the Bank earnestly undertook social responsibilities. The Board of Supervisors had no objection to the 2018 Corporate Social Responsibility Report of the Bank.

Internal Control

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

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

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

Pursuant to the Basic Rules on Enterprise Internal Control, the Board has assessed the internal control system, covering all the major controls including financial control, operation control, compliance control and risk management function. After assessment, the Board considers that during the period from January 1, 2018 to December 31, 2018, it was not aware of any material defect in the Bank's design or implementation of its internal control.

Independent Auditor's Report

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

Opinion

What we have audited

The consolidated financial statements of Bank of Chongqing Co., Ltd. (the 'Bank') and its subsidiary (the 'Group') set out on pages 139 to 302, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and investment securities measured at amortised cost	
Refer to Note 3.1.4, 4(e), 13, 21(c), and 22 to the consolidated financial statements. As at 31 December 2018, the Group's gross loans and advances to customers amounted to RMB212,431 million, and a loss allowance of RMB6,508 million was recognised in the Bank's consolidated statement of financial position; investment securities measured at amortised cost amounted to RMB83,997 million, for which a provision of RMB1,474 million was recognised. The impairment losses on loans and advances to customers and investment securities measured at amortised cost in the Group's consolidated income statement for the year ended 31 December 2018 amounted to RMB3,433 million. The balances of loss allowances for loans and advances to customers and provision for investment securities measured at amortised cost represented the management's best estimates at the balance sheet date of expected credit losses under expected credit losses models ('ECL Models') in International Financial Reporting Standard 9: Financial Instruments ('IFRS 9'). The Group assessed whether the credit risk of loans and advances to customers and investment securities measured at amortised cost have increased significantly since their initial recognition, and applied a three-stage impairment model to calculate their ECL. For corporate loans, personal loans and investment securities measured at amortised cost, the management assessed loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates.	We evaluated and tested the design and operational effectiveness of the internal controls relating to the measurement of expected credit losses for loans and advances to customers and investment securities measured at amortised cost, primarily including: (1) Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls: (2) Internal controls relating to significant management judgments and assumptions, including the review and approval of portfolio segmentation, model selections, parameters estimation, significant increase in credit risk, judgement for defaults or impairment of credit, and review and approval of forward looking measurement; (3) Internal controls over the accuracy and completeness of key inputs used by the models; (4) Internal controls over the information systems for model-based measurement. The substantive procedures we preformed, primarily including: We reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the portfolio segmentation, models selection, key parameters estimation, significant judgements and assumptions in relation to the models. We examined the operation for model measurement on selected samples, to test whether or not the measurement models reflected the modelling methodologies documented by the management.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and investment securities measured at amortised cost (Continued)	
The measurement models of expected credit losses involved significant management judgments and assumptions, primarily including the followings: (1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters; (2) Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred; (3) The application of economic indicators, economic scenarios and weightings for forward-looking measurement. The Group established governance processes and controls for the measurement of expected credit losses. For measuring expected credit losses, the Group adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the loss allowance for the loans and advances to customers and investment securities measured at amortised cost involved significant amounts. In view of these reasons, we identified this as a key audit matter.	We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired loans. For forward-looking measurement, we reviewed the management's model analysis of their selection of economic indicators; economic scenarios and weightings employed, assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis of economic indicators, economic scenarios and weightings. We examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness. For loans and advances to customers and investment securities measured at amortised cost in stage 3, we examined, on a sampling basis, the results from comparison between loss allowance calculated using the forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates and that calculated under ECL models. Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of expected credit losses for loans and advances to customers and investment securities measured at amortised cost, the models, key parameters, significant judgements and assumptions adopted by management and the measurement results were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation assessment of structured entities	
Refer to Note 4(c), 22 and 37 to the consolidated financial statements. The Group managed and invested in a number of structured entities (primarily wealth management products, trust and asset management plans). As at 31 December 2018, the balance of unconsolidated non-principal guaranteed wealth management products managed by the Group was RMB52,004 million and the net book value of unconsolidated structured entities invested by the Group was RMB65,828 million. We focused on this area because the amounts were significant and assessment of whether to consolidate these structured entities involved significant judgements, including its power over the structured entities, its variable returns from the structured entities, and its ability to affect the variable returns.	Our procedures in relation to management's assessment on the consolidation of structured entities included: We reviewed related internal control policies, understood and tested the internal control in relation to management's assessment on the consolidation of structured entities; We examined management's evaluation of the control over those structured entities on selected samples. The following procedures were performed: • We read the contract terms, analysed the business structure and evaluated whether the Group had power on the structured entities; • We reviewed the contract terms related to variable returns of the structured entities, including commission fee, custodian fee and management fee related to the Group's compensation in the investment contracts, yield of underlying assets of the structured entities and returns to the investors. Based on the terms above, we recalculated the magnitude and variability of returns to the Group from these structured entities. • We assessed whether the Group acted as principle or agent based on our analysis of the Group's power, its variable returns generated from the structured entities, and its ability to affect the returns, and compared our assessment result with management's assessment result. Based on the work undertaken, we found that the evidence obtained supported the assessment made by management in relation to the consolidation of structured entities.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018 (All amounts expressed in thousands of RMB unless otherwise stated)

	Note	For the year ended 31 December	
		2018	2017
Interest income		**19,322,772**	18,920,176
Interest expense		**(12,447,126)**	(10,805,081)
Net interest income	6	**6,875,646**	8,115,095
Fee and commission income		**1,453,712**	1,940,881
Fee and commission expense		**(111,790)**	(260,825)
Net fee and commission income	7	**1,341,922**	1,680,056
Net trading gains/(losses)	8	**467,771**	(21,220)
Net gains on investment securities	9	**1,869,777**	140,480
Other operating income	10	**74,968**	100,395
Operating income		**10,630,084**	10,014,806
Operating expenses	11	**(2,571,121)**	(2,298,865)
Impairment losses	13	**(3,436,768)**	(2,999,164)
Operating profit		**4,622,195**	4,716,777
Share of profit of associates	23	**220,427**	178,378
Profit before income tax		**4,842,622**	4,895,155
Income tax	15	**(1,020,527)**	(1,130,958)
Net profit for the year		**3,822,095**	3,764,197
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Changes in fair value of available-for-sale financial assets included in other comprehensive income		**N/A**	(782,112)
Less: Related income tax impact		**N/A**	195,528
Subtotal		**N/A**	(586,584)
Net gains on debt investments at fair value through other comprehensive income		**447,375**	N/A
Less: Relevant income tax impact		**(111,844)**	N/A
Subtotal		**335,531**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018 (All amounts expressed in thousands of RMB unless otherwise stated)

	Note	For the year ended 31 December	
		2018	2017
Items that will not be reclassified to profit or loss:			
Net gains on equity investments designated at fair value through other comprehensive income		**200,000**	N/A
Less: Relevant income tax impact		**(50,000)**	N/A
Subtotal		**150,000**	N/A
Remeasurement of retirement (losses)/benefits		**(4,111)**	1,404
Less: Related income tax impact		**1,028**	(351)
Subtotal		**(3,083)**	1,053
Total other comprehensive income, net of tax	40	**482,448**	(585,531)
Total comprehensive income for the year		**4,304,543**	3,178,666
Net profit attributable to:			
Shareholders of the Bank		**3,769,847**	3,725,881
Non-controlling interests		**52,248**	38,316
		3,822,095	3,764,197
Total comprehensive income attributable to:			
Shareholders of the Bank		**4,252,295**	3,140,350
Non-controlling interests		**52,248**	38,316
		4,304,543	3,178,666
Earnings per share attributable to the shareholders of the Bank (expressed in RMB per share)			
Basic and diluted	16	**1.11**	1.19

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

Consolidated Statement of Financial Position

As at 31 December 2018 (All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December 2018	2017
ASSETS			
Cash and balances with central bank	17	**33,216,841**	43,727,432
Due from other banks and financial institutions	18	**57,915,079**	37,000,091
Financial assets at fair value through profit or loss ('FVPL')	19	**27,421,858**	702,202
Loans and advances to customers	21	**205,923,212**	172,162,090
Investment securities	22		
– Loans and receivables		**N/A**	100,607,725
– Available-for-sale('AFS')		**N/A**	37,106,799
– Held-to-maturity ('HTM')		**N/A**	21,012,375
– Fair value through other comprehensive income ('FVOCI')		**34,687,167**	N/A
– Amortised cost		**82,523,309**	N/A
Investment in associates	23	**1,638,323**	1,113,146
Property, plant and equipment	24	**3,023,292**	2,866,257
Deferred tax assets	30	**1,890,680**	1,380,953
Other assets	25	**2,129,212**	5,083,955
Total assets		**450,368,973**	422,763,025
LIABILITIES			
Due to other banks and financial institutions	26	**57,089,939**	55,771,252
Financial liabilities at fair value through profit or loss	20	**657**	–
Customer deposits	27	**256,394,193**	238,704,678
Current tax liabilities		**548,673**	358,515
Debt securities issued	28	**96,982,613**	88,727,330
Other liabilities	29	**4,741,325**	6,741,338
Total liabilities		**415,757,400**	390,303,113
EQUITY			
Share capital	32	**3,127,055**	3,127,055
Preference shares	33	**4,909,307**	4,909,307
Capital surplus	34	**4,680,638**	4,680,638
Other reserves	35	**8,289,192**	6,637,648
Retained earnings		**12,044,820**	11,596,948
Equity attributable to shareholders of the Bank		**33,051,012**	30,951,596
Non-controlling interests		**1,560,561**	1,508,316
Total equity		**34,611,573**	32,459,912
Total liabilities and equity		**450,368,973**	422,763,025

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

Approved and authorised for issue by the following on behalf of the Board of Directors on 26 March 2019.

LIN JUN	RAN HAILING	YANG SHIYIN	YANG KUN
CHAIRMAN	*PRESIDENT*	*VICE PRESIDENT*	*HEAD OF FINANCE DEPARTMENT (PROPOSED)*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018 (All amounts expressed in thousands of RMB unless otherwise stated)

	Equity attributable to shareholders of the Bank									
	Share capital *(Note 32)*	Preference shares *(Note 33)*	Capital surplus *(Note 34)*	Surplus reserve *(Note 35)*	General reserve *(Note 35)*	Revaluation reserve for FVOCI *(Note 35)*	Remeasurement of retirement benefits *(Note 35)*	Retained earnings	Non-controlling interests	Total
Balance at 31 December 2016	3,127,055	–	4,680,638	1,872,431	4,042,421	233,262	(2,467)	9,858,572	–	23,811,912
Net profit for the year	–	–	–	–	–	–	–	3,725,881	38,316	3,764,197
Other comprehensive income	–	–	–	–	–	(586,584)	1,053	–	–	(585,531)
Total comprehensive income	–	–	–	–	–	(586,584)	1,053	3,725,881	38,316	3,178,666
Issuance of preference shares *(Note 33)*	–	4,909,307	–	–	–	–	–	–	–	4,909,307
Contribution of non-controlling shareholders	–	–	–	–	–	–	–	–	1,470,000	1,470,000
Dividends to ordinary shares *(Note 36)*	–	–	–	–	–	–	–	(909,973)	–	(909,973)
Transfer to other reserves	–	–	–	372,588	704,944	–	–	(1,077,532)	–	–
Balance at 31 December 2017	3,127,055	4,909,307	4,680,638	2,245,019	4,747,365	(353,322)	(1,414)	11,596,948	1,508,316	32,459,912
Balance at 31 December 2017	**3,127,055**	**4,909,307**	**4,680,638**	**2,245,019**	**4,747,365**	**(353,322)**	**(1,414)**	**11,596,948**	**1,508,316**	**32,459,912**
Changes on initial application of IFRS 9 *(Note 2.1(a))*	**–**	**–**	**–**	**–**	**–**	**144,764**	**–**	**(1,618,490)**	**(3)**	**(1,473,729)**
Restated balance at 1 January 2018	**3,127,055**	**4,909,307**	**4,680,638**	**2,245,019**	**4,747,365**	**(208,558)**	**(1,414)**	**9,978,458**	**1,508,313**	**30,986,183**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,769,847**	**52,248**	**3,822,095**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**485,531**	**(3,083)**	**–**	**–**	**482,448**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**485,531**	**(3,083)**	**3,769,847**	**52,248**	**4,304,543**
Dividends to ordinary shares *(Note 36)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(368,992)**	**–**	**(368,992)**
Dividends to preference shares *(Note 36)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(310,161)**	**–**	**(310,161)**
Transfer to other reserves	**–**	**–**	**–**	**371,547**	**652,785**	**–**	**–**	**(1,024,332)**	**–**	**–**
Balance at 31 December 2018	**3,127,055**	**4,909,307**	**4,680,638**	**2,616,566**	**5,400,150**	**276,973**	**(4,497)**	**12,044,820**	**1,560,561**	**34,611,573**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2018 (All amounts expressed in thousands of RMB unless otherwise stated)

	For the year ended 31 December	
	2018	2017
Cash flows from operating activities:		
Profit before income tax	**4,842,622**	4,895,155
Adjustments:		
Depreciation and amortisation	**207,368**	184,088
Impairment losses on loans	**3,582,048**	2,352,241
(Reversal of)/provision for Impairment losses on other assets	**(145,280)**	646,923
Net gains on disposal of property, plant and equipment and foreclosed assets	**(27,271)**	(13,981)
(Gains)/losses on changes in fair value	**(222,556)**	29,801
Net gains arising from financial investments	**(1,870,657)**	(163,022)
Share of profit of associates	**(220,427)**	(178,378)
Interest income arising from investment securities	**(5,590,107)**	(7,037,955)
Interest expense arising from debt securities issued	**3,958,241**	3,303,012
Net increase in operating assets:		
Net decrease/(increase) in restricted deposit balances with central bank	**6,759,410**	(1,552,442)
Net increase in due from and placements to banks and other financial institutions	**(1,667,823)**	(3,901,437)
Net (increase)/decrease in financial assets held under resale agreements	**(21,659,841)**	18,882,843
Net increase in loans and advances to customers	**(37,733,552)**	(28,345,429)
Net increase in other operating assets	**(69,129)**	(1,210,283)
Net increase in operating liabilities:		
Net increase/(decrease) in borrowings from central bank	**1,487,846**	(211,267)
Net decrease in due to and placements from banks and other financial institutions	**(4,755,851)**	(445,241)
Net increase/(decrease) in financial assets sold under repurchase agreements	**4,586,692**	(9,496,711)
Net increase in customer deposits	**17,689,515**	9,110,885
Net (decrease)/increase in other operating liabilities	**(2,411,446)**	7,464,668
Income tax paid	**(903,113)**	(1,247,656)
Net cash outflows from operating activities	**(34,163,311)**	(6,934,186)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018 (All amounts expressed in thousands of RMB unless otherwise stated)

	For the year ended 31 December	
	2018	2017
Cash flows from investing activities:		
Dividends received	**880**	22,542
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	**71,895**	53,018
Purchase of property, plant and equipment, intangible assets and other long-term assets	**(411,145)**	(378,525)
Proceeds from sale and redemption of investments	**259,306,810**	331,273,393
Purchase of investment securities	**(234,661,484)**	(364,687,137)
Net cash inflows/(outflows) from investing activities	**24,306,956**	(33,716,709)
Cash flows from financing activities:		
Capital contribution by non-controlling interests of a subsidiary	**–**	1,470,000
Proceeds from issuance of other equity instruments	**–**	4,909,307
Proceeds from issuance of debt securities and inter-bank certificates of deposit	**143,403,934**	152,353,023
Cash paid to redeem debt securities and inter-bank certificates of deposit issued	**(138,990,000)**	(121,080,000)
Interest paid in relation to debt securities issued	**(497,400)**	(263,800)
Dividends paid to shareholders	**(670,109)**	(915,048)
Net cash inflows from financing activities	**3,246,425**	36,473,482
Impact from exchange rate changes on cash and cash equivalents	**452,025**	(185,939)
Net decrease in cash and cash equivalents	**(6,157,905)**	(4,363,352)
Cash and cash equivalents at the beginning of the year	**20,424,977**	24,788,329
Cash and cash equivalents at the end of the year *(Note 41)*	**14,267,072**	20,424,977

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

1 GENERAL INFORMATION

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

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

As at 31 December 2018, the Bank operated its business through 142 sub-branches including a business department at its headquarter, a small enterprise credit center, and 4 primary branches covering all 38 districts and counties of Chongqing as well as three provinces in Western China, namely Sichuan Province, Shaanxi Province and Guizhou Province.

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

These consolidated financial statements were authorised for issuance by the Bank's Board of Directors on 26 March 2019.

2 PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of presentation

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

(a) New and revised IFRSs issued and applied

From 2018 on, the Group has adopted the following amendments to IFRSs, which were applicable for the Group's financial year beginning on 1 January 2018 and the relevant impact is set out below:

Amendments to IFRS 2	Share-based Payment Transactions
Amendments to IAS 40	Transfer of Investment Properties
Amendments to IAS 28	Annual Improvements to IFRSs 2014 – 2016 Cycle
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
IFRS 9	Financial Instruments

For amendments to IFRSs that have been adopted, the whole Group is not significantly impacted for the year ended 31 December 2018 except IFRS 9.

Amendments to IFRS 2

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

The amendment clarifies the measurement basis for cash-settled awards and the accounting for modifications that change awards from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require awards that include a 'net settlement' feature to be treated as wholly equity-settled. The adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 40

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

Amendments to IAS 28

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

IFRS 15

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

International Financial Reporting Interpretations Committee ('IFRIC') 22

The IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related accounts, should be the date when an entity has received or paid advance consideration in a foreign currency from which non-monetary assets and liabilities are generated. The Group anticipates that the adoption of this interpretation will not have a significant impact on the Group's consolidated financial statements.

Changes in significant accounting policies

IFRS 9

The Group has adopted IFRS 9 'Financial Instruments' as issued by the IASB in July 2014 with the date of transition of 1 January 2018. The adoption of the standards results in changes in accounting policies and the adjustments to the amounts have already been recognised in the financial statements. The Group did not adopt IFRS 9 in advance in previous period.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves for the current period.

Consequently, for notes disclosures, the consequential amendments to International Financial Report Standard 7 'Financial Instruments: Disclosures' ('IFRS 7') have also only been applied for the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current year are described in detail in notes.

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

(1) Classification and measurement of financial instruments

The classification and measurement of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared set out below:

	31 December 2017	Reclassification and remeasurement: Reclassification	Remeasurement	ECL allowance	**1 January 2018 (Restated)**
Financial assets					
Cash and balances with central banks	43,727,432	–	–	–	**43,727,432**
Due from other banks and financial institutions	37,000,091	–	–	(4,563)	**36,995,528**
Financial assets at FVPL	702,202	44,449,780	(163,102)	–	**44,988,880**
Loans and advances to customers	172,162,090	–	51,710	(1,313,966)	**170,899,834**
Investment securities – FVOCI	N/A	32,219,701	–	–	**32,219,701**
Investment securities – Amortised cost	N/A	82,057,418	–	(405,747)	**81,651,671**
Investment securities – Loans and receivables	100,607,725	(100,607,725)	–	–	**N/A**
Investment securities – AFS	37,106,799	(37,106,799)	–	–	**N/A**
Investment securities – HTM	21,012,375	(21,012,375)	–	–	**N/A**
Other financial assets	4,743,013	–	–	–	**4,743,013**
Subtotal	417,061,727	–	(111,392)	(1,724,276)	**415,226,059**
Non-financial assets					
Deferred tax assets	1,380,953	–	27,848	463,395	**1,872,196**
Other non-financial assets	4,320,345	–	–	–	**4,320,345**
Subtotal	5,701,298	–	27,848	463,395	**6,192,541**
Total assets	422,763,025	–	(83,544)	(1,260,881)	**421,418,600**
Other liabilities	6,741,338	–	–	129,304	**6,870,642**
Others	383,561,775	–	–	–	**383,561,775**
Total liabilities	390,303,113	–	–	129,304	**390,432,417**
Other reserves	6,637,648	–	949	143,815	**6,782,412**
Retained earnings	11,596,948	–	(84,493)	(1,533,997)	**9,978,458**
Other shareholders' equity	12,717,000	–	–	–	**12,717,000**
Equity attributable to shareholders of the Bank	30,951,596	–	(83,544)	(1,390,182)	**29,477,870**
Non-controlling interests	1,508,316	–	–	(3)	**1,508,313**
Total equity	32,459,912	–	(83,544)	(1,390,185)	**30,986,183**
Total equity and liabilities	422,763,025	–	(83,544)	(1,260,881)	**421,418,600**

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

(2) Reconciliation of balances in the statement of financial position from IAS 39 to IFRS 9

The Group performed an analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets in the previous measurement categories in accordance with IAS 39 to those in the new measurement categories upon transition to IFRS 9 on 1 January 2018:

At amortised cost	Note	Carrying amount under IAS 39 31 December 2017	Reclassification	Remeasurement	ECL allowance	**Carrying amount under IFRS 9 1 January 2018**
Cash and balances with central banks						
Opening balance under IAS 39 and closing balance under IFRS 9		43,727,432				**43,727,432**
Due from banks and other financial institutions						
Opening balance under IAS 39		37,000,091				
Remeasurement: ECL allowance					(4,563)	
Closing balance under IFRS 9						**36,995,528**
Loans and advances to customers						
Opening balance under IAS 39		172,162,090				
Less: Transfer to loans to customers designated at FVOCI	(i)		(4,751,922)			
Remeasurement: ECL allowance					(1,313,966)	
Closing balance under IFRS 9						**166,096,202**
Investment securities – Loans and receivables						
Opening balance under IAS 39		100,607,725				
Less: Transfer to financial assets designated at FVPL	(ii)		(39,332,682)			
Less: Transfer to financial investments carried at amortised costs	(v)		(61,275,043)			
Closing balance under IFRS 9						**N/A**
Investment securities – HTM						
Opening balance under IAS 39		21,012,375				
Less: Transfer to financial assets designated at FVPL	(ii)		(230,000)			
Less: Transfer to financial investments carried at amortised costs	(v)		(20,782,375)			
Closing balance under IFRS 9						**N/A**

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

(2) Reconciliation of balances in the statement of financial position from IAS 39 to IFRS 9 (Continued)

At amortised cost	Note	Carrying amount under IAS 39 31 December 2017	Reclassification	Remeasurement	ECL allowance	**Carrying amount under IFRS 9 1 January 2018**
Investment securities – Amortised cost						
Opening balance under IAS 39		N/A				
Add: Transfer from investment securities – Loans and receivables (IAS 39)	(v)		61,275,043			
Add: Transfer from investment securities – HTM (IAS 39)	(v)		20,782,375			
Remeasurement: ECL allowance					(405,747)	
Closing balance under IFRS 9						**81,651,671**
Total		374,509,713	(44,314,604)	–	(1,724,276)	**328,470,833**

At fair value through profit or loss	Note	Carrying amount under IAS 39 31 December 2017	Reclassification	Remeasurement	ECL allowance	**Carrying amount under IFRS 9 1 January 2018**
Financial assets at fair value through profit or loss						
Opening balance under IAS 39		702,202				
Add: Transfer from investment securities – Loans and receivables (IAS 39)	(ii)		39,332,682			
Add: Transfer from investment securities – AFS (IAS 39)	(iii) (iv)		4,887,098			
Add: Transfer from investment securities – HTM (IAS 39)	(ii)		230,000			
Remeasurement: From amortised cost to fair value				(163,102)		
Closing balance under IFRS 9						**44,988,880**
Total		702,202	44,449,780	(163,102)	–	**44,988,880**

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

(2) Reconciliation of balances in the statement of financial position from IAS 39 to IFRS 9 (Continued)

Fair value through other comprehensive income	Note	Carrying amount under IAS 39 31 December 2017	Reclassification	Remeasurement	ECL allowance	**Carrying amount under IFRS 9 1 January 2018**
Loans and advances to customers						
Opening balance under IAS 39		N/A				
Add: Transfer from loans and advances to customers (IAS 39)	(i)		4,751,922			
Remeasurement: Transfer from amortised cost to fair value	(i)			1,266		
Remeasurement: Transfer from impairment allowance to other comprehensive income	(i)			50,444		
Closing balance under IFRS 9						**4,803,632**
Investment securities – AFS						
Opening balance under IAS 39		37,106,799				
Less: Transfer to financial assets designated at FVPL	(iii) (iv)		(4,887,098)			
Less: Transfer to financial investments designated at FVOCI	(iv) (v)		(32,219,701)			
Closing balance under IFRS 9						**N/A**
Investment securities – FVOCI						
Opening balance under IAS 39		N/A				
Add: Transfer from investment securities – AFS (IAS 39)	(iv) (v)		32,219,701			
Closing balance under IFRS 9						**32,219,701**
Total		37,106,799	(135,176)	51,710	–	**37,023,333**

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

(2) Reconciliation of balances in the statement of financial position from IAS 39 to IFRS 9 (Continued)

The total remeasurement loss before tax of RMB111,392 thousand was recognised after tax in opening reserves at 1 January 2018.

The following explains how applying the new classification requirements of IFRS 9 leads to changes in classification of certain financial assets held by the Group as shown in the table above:

(i) Discounted bills

Provided the business method of discounted bills involves collecting the contractual cash flows and selling financial assets, the measurement method is reclassified from amortised cost to financial assets at FVOCI. The amount before reclassification is RMB4,751,922 thousand, while that after reclassification is RMB4,803,632 thousand.

(ii) Debt instruments

The contractual cash flow characteristics of some of the debt instruments held by the Group don't pass the solely payments of principal and interest ('SPPI') test. Consequently, these financial assets are reclassified from financial assets available for sale to financial assets at FVPL. The amount before reclassification is RMB39,562,682 thousand, while that after reclassification is RMB39,399,580 thousand.

(iii) Fund investments

The fund investments held by the Group amount to RMB4,401,106 thousand, and the contractual cash flow characteristics don't pass the SPPI test. Consequently, these financial assets are reclassified from AFS financial assets to financial assets at FVPL.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

(2) Reconciliation of balances in the statement of financial position from IAS 39 to IFRS 9 (Continued)

(iv) Investment in equity instruments

The Group irrevocably designates strategic investments of RMB8,600 thousand in a small portfolio of non-trading equity investment securities in clearing houses at FVOCI as permitted under IFRS 9. These securities were previously classified as available for sale. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of. In addition, strategic investments of RMB485,992 thousand of non-trading equity investment securities in non-clearing houses, which were originally classified as AFS, are reclassified as FVPL.

(v) Reclassification from retired categories with no change in measurement

In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes in their measurement basis:

a) Those previously classified as AFS financial assets are now classified as financial investments measured at FVOCI; and

b) Those previously classified as investments classified as receivables and HTM investments are now classified as financial investments measured at amortised cost.

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

(3) Reconciliation of balance of impairment allowance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the opening impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	Impairment allowance under IAS 39/ Provisions under IAS 37	Reclassification	ECL allowance	Impairment allowance under IFRS 9
At amortised cost				
Due from banks and other financial institutions	–	–	4,563	4,563
Loans and advances to customers	5,044,814	(50,444)	1,313,966	6,308,336
Investment securities – Loans and receivables	1,217,482	(1,217,482)	–	N/A
Investment securities – HTM	–	–	–	N/A
Investment securities – Amortised cost	N/A	1,217,482	405,747	1,623,229
Subtotal	6,262,296	(50,444)	1,724,276	7,936,128
Loan commitments and financial guarantee				
ECL allowance	–	–	129,304	129,304
Fair value through other comprehensive income				
Loans and advances to customers	N/A	50,444	(29,061)	21,383
Investment securities – FVOCI	N/A	–	170,371	170,371
Subtotal	N/A	50,444	141,310	191,754
Total	6,262,296	–	1,994,890	8,257,186

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

		Effective for annual period beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
IFRIC 23	Uncertainty over Income Tax Treatment	1 January 2019
IFRS 16	Leases	1 January 2019
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation and Modifications of Financial Liabilities	1 January 2019

Amendments to IFRS 10 and IAS 28

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

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

IFRIC 23

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

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

IFRS 16

IFRS 16 was officially issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The new standards improve the identification, breakdown and merger of leases and require lessees to recognise leases in balance sheets. For lessees, the new leasing standards will recognise all the leases in balance sheets as the classification of operating leases and financial leases has been removed. According to new standards, the entity is required to recognise the right-of-use assets and leasing liabilities, and exemptions applied only to short-term and low-value leases. Meanwhile, the new standards improve the also improve the accounting treatment of the lessee on subsequent measurement and leasing changes. The new standards have not undergone substantial changes in the accounting of lessors.

The Group will adopt the standards for annual periods beginning on or after 1 January 2019 and intends to use the simple transition methods stated in the standards, and not to restate the comparative amount for the previous year impacted by the first adoption. On the first day of implementation, the Group will measure the leasing liabilities on the basis of the present value of the remaining lease payment at the interest rate of the lessee's incremental borrowing for the first day of implementation and the right-of-use assets for the leases of inventory using the new standards as from the first day of implementation. For short-term and low-value leases, the Group is subject to the recognition exemptions.

The Group expects that the first adoption of the new standards will not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRSs: Annual Improvements to IFRSs 2015–2017 Cycle

The Annual Improvements to IFRSs 2015–2017 Cycle include a number of amendments to various IFRSs, including the amendments IFRS 3 – Business Combinations, the amendments to IFRS 11 – Joint Arrangements, the amendments to IAS 12 – Income Taxes, the amendments to IAS 23 – Borrowing Costs. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

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

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

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

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Associates

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

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

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

2.4 Derivative financial instruments

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

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

(i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;

(ii) separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(iii) the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets

The following accounting policy related to financial instruments is applicable for 2018

(a) Measurement methods

Amortised cost and effective interest rate

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

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

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

(b) Interest income

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

1) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

The following accounting policy related to financial instruments is applicable for 2018 (Continued)

(c) *Initial recognition and measurement*

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

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

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

1) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised into profit or loss.

2) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

The following accounting policy related to financial instruments is applicable for 2018 (Continued)

(d) Classification and subsequent measurement

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

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

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

(1) Debt instruments

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

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

(i) Business model

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

The following accounting policy related to financial instruments is applicable for 2018 (Continued)

(d) Classification and subsequent measurement (Continued)

(1) Debt instruments (Continued)

(ii) SPPI

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

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

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

(i) Amortised cost

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

The following accounting policy related to financial instruments is applicable for 2018 (Continued)

(d) Classification and subsequent measurement (Continued)

(1) Debt instruments (Continued)

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

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

The following accounting policy related to financial instruments is applicable for 2018 (Continued)

(d) Classification and subsequent measurement (Continued)

(2) Equity instruments

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

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

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

(e) Modification of loan contracts

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;

- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;

- Significant extension of the loan term when the borrower is not in financial difficulty;

- Significant change in the interest rate;

- Change in the currency the loan is denominated in;

- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

The following accounting policy related to financial instruments is applicable for 2018 (Continued)

(e) Modification of loan contracts (Continued)

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

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

(f) Derecognition other than on a modification

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

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

1) has no obligation to make payments unless it collects equivalent amounts from the assets;

2) is prohibited from selling or pledging the assets; and

3) has an obligation to remit any cash it collects from the assets without material delay.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

The following accounting policy related to financial instruments is applicable for 2018 (Continued)

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

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. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

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

The following accounting policy related to financial instruments is applicable for 2017

(g) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, HTM investments and AFS financial assets. Management determines the classification of its investments at initial recognition.

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

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

(2) Loans and receivables

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

The following accounting policy related to financial instruments is applicable for 2017 (Continued)

(g) Classification (Continued)

(3) HTM financial assets

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

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

(4) AFS financial assets

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

(h) Initial recognition and measurement

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

The following accounting policy related to financial instruments is applicable for 2017 (Continued)

(h) Initial recognition and measurement (Continued)

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

2.6 Impairment of financial assets

The following accounting policy related to financial instruments is applicable for 2018

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.6 Impairment of financial assets (Continued)

The following accounting policy related to financial instruments is applicable for 2017

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group; and national or local economic conditions that correlate with defaults on the assets in the Group;

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.6 Impairment of financial assets (Continued)

The following accounting policy related to financial instruments is applicable for 2017 (Continued)

- Any significant change with an adverse effect that has taken place in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of investments in equity instruments may not be recovered;

- A significant or prolonged decline in the fair value of equity instrument investments; and

- Other objective evidence indicating impairment of the financial asset.

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

(a) Assets carried at amortised cost

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.6 Impairment of financial assets (Continued)

The following accounting policy related to financial instruments is applicable for 2017 (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

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

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

(b) Assets classified as AFS

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.7 Financial liabilities

The following accounting policy related to financial instruments is applicable for 2018

(a) Classification and subsequent measurement

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

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; when continuing involvement approach applies, refer to Note 2.5(f).

- Financial guarantee contracts and loan commitments.

(b) Derecognition

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.7 Financial liabilities (Continued)

The following accounting policy related to financial instruments is applicable for 2017

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

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

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

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition. A financial liability is classified as held for trading if one of the following conditions is satisfied:

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

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

(b) Other financial liabilities

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.8 Financial guarantee contracts and loan commitments

The following accounting policy related to financial instruments is applicable for 2018

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

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

- The amount of the loss allowance (calculated as described in Note 3.1.4); and

- The premium received on initial recognition less accumulative amortisation recognised in accordance with the principles of IFRS 15.

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

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

The following accounting policy related to financial instruments is applicable for 2017

Financial guarantee contracts are contracts that require the Group as the guarantor (the 'issuer') to make specified payments to reimburse the beneficiary of the guarantee (the 'holder') for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in 'other liabilities'. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the consolidated statement of financial position if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the carrying amount of the deferred income.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.9 Offset financial assets and liabilities

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

2.10 Interest income and expense

Interest income and expense are recognised in profit or loss for interest-bearing instruments on an accrual basis using the effective interest method. For the interest recognition method of POCI financial assets, please refer to Note 2.5.

2.11 Fee and commission income

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

2.12 Dividend income

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

2.13 Sale/purchase and repurchase/resale agreements

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.14 Property, plant and equipment

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

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

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

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

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.14 Property, plant and equipment (Continued)

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

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

2.15 Foreclosed assets

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

2.16 Land use rights

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

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

2.17 Intangible assets

An intangible asset is measured initially at cost, including direct expenses incurred in connection with the acquisition. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of each reporting period, and makes adjustments when necessary.

An intangible asset is derecongnised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecongnised.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.18 Investment property

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing, and buildings that are being constructed or developed for the purpose of leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

Investment properties are initially measured at cost, including costs that are directly attributable to the properties, at the time of acquisition. The Group adopts the cost model for subsequent measurement of investment properties. The type of assets, estimated useful lives, estimated net residual value, annual depreciation rate (annual amortisation rate) and estimated residual value rate of investment properties are as follows:

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

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer.

Investment properties are reviewed for impairment at each reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.19 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) The Group as lessor

When the Group is the lessor in a finance lease, an amount representing the minimum lease payment receivables and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the 'net lease investment') is recorded in the consolidated statement of financial position as 'Loans and advances to customers'. The difference between the net lease investment and the undiscounted amount is recorded as unearned finance income, amortising over the term of the lease using the effective interest method and recognised in profit or loss. Impairment losses on lease receivables are accounted for in accordance with the accounting policies as financial instruments impairment.

When the Group is the lessor in an operating lease, the assets subject to the operating lease continue to be recognised as the Group's property, plant and equipment. Rental income from operating leases is recognised as 'Other operating income' in the consolidated statements of comprehensive income on a straight-line basis over the term of the related lease.

(b) The Group as lessee

When the Group is the lessee in an operating lease, operating lease payments are recognised as an expense and charged to 'Operating expenses' in the consolidated statements of comprehensive income on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as expenses in the periods in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are considered in determining the amount to be recognised over the lease term.

2.20 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash, excess reserve with central bank and amounts due from banks and other financial institutions.

2.21 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably measured, it will then be recognised as provisions.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.22 Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the risks specific to the obligation, the uncertainties and the time value of money.

2.23 Current and deferred income taxes

The tax expense for the year comprises current and deferred income tax. Tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. As at the consolidated financial statements date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the related deferred income tax asset is realised or the deferred income tax liability is settled pursuant to tax laws.

The temporary differences primarily arise from impairment allowance for loans and advances, impairment allowance for financial assets at amortised cost, and unrealised gains/losses of financial assets at FVOCI.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised. Deferred income tax liabilities are the amounts of income tax payable in respect of taxable temporary differences, which are measured at the amount expected to be paid to the tax authorities in the future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.24 Share capital

Share capital of equity comprises ordinary shares issued.

2.25 Employee benefits

Salaries and bonuses, housing benefits and costs for social security benefits are accrued in the financial period in which the services are rendered by employees of the Group. The Group also participates in various defined contribution retirement plans principally organised by municipal and provincial governments.

In addition, the Group pays supplementary retirement benefits to employees, who retired before 30 June 2011. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on equivalent government bonds at the reporting date, the maturity dates of which approximate to the terms of the Group's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are charged or credited to the other comprehensive income as they occur. Current service cost and net interest on the net defined benefit liability (asset) is recognised in profit and loss.

After 1 January 2010, employees can also voluntarily participate in a defined contribution plan established by the Group ('the Annuity Plan') according to state corporate annuity plan besides the pension plan of the social security. The Group contributes to the Annuity Plan based on certain percentages of the employees' gross salaries in the previous year. The Group's contributions to annuity plans are charged to profit or loss in the financial period to which they relate.

2.26 Foreign currency translation

(a) Functional and recording currency

The Group's recording currency is Renminbi ('RMB'), the legal currency of the PRC. Items included in the consolidated financial statements of each of the Group are measured using the currency that best reflects the economic environment of the underlying events and circumstances relevant to that entity ('the functional currency'). The consolidated financial statements are presented in RMB which is the functional and recording currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated statement of comprehensive income. Foreign currency gains or losses in monetary assets classified as available for sale are recognised in profit or loss.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in consolidated statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.27 Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from the consolidated financial statements where the Group acts in a fiduciary capacity such as nominee, trustee, custodian or agent.

The Group grants entrusted loans on behalf of third-party lenders. The Group grants loans to borrowers, as agent, at the direction of the third-party lenders, who fund these loans. The Group has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans including their purposes, amounts, interest rates, and repayment schedule. The Group charges a commission related to its activities in connection with the entrusted loans which are recognised ratably over the period the service is provided. The risk of loss is born by the third-party lenders, thus the principal amounts of the entrusted loans are recorded on the off-balance sheet.

2.28 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the senior management team represented by the President as its chief operating decision maker.

An operating segment is a component of the Group with all of the following conditions are satisfied: (1) that component can earn revenues and incur expenses from ordinary activities; (2) the component's operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (3) discrete consolidated financial statements for the component is available to the Group. If two or more operating segments have similar economic characteristics, and certain conditions are satisfied, they may be aggregated into a single operating segment.

Intra-segment revenue and costs are eliminated. Income and expenses directly associated with each segment are included in determining segment performance.

The classification of reporting segments are based on the operating segments, and the assets and expenses shared by all the segments are allocated according to their scales.

3 FINANCIAL RISK MANAGEMENT

Overview

The Group's business activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Assuming risks is core to the financial business, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, and products and the emerged best practice.

The Board of Directors is the highest authority for the Group's overall risk management. It examines and approves strategy and measures of risk management and monitors risk management and internal control system. It accesses overall risk based on monitoring information and the risk report of senior management. The risk management committee of the Bank is in charge of the Group's overall risk management structure, policies and tools, and monitors the risk management, including the preparation and implementation of risk management policies and procedures, and written policies covering specific areas, such as credit risk, interest rate risk, liquidity risk and foreign exchange risk. The assets and liabilities management department of the Bank is primarily in charge of managing the Group's liquidity risk and the banking book's interest rate risk.

The Group is subject to a number of financial risks, primarily including credit risk, market risk (including foreign exchange risk and interest risk), and liquidity risk.

3.1 Credit risk

The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable to or unwilling to meet its obligations under a contract. Changes in the economy or those in credit quality of a particular industry segment or concentration in the Group's portfolio could result in losses that are different from those provided for at the reporting date. Credit risk increases when the counterparties are in the similar geographical or industry segments. Credit exposures arise principally from loans and advances, debt securities and due from banks and other financial institutions. There are also credit risk exposures in off-balance sheet financial arrangements such as loan commitments, guarantees, acceptances and letters of credit.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.1 Credit risk management

(a) Credit business

The Group measures and manages the quality of its credit assets in accordance with the CBRC's Guidelines of Risk Classification of Loans and Guidelines of Risk Classification of Micro Enterprises loans (Trial Implementation). The classification of loans is based on the borrowers' repayment ability, repayment history, willing of repayment, guarantee of loans, legal responsibility and loan administration. The Guidelines of Risk Classification of Loans require financial institutions to classify their credit assets into five categories, namely pass, special mention, substandard, doubtful and loss, of which the last three categories are non-performing loans. The Group monitors the overdue status of its loans to retail customers in managing credit risk.

The core definitions of credit asset classifications in the Guidelines of Risk Classification of Loans are as follows:

Pass:	The borrower can fulfil the contracts, and there is insufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.
Special mention:	The borrower has the ability to make current payments, but there may be some potential issues that could have adverse impact on the future payments.
Substandard:	The borrower's repayment ability has been impaired and their normal income cannot repay the loan principal and interest in full. Even with execution of guarantee, there may be certain level of loss.
Doubtful:	The borrower cannot repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss.
Loss:	After taking consideration of all possible recovery actions or all necessary legal proceedings, the future outcome of recovery is likely to be little or no recovery.

Risk management department coordinates the classification of loans. The classification of loans is performed monthly and adjusted timely. Risk management department summarises the reclassification information justified by corporate credit management department, small and micro enterprise banking department and personal banking department monthly and reports to risk management and internal control committee for approval. The classification of loans is monitored through credit management system.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.1 *Credit risk management (Continued)*

(b) Treasury business

The Group manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the external credit rating of banks and financial institutions. The financial market department in head office monitors and reviews the credit risk of loans to banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties. For debt securities and other treasury business, the Group manages the credit risk exposures by setting limits to the external credit ratings of its investments.

3.1.2 *Risk limit control and mitigation policies*

(a) Credit business

The Group takes the same credit risk management control procedure for on and off-balance sheet risk exposures. The risk control procedure of the Group's credit risk includes the following: credit policy stipulating, pre-credit investigation, credit rating for corporate and retail customers, collateral assessment, examination and approval of credit loans, draw-down, post-loan management, management on non-performing loans, due-diligence on non-performing loans.

The Group has established a mechanism of risk warning for credit business, mainly including single customer credit authorisation risk and systematic risk. Unified credit authorisation management is implemented for key customers. Once the maximum exposure of a single customer is determined, the customer's exposure limit should not exceed its credit limit in the Group at any time before it achieved new credit limit.

The Group takes action to strengthen controls over credit risk in relation to group customers and related party customers. The Group places limits in relation to key group customers to control credit risk. The committee of related party transactions is set up under the Board to manage controls over related party transaction.

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is taking collateral, which is a common practice.

Except for few customers with excellent quality, the Group requires the borrowers to provide collateral for loans. The type of collateral mainly includes mortgage, pledge and guarantee. The Group employs property appraisal companies with certificates to evaluate the collateral. The detailed collateral type and amount are determined by credit risk of counterparty or customers. Please refer to Note 3.1.5(c) for specific guidelines on collateral and guarantee.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.2 Risk limit control and mitigation policies (Continued)

(b) Treasury business

Financial inter-bank division centralises control over treasury business with hierarchical authorisation from department heads to the President for different business types such as sale, distribution, trade and repurchase of debt securities.

The Group invests in debt securities with hierarchical authorisation under the guidelines of asset and liability management committee. The Group sets stop-loss point accordingly for different maturity period and evaluates risk and loss of trading debt securities. The Group places limits for interbank borrowing and lending. The Group manages the credit risk exposures of interbank borrowing and lending strictly within the limit of regulation and credit authorisation.

For debt securities and other bills, the Group manages the credit risk exposures by setting limits to the external credit ratings of its investments, par value of single debt security purchase, selling price. RMB debt securities investments require a rating of A+ or above for long-term securities investments for state owned debtors and a rating of A+ or above for long-term securities investments for non-state-owned debtors, and A+ or above for short-term securities investment for all debtors.

Among foreign currency debt securities investment, government bonds mainly are sovereign bonds issued by Chinese government, USA government and European country government (Germany, Britain and France). A credit rating of BBB or above (by Standard & Poor's, Moody's or equivalent agencies) at the time of purchase is required for foreign currency debt securities investments.

The debt security traders regularly review and monitor the changes of market interest and report the market value of debt securities to the financial market department and the asset and liability management department. If there is any violation of interest rate in the market or any significant credit risk encountered to debtors, the business department responsible for security investment will ask for holding extraordinary asset and liability management meeting to conclude an emergency plan. The debt trader will react according to the plan.

The Group invests in trust schemes and directional asset management plans which are mainly guaranteed by third party banks or guarantee companies, or secured by collateral. The Group sets credit risk limit to the counter party banks and third party companies to mitigate the risk associated therewith.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.3 *Credit risk assessment*

The following accounting policy is applicable for 2018

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

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.3 Credit risk assessment (Continued)

The following accounting policy is applicable for 2018 (Continued)

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.3 Credit risk assessment (Continued)

The following accounting policy is applicable for 2017

Impairment allowances recognised for financial reporting purposes are the losses that have been incurred at the reporting date based on objective evidence of impairment (refer to Note 2.6).

The internal rating system assists the management to determine whether objective evidence of impairment exists based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collaterals; and
- Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such debt securities.

The Group's policy requires the review of individual financial assets that have objective evidence of impairment at least monthly or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis, and are applied to all individually impaired financial assets. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipt for that individual account.

Collectively assessed impairment allowances are provided for: losses that have been incurred but have not yet been identified, by using the available historical experience, judgment and statistical techniques.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.4 Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 3.1.4(a) for a description of how the Group determines when a significant increase in credit risk has occurred.

- If the financial instruments is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to Note 3.1.4(b) for a description of how the Group determines when a significant increase in credit risk has occurred.

- The provision method of impairment allowance at different stages is as follows: Financial instruments in Stage 1 have their ECL allowance measured at an amount equal to portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL allowance measured based on expected credit losses on a lifetime basis. Please refer to Note 3.1.4(c) for a decryption of inputs, assumptions and estimation techniques used in measuring the ECL allowance.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 3.1.4(d) includes an explanation of how the Group has incorporated this in its ECL models.

- POCI financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.4 Expected credit loss measurement (Continued)

(a) Significant increase in credit risk (SICR)

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

Quantitative criteria:

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

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

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

Qualitative criteria:

1) Borrower of loan-related financial instrument on the Watchlist, which is used to monitor credit risk and assessment at the counterparty level is conducted regularly;

2) The instrument is classified between Special-mention I to Special-mention III; or

3) The credit card is overdue or classified as concerned debt status under internal management.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.4 Expected credit loss measurement (Continued)

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

Backstop

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

Low risk customers (with internal grading of AA above) were considered to have higher credit rating and there will be no comparison between the credit risk on reporting date and that of the first recognition in 2018.

(b) Definition of default and credit-impaired assets

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

Quantitative criteria:

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

1) Borrower of loan-related financial instrument on the Monitoring list, which is used to monitor credit risk and assessment at the counterparty level is conducted regularly;

2) The instrument is classified between Substandard I to Loss; or

3) Credit card is classified as outsourced collection or sued and interest accrual stopped status under internal management.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.4 Expected credit loss measurement (Continued)

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

Quantitative criteria: (Continued)

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.4 Expected credit loss measurement (Continued)

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

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For the definition of default, refer to Note 3.1.4(b).

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by availability of collateral and other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.4 Expected credit loss measurement (Continued)

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

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

- For amortising products and bullet payment loans, this is based on the contractual repayments owed by the borrower over a 12M or lifetime basis.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a 'credit conversion factor' which allows for the expected drawdown of the remaining limit by the time of default.

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

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

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

There have been no significant changes in estimation techniques or significant assumptions made in 2018.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.4 *Expected credit loss measurement (Continued)*

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

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

	Applicable to exposures	**Range**
GDP: accumulated year on year	on-balance sheet and off-balance sheet corporate business, bond investments, mortgage retail loans, consumer retail loans	6%-6.7%
CPI: accumulated year on year	on-balance sheet and off-balance sheet corporate business, bond investments, mortgage retail loans, inter-bank business	1.85%-2.7%
Fixed Asset Investment: accumulated year on year	on-balance sheet and off-balance sheet corporate business, bond investments, inter-bank business	4.4%-15.2%
M2: accumulated year-on-year	mortgage retail loans, consumer retail loans	7%-10.2%

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.4 Expected credit loss measurement (Continued)

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

As at 31 December 2018, the ECL calculated for the above three scenarios and the weighted average ECL of the Group are as follows:

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

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

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

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

	As at 31 December 2018
Gross amount of ECL and provisions assuming all the financial assets and loan commitments and financial guarantee in stage 2 are transferred to stage 1	1,908,977
Gross amount of ECL and provisions in the consolidated statement of financial position	2,403,523
Difference – amount	(494,546)
Difference – percentage	-21%

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.5 Credit risk exposure

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

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

	As at 31 December 2018 Carrying amount	As at 31 December 2017 Carrying amount
On-balance-sheet items		
Balances with central bank	**32,637,748**	43,157,747
Due from other banks and financial institutions	**57,915,079**	37,000,091
Loans and advances to customers		
– Carried at amortised cost:	**192,421,831**	172,162,090
Stage 1	**180,202,989**	N/A
Stage 2	**10,014,627**	N/A
Stage 3	**982,497**	N/A
Interest receivable	**1,221,718**	N/A
– FVOCI (Stage 1)	**13,501,381**	N/A
Investment securities – amortised cost	**82,523,309**	N/A
Stage 1	**80,141,996**	N/A
Stage 2	**403,699**	N/A
Stage 3	**381,902**	N/A
Interest receivable	**1,595,712**	N/A
Loans and receivables	**N/A**	100,607,725
HTM	**N/A**	21,012,375
Investment securities – FVOCI (Stage 1)	**34,478,553**	N/A
Investment securities – AFS	**N/A**	37,106,799
On-balance-sheet total	**413,477,901**	411,046,827
Off-balance-sheet total	**35,459,110**	27,504,706
Total	**448,937,011**	438,551,533

As at 31 December 2018, balances with central bank and due from other banks and financial institutions of the Group were both in Stage 1.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.5 Credit risk exposure (Continued)

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.5 Credit risk exposure (Continued)

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

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

	2018 ECL Stage			
	Stage I 12M ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
Credit Rating				
Low Risk	48,909,867	–	–	48,909,867
Medium Risk	32,281,313	–	–	32,281,313
High Risk	–	602,237	608,209	1,210,446
Gross principal balance	81,191,180	602,237	608,209	82,401,626
Impairment allowance	(1,049,184)	(198,538)	(226,307)	(1,474,029)
Total	80,141,996	403,699	381,902	80,927,597

(b) Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

	Maximum exposure to credit risk	
	As at 31 December 2018	As at 31 December 2017
Financial assets at FVPL		
Bond investments	1,146,366	702,084
Trust investments	5,174,858	N/A
Directional assets management plans	10,266,659	N/A
Total	16,587,883	702,084

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.5 Credit risk exposure (Continued)

(c) Collateral and other credit enhancements

The Group has a range of policies and practices intended to mitigate credit risk. The most useful practice is to accept collaterals. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral for loans and advances to customers are:

- Residential properties;
- Business assets such as premises, inventory and accounts receivable;
- Financial instruments such as stocks.

The value of collaterals at the time of loan origination is determined by risk management department and the amount of the loans granted is subject to loan-to-value ratio limits based on collateral types. The principal types of collateral for corporate loans and individual loans are as follows:

Type pf collateral	Maximum loan-to-value ratio
Bank note and bank acceptance	90%
Warehouse receipt and accounts receivable	70%
Construction in progress	50%
Publicly traded stocks	60%
Property	70%
Land use rights	70%
Motor vehicles	40%

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.5 Credit risk exposure (Continued)

(c) Collateral and other credit enhancements (Continued)

Mortgage loans to retail customers are generally collateralised by residential properties. Other loans are collateralised dependent on the nature of the loan.

For loans guaranteed by a third-party guarantor, the Group will assess the guarantor's credit rating, financial condition, credit history and ability to meet obligations.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Details of collateral accepted and which the Group is obligated to return are disclosed in Note 39.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

As at 31 December 2018	**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets (Stage 3)				
Loans and advances to customers				
– Corporate loans	**2,026,277**	**(1,356,750)**	**669,527**	**552,171**
– Retail loans	**854,887**	**(541,917)**	**312,970**	**231,169**
Investment securities measured at amortised cost	**608,209**	**(226,307)**	**381,902**	**264,993**
Total	**3,489,373**	**(2,124,974)**	**1,364,399**	**1,048,333**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 *Loss allowance*

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up' (or 'step down') between 12M and Lifetime ECL;

- Additional allowances for new financial instruments recognised for the current year;

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs for the current year, arising from regular refreshing of inputs to models;

- Impacts on the measurement of ECL due to changes made to models and assumptions;

- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;

- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and

- Loans and advances to customers derecognised for the current year and write-offs of allowances related to loans and advances to customers that were written off during the period.

The impact of the above factors on the loss of loans and advances to customers made from the beginning to the end of this year is set out in Note 21(c). The impact of the above factors on the Investment securities measured at FVOCI made from the beginning to the end of this period is set out in Note 22. The impact of the above factors on the Investment securities measured at amortised cost made from the beginning to the end of this period is set out in Note 22.

3.1.7 *Write-off policy*

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that show no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is not expected to recover the principal and interest in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off for the year ended 31 December 2018 was RMB3,850,730 thousand (2017: RMB1,673,174 thousand).

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.8 *Loans and advances*

Loans and advances are summarised as follows:

	As at 31 December 2017	
	Loans and advances to customers	Discounted bills and trade finance
Neither past due nor impaired	163,109,460	5,795,499
Past due but not impaired	5,901,485	–
Individually impaired	2,400,460	–
Gross	171,411,405	5,795,499
Less: Collective impairment allowances	(3,852,558)	(64,910)
Individual impairment allowances	(1,127,346)	–
Total allowance	(4,979,904)	(64,910)
Net amount	166,431,501	5,730,589

(a) Gross loans and advances neither past due nor impaired

The Group monitors the credit risk of corporate loans and advances neither past due nor impaired by applying its customer grading system.

As at 31 December 2017	Five-category classification		
	Pass	Special mention	Total
Corporate loans			
– Commercial loans	90,257,353	3,205,948	93,463,301
– Discounted bills	4,802,366	–	4,802,366
– Trade finance	993,133	–	993,133
– Financial lease	9,013,977	–	9,013,977
Subtotal	105,066,829	3,205,948	108,272,777
Retail loans	60,272,500	359,682	60,632,182
Total	165,339,329	3,565,630	168,904,959

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.8 Loans and advances (Continued)

(b) Loans and advances past due but unimpaired

	As at 31 December 2017				
	Past due up to 30 days	Past due 30 – 60 days	Past due 60 – 90 days	Past due over 90 days	Total
Corporate entities	2,564,299	337,130	273,003	1,445,621	4,620,053
Individuals	663,128	224,998	175,507	217,799	1,281,432
Total	3,227,427	562,128	448,510	1,663,420	5,901,485

(c) Loans and advances that impaired individually

As at 31 December 2017, individually impaired loans and advances to customers before taking into consideration the collateral held amounted to RMB2,400,460 thousand.

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

	As at 31 December 2017
Corporate entities	1,689,669
Individuals	710,791
Individually impaired loans and advances to customers	2,400,460

Fair value of collaterals for individually impaired collateralised loans and advances to customers:

Corporate entities	1,143,412
Individuals	490,302
Individually impaired loans and advances to customers	1,633,714

Note: The aggregate fair value of the collaterals listed above does not exceed the credit risk exposure of each corresponding loan and advance.

The fair value of collaterals is estimated based on the latest available external valuations, the realisation experience of the current collaterals and the market conditions.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.8 Loans and advances (Continued)

(d) Restructured loans and advances

Restructuring activities include approved debtor repayment plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue to be made. These policies are under regular review. Restructuring is most commonly applied to term loans, in particular mid-term and long-term loans. The balance of restructured loans and advances as at 31 December 2018 was RMB3,801,766 thousand (31 December 2017: RMB3,105,944 thousand).

(e) Concentration risk analysis for loans and advances to customers (gross) by geographic sectors

	As at 31 December 2018			As at 31 December 2017		
	Gross amount	**%**	**Non-performing loan ratio**	Gross amount	%	Non-performing loan ratio
Chongqing City	**164,278,293**	**77.33**	**0.86%**	137,070,759	77.36	0.98%
Sichuan Province	**16,980,357**	**7.99**	**3.94%**	14,483,714	8.17	4.06%
Guizhou Province	**15,600,692**	**7.34**	**3.63%**	14,698,036	8.29	2.51%
Shaanxi Province	**14,349,709**	**6.76**	**1.64%**	10,954,395	6.18	0.86%
Interest receivable on loans and advances to customers	**1,221,718**	**0.58**	**N/A**	N/A	N/A	N/A
Total	**212,430,769**	**100.00**	**1.36%**	177,206,904	100.00	1.35%

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.8 Loans and advances (Continued)

(f) Industry analysis

Concentration risks analysis for loans and advances to customers (gross) by economic sectors:

	As at 31 December 2018		As at 31 December 2017	
	Amount	**%**	Amount	%
Corporate loans – amortised cost				
Water conservation, environment and public facility administration	**35,482,723**	**24.91**	21,426,164	18.70
Leasing and commercial services	**20,446,505**	**14.36**	13,373,813	11.67
Manufacturing	**16,634,742**	**11.68**	15,544,339	13.57
Wholesale and retail	**13,462,906**	**9.45**	14,587,355	12.73
Construction	**12,182,083**	**8.55**	10,961,064	9.57
Real estate	**11,642,543**	**8.17**	13,997,831	12.22
Electricity, gas and water production and supply	**3,638,130**	**2.56**	3,319,765	2.90
Transportation, storage and postal service	**2,422,016**	**1.70**	2,075,708	1.81
Mining	**2,417,486**	**1.70**	2,710,914	2.37
Health and social welfare	**2,135,471**	**1.50**	1,406,978	1.23
Agriculture, forestry, animal husbandry and fishery	**1,998,964**	**1.40**	2,101,230	1.83
Household services, repairing and other services	**1,755,783**	**1.23**	2,832,632	2.47
Accommodation and catering	**1,150,115**	**0.81**	954,832	0.83
Scientific research and technology services	**994,808**	**0.70**	1,044,204	0.91
Information transmission, software and information technology services	**788,231**	**0.55**	460,005	0.40
Financing	**765,493**	**0.54**	90,446	0.08
Education	**631,729**	**0.44**	768,353	0.67
Culture, sports and entertainment	**383,030**	**0.27**	257,500	0.22
Public administration, social security and social organisations	**–**	**–**	1,867,000	1.63
Discounted bills	**N/A**	**N/A**	4,802,366	4.19
Corporate loans–FVOCI				
Discounted bills	**13,501,381**	**9.48**	N/A	N/A
Total corporate loans	**142,434,139**	**100.00**	114,582,499	100.00
Retail loans				
Personal consumption loans	**31,199,939**	**45.37**	30,024,576	47.94
Mortgage loans	**20,606,735**	**29.96**	17,235,358	27.52
Personal business loans	**12,243,480**	**17.80**	11,170,569	17.84
Credit card advances	**4,724,758**	**6.87**	4,193,902	6.70
Total retail loans	**68,774,912**	**100.00**	62,624,405	100.00
Interest receivable on loans and advances to customers	**1,221,718**		N/A	
Gross amount of loans and advances to customers	**212,430,769**		177,206,904	

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.8 *Loans and advances (Continued)*

(f) *Industry analysis (Continued)*

The economic sector risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

(g) *Type of collateral analysis*

Analysis for loans and advances to customers (gross) by type of collateral:

	As at 31 December 2018	As at 31 December 2017
Collateralised loans	**69,774,637**	69,308,295
Guaranteed loans	**97,113,789**	75,927,183
Pledged loans	**22,235,920**	15,063,354
Unsecured loans	**22,084,705**	16,908,072
Interest receivable on loans and advances to customers	**1,221,718**	N/A
Total	**212,430,769**	177,206,904

3.1.9 *Investment securities*

As at 31 December 2018 and 2017, RMB bonds are rated by China Cheng Xin International Credit Rating Co. Ltd, China Lianhe Credit Rating Co., Ltd, Shanghai Far East Credit Rating Co., Ltd, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd, Pengyuan Credit Rating Co., Ltd and Golden Credit Rating International Co., Ltd. Foreign currency bonds are mainly rated by reference to S&P.

The rate of the Group's investment securities made by the independent credit agencies are as follows:

As at 31 December 2018	**Financial assets at FVPL**	**Investment securities at FVOCI**	**Investment securities at amortised cost**	**Total**
AAA	**226,799**	**3,110,352**	**3,279,528**	**6,616,679**
AA- to AA+	**614,106**	**13,836,281**	**–**	**14,450,387**
A+	**50,370**	**–**	**–**	**50,370**
Unrated[(a)]	**15,696,608**	**16,692,350**	**77,648,069**	**110,037,027**
Interest receivable	**–**	**839,570**	**1,595,712**	**2,435,282**
Total:	**16,587,883**	**34,478,553**	**82,523,309**	**133,589,745**

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.9 *Investment securities (Continued)*

As at 31 December 2017	Investment securities-loans and receivables	Investment securities-AFS	Investment securities-HTM	Held for trading-debt securities	Total
AAA	–	1,084,533	150,000	28,370	1,262,903
AA- to AA+	–	10,947,817	230,000	381,710	11,559,527
Unrated[(a)]	100,607,725	20,178,737	20,632,375	292,004	141,710,841
Total:	100,607,725	32,211,087	21,012,375	702,084	154,533,271

(a) *These mainly represent debt securities at FVPL, debt securities at FVOCI and debt securities at amortised cost issued by PRC Ministry of Finance, the central bank, policy banks and other oversea financial institutions who are creditworthy issuers in the market, but are not rated by independent rating agencies. In addition, debt securities at FVOCI and debt securities at amortised cost mainly include non-principal-guaranteed wealth management products issued by other banks, and the beneficiary rights of trust schemes and directional asset management plans, whose principal and income are guaranteed or collateralised. As at 31 December 2018, the impairment allowance for debt securities at FVOCI amounted to RMB88,492 thousand and the impairment allowance for debt securities at amortised cost amounted to RMB1,474,029 thousand.*

Debt securities held for trading, AFS debt securities and HTM investments mainly represent investment and trading securities issued by PRC Ministry of Finance, central bank, policy banks and other oversea financial institutions who are creditworthy issuers in the market, but are not rated by independent rating agencies. Loans and receivables mainly include principal-guaranteed wealth management products issued by other banks, and the beneficiary rights of trust schemes and directional asset management plans, whose principal and income are guaranteed or collateralised. As at 31 December 2017, there was no overdue debt securities held and individually impaired debt securities. The impairment allowance for loans and receivables amounted to RMB1,217,482 thousand.

Loans and receivables are summarised as follows:

	As at 31 December 2017
Neither past due nor impaired	99,221,797
Past due but not impaired	–
Individually impaired	2,603,410
Gross	101,825,207
Less: Impairment allowance	(1,217,482)
Net amount	100,607,725

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.9 Investment securities (Continued)

Trust investments/asset management plans classification by underlying assets are summarised as follows:

	As at 31 December 2018	As at 31 December 2017
Financial assets at FVPL		
– Credit assets	**15,441,517**	–

	As at 31 December 2018	As at 31 December 2017
Financial assets at amortised cost		
– Credit assets	**26,164,632**	51,794,466
– Bond assets	**22,919,000**	13,200,000
– Bill assets	**–**	2,854,909
– Interbank assets	**–**	5,347,131
	49,083,632	73,196,506

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.10 Foreclosed assets

	As at 31 December 2018	As at 31 December 2017
Business properties	**11,621**	10,611
Residential properties	**340**	340
Other	**5,112**	5,109
Total	**17,073**	16,060

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Group does not generally occupy foreclosed properties for its business use. Foreclosed assets are classified in the consolidated statement of financial position as other assets at the reporting date.

3.2 Market risk

3.2.1 Overview

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates and prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

In accordance with the requirements of the CBIRC, the Group categorises its business into either the trading book or the banking book. The trading book consists of positions in financial instruments held either with trading intent or in order to economically hedge other elements of the trading book or the banking book. The banking book consists of the assets purchased with excess funds and other financial instruments that are not captured in trading book.

The market risks arising from trading and non-trading activities are monitored by two teams separately. Regular reports are submitted to the Board of Directors and head of each business unit.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.2 *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the market value of a financial instrument will fluctuate due to changes in market interest rates.

The interest rate risk of the Group mainly comes from the impact of interest rate change on net interest income, which was caused by the mismatch between the interest-rate-sensitive assets and liabilities' maturity date or the re-pricing date.

The Group's Assets and Liabilities Management Committee is responsible for establishing, periodically examining and monitoring the exercising of the policies, procedures and detailed operating rules regarding interest rate risk. The financial market department is responsible for the front office treasury transactions; the accounting department is responsible for the settlement at the back office. The assets and liabilities management department is responsible for the analysis of RMB interest rate risk, submission of interest rate analysis report to the Assets and Liabilities Management Committee, and timely reporting and dealing with extraordinary situations of interest rate risks identified.

The financial market department follows the Group's interest rate management policies and conducts the front office treasury transactions under the Group's approved interest rate limit. The Group records the assets in trading book and non-trading book. The freely tradable financial instruments held for trading purpose or avoiding the risks of other items in trading book were recorded under the trading book; others were recorded under the non-trading book. The financial market department manages and conducts treasury transactions within the interest rate limit approved by the senior management, and monitors the market risk of the trading book and its risk limit compliance.

The Group uses the RMB interest rate risk management system to monitor and manage the overall interest rate risk of the assets and liabilities under the non-trading book. At the current stage, the Group manages the interest rate risk mainly through raising suggestion about the re-pricing date of assets and liabilities, setting market risk limit and other methods. The Group analyses the interest rate gap and assesses the difference between the interest-bearing assets and liabilities which would mature or re-price within certain time period, to provide instruction for the adjustment of interest-bearing assets and liabilities' re-pricing date. Meanwhile, the Group controls and manages interest risk by establishing the instruction and authorisation limit of investment portfolio. The Group's treasury management conducts real-time market value assessment to monitor the investment risk more accurately. In addition, the Group manages the interest rate risk of branches by the head office using the internal funds transfer-pricing system.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.2 *Interest rate risk (Continued)*

The tables below summarise the Group's exposures to interest rate risks and present the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
As at 31 December 2018							
Assets							
Cash and balances with central bank	32,621,825	–	–	–	–	595,016	33,216,841
Due from other banks and financial institutions	42,926,826	7,100,008	7,706,052	–	–	182,193	57,915,079
Financial assets at FVPL	12,510	2,340,592	10,163,826	3,546,868	2,733,088	8,624,974	27,421,858
Loans and advances to customers	21,048,062	13,477,101	131,278,212	34,352,427	4,899,131	868,279	205,923,212
Investment securities							
– FVOCI	1,014,611	908,605	8,121,411	16,411,573	7,182,783	1,048,184	34,687,167
– Amortised cost	4,320,220	1,114,148	11,493,042	53,103,467	10,896,720	1,595,712	82,523,309
Other financial assets	–	–	–	–	–	1,775,932	1,775,932
Total financial assets	**101,944,054**	**24,940,454**	**168,762,543**	**107,414,335**	**25,711,722**	**14,690,290**	**443,463,398**
Liabilities							
Due to other banks and financial institutions	(17,565,634)	(7,265,568)	(31,792,939)	–	(52,326)	(413,472)	(57,089,939)
Financial debt at fair value through profit or loss	–	–	–	–	–	(657)	(657)
Customer deposits	(92,336,786)	(11,850,779)	(60,111,322)	(87,159,126)	(2,711,264)	(2,224,916)	(256,394,193)
Debt securities issued	(4,262,108)	(22,482,064)	(53,273,604)	(9,088,383)	(7,494,209)	(382,245)	(96,982,613)
Other financial liabilities	–	–	–	–	–	(3,417,537)	(3,417,537)
Total financial liabilities	**(114,164,528)**	**(41,598,411)**	**(145,177,865)**	**(96,247,509)**	**(10,257,799)**	**(6,438,827)**	**(413,884,939)**
Total interest sensitivity gap	**(12,220,474)**	**(16,657,957)**	**23,584,678**	**11,166,826**	**15,453,923**	**8,251,463**	**29,578,459**

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.2 *Interest rate risk (Continued)*

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.2 *Interest rate risk (Continued)*

The Group assesses the impact of interest rate changes on net profit and equity through sensitivity analysis. The following table illustrates the interest rate sensitivity analysis result based on the structure of assets and liabilities as at balance sheet date.

Interest rate sensitivity test

The result of the interest rate sensitivity tests set out in the table below is based on the following assumptions: yield curves move parallel to the change of interest rate; the assets and liabilities portfolio has a static structure of interest rate; all positions are held and renewed after maturity. But the Group has not considered the following: changes after the reporting date; the impact of interest rate fluctuations on the customers' behaviours; the complicated relationship between complex structured products and interest rate fluctuations; the impact of interest rate fluctuations on market prices; the impact of interest rate fluctuations on off-balance sheet products; and impact of risk management.

On the basis of the above gap analysis on the interest rate, the Group implemented sensitivity test to analyse the sensitivity of bank's net interest income against change in interest rate. The table below illustrates the analysis of potential pre-tax impact on the Group's net interest income as at 31 December 2018 and 2017 on the assumption of a 100 basis point parallel move of the yield curves on each reporting date.

	Changes of net interest income	
	As at 31 December	
	2018	2017
+100 basis points parallel move in all yield curves	**(167,487)**	6,077
-100 basis points parallel move in all yield curves	**167,487**	(6,077)

The table below illustrates the potential pre-tax impact of a 100 basis point parallel move on the other comprehensive income of the Group.

	Changes of other comprehensive income	
	As at 31 December	
	2018	2017
+100 basis points parallel move in all yield curves	**(795,375)**	(583,862)
-100 basis points parallel move in all yield curves	**835,318**	646,770

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.3 *Foreign exchange risk*

The group's main business is located in China, and its main business is settled in RMB. However, the foreign currency assets and liabilities recognised by the Group and foreign currency transactions in the future still remain exposed to foreign exchange risk. The exchange rate risk is that the foreign exchange exposure level and cash flow of the Group will also be affected by fluctuations in the main foreign exchange rate. The Group's daily management of exchange rate risk is the responsibility of Trade and Finance Department. The Group mitigates and controls foreign exchange rate risk by setting foreign currency exposure limits and stop-loss limits.

The following tables show the Group's financial assets and liabilities at carrying amounts in RMB, categorised by the original currency.

	RMB	US Dollar	HK Dollar	Others	Total
31 December 2018					
Assets					
Cash and balances with central bank	32,767,657	448,843	160	181	33,216,841
Due from other banks and financial institutions	47,117,151	10,734,214	3,355	60,359	57,915,079
Financial assets at FVPL	27,421,858	–	–	–	27,421,858
Loans and advances to customers	205,390,375	532,837	–	–	205,923,212
Investment securities					
– FVOCI	29,616,535	5,070,632	–	–	34,687,167
– Amortised cost	81,807,189	716,120	–	–	82,523,309
Other financial assets	1,775,784	148	–	–	1,775,932
Total financial assets	425,896,549	17,502,794	3,515	60,540	443,463,398
Liabilities					
Due to other banks and financial institutions	(54,077,315)	(2,960,286)	–	(52,338)	(57,089,939)
Financial liabilities at FVPL	(657)	–	–	–	(657)
Customer deposits	(247,346,047)	(9,047,667)	(92)	(387)	(256,394,193)
Debt securities issued	(96,982,613)	–	–	–	(96,982,613)
Other financial liabilities	(3,320,345)	(97,166)	(26)	–	(3,417,537)
Total financial liabilities	(401,726,977)	(12,105,119)	(118)	(52,725)	(413,884,939)
Net position	24,169,572	5,397,675	3,397	7,815	29,578,459
Financial guarantees and credit related commitments	25,744,083	9,122,582	–	794,057	35,660,722

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.3 Foreign exchange risk (Continued)

	RMB	US Dollar	HK Dollar	Others	Total
31 December 2017					
Assets					
Cash and balances with central bank	43,348,824	378,277	153	178	43,727,432
Due from other banks and financial institutions	23,852,434	13,063,905	12,951	70,801	37,000,091
Financial assets at FVPL	702,202	–	–	–	702,202
Loans and advances to customers	171,383,979	778,111	–	–	172,162,090
Investment securities					
– Loans and receivables	100,607,725	–	–	–	100,607,725
– AFS	37,009,402	97,397	–	–	37,106,799
– HTM	21,012,375	–	–	–	21,012,375
Other financial assets	4,656,046	86,967	–	–	4,743,013
Total financial assets	402,572,987	14,404,657	13,104	70,979	417,061,727
Liabilities					
Due to other banks and financial institutions	(55,701,835)	(55)	–	(69,362)	(55,771,252)
Customer deposits	(229,501,318)	(9,202,522)	(103)	(735)	(238,704,678)
Debt securities issued	(88,727,330)	–	–	–	(88,727,330)
Other financial liabilities	(5,814,903)	(78,452)	(25)	(11)	(5,893,391)
Total financial liabilities	(379,745,386)	(9,281,029)	(128)	(70,108)	(389,096,651)
Net position	22,827,601	5,123,628	12,976	871	27,965,076
Financial guarantees and credit related commitments	24,614,607	2,255,701	–	634,398	27,504,706

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.3 Foreign exchange risk (Continued)

The Group assesses the impact of foreign exchange rate changes on net profit through sensitivity analysis. The following table illustrates the foreign exchange rate sensitivity analysis result based on the structure of assets and liabilities as at balance sheet date.

Foreign exchange sensitivity test

The Group performs exchange rate sensitivity analysis on net profit before tax for the Group by measuring the impact of a change in exchange rate on foreign exchange sensitivity gap. The analysis is based on the assumptions below: the sensitivities of foreign currencies are exchange gains or losses of RMB against foreign currencies fluctuation by 1% absolute value in closing price at reporting dates. The foreign currency exchange rates against RMB move by the same amount and same trends. The portfolio of assets and liabilities has a static structure of foreign exchange risk and all positions are held and renewed after maturity. The Group has not considered the following: business changes after the reporting date, the impact of exchange rate fluctuations on the customers' behaviours; the complicated relationship between complex structured products and exchange rate fluctuations; the impact of exchange rate fluctuations on market prices, the impact of exchange rate fluctuations on off-balance sheet products; and the impact of risk management.

The table below illustrates the potential impact of 1% change of RMB against foreign currencies on the Group's net profit before tax:

	Changes of expected net profit/(loss) before tax	
	As at 31 December	
	2018	2017
+1% upward change of foreign exchange rate	**54,089**	51,375
-1% downward change of foreign exchange rate	**(54,089)**	(51,375)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk

3.3.1 *Overview*

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The Group's objective in liquidity management is to ensure the availability of adequate funding to meet its needs for deposit withdrawals and repayment of other liabilities as they fall due and to ensure that it is able to meet its obligations to fund loan originations and commitments while taking advantage of new investment opportunities.

The Group has to respond to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan drawdowns, guarantees and cash deposit held as collateral. The Board of Directors set the minimum proportion of funds to be made available to meet such calls and the minimum level of interbank and other borrowing facilities that should be in place to cover different levels of unexpected withdrawals. As at 31 December 2018, 11% (31 December 2017: 14.5%) of the Group's total RMB-denominated and 5% (31 December 2017: 5%) of the total foreign-currency-denominated customer deposits must be deposited with the PBOC.

3.3.2 *Liquidity risk management process*

The Board of Directors or the subordinate special committee approves the policies, strategies, procedures, limits and contingency plans related to the overall management of liquidity risk according to risk preference. The assets and liabilities management committee is established under the top management, which is responsible for formulating and assessing the policies, strategies, procedures, limits and the contingency plans related to the overall management of the liquid risk management, and implementing the daily operations in liquidity risk management. The Asset and Liability Management Department cooperates with the Financial Market Department and other departments to form a well-organised, fully functional and efficient liquidity risk management system.

The Group proactively applies new technology to enhance the involvement of IT in liquidity risk management. A system is introduced to monitor the liquidity index and exposure, which form a mechanism for regular, automatic liquidity risk assessment, and arrange the Bank's asset and liability operations according to current liquidity exposure. The Group actively modifies the assets and liabilities maturity structure by applying internal fund transfer pricing, while taking control of the limit of the liquidity risk positively by carrying out performance assessment. The Group pays constant attention to its liquidity risk management process, holds weekly meetings for assets and liabilities integration, enhances and improves liquidity risk related policy, and adjusts policies in a timely manner, eventually achieving its goal in liquidity risk management.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.3 *Cash flows of non-derivative financial instruments*

The table below presents the undiscounted cash flows of the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts listed in the table present the undiscounted cash flow as per the contracts.

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
As at 31 December 2018									
Liabilities									
Due to other banks and financial institution	(308,302)	(17,313,335)	(7,429,199)	(32,737,252)	(174,782)	(64,519)	–	–	(58,027,389)
Customer deposits	(79,097,544)	(13,530,097)	(12,458,307)	(63,895,087)	(97,829,763)	(3,415,966)	–	–	(270,226,764)
Debt securities issued	–	(4,414,519)	(23,577,211)	(55,971,846)	(11,149,033)	(8,563,886)	–	–	(103,676,495)
Other financial liabilities	–	(334,881)	–	(34,882)	(596,346)	(245,037)	(2,206,391)	–	(3,417,537)
Total financial liabilities	(79,405,846)	(35,592,832)	(43,464,717)	(152,639,067)	(109,749,924)	(12,289,408)	(2,206,391)	–	(435,348,185)
Assets									
Cash and balances with central bank	595,016	5,236,640	–	–	–	–	27,385,185	–	33,216,841
Due from other banks and financial institutions	1,716,006	41,288,949	7,194,425	7,981,650	–	–	–	–	58,181,030
Non-derivative financial assets at FVPL	–	8,054,390	2,595,723	794,592	4,295,182	19,092,614	438,523	–	35,271,024
Loans and advances to customers	–	12,682,005	14,986,557	66,052,444	103,956,895	31,223,944	–	7,722,931	236,624,776
Investment securities									
– FVOCI	–	1,042,721	931,266	8,773,076	19,163,376	10,416,352	208,600	–	40,535,391
– Amortised cost	–	3,043,663	1,298,121	14,743,524	62,551,928	13,183,006	–	1,500,716	96,320,958
Other financial assets	–	1,423,448	–	–	–	229,436	25,933	97,125	1,775,942
Total financial assets	2,311,022	72,771,816	27,006,092	98,345,286	189,967,381	74,145,352	28,058,241	9,320,772	501,925,962
Net liquidity gap	(77,094,824)	37,178,984	(16,458,625)	(54,293,781)	80,217,457	61,855,944	25,851,850	9,320,772	66,577,777

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.3 Cash flows of non-derivative financial instruments (Continued)

	On demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Indefinite	Overdue	Total
As at 31 December 2017									
Liabilities									
Due to other banks and financial institution	(501,587)	(15,781,837)	(4,492,400)	(35,315,045)	(662,223)	–	–	–	(56,753,092)
Customer deposits	(79,892,790)	(11,122,910)	(14,658,663)	(46,859,061)	(94,782,272)	(3,806,268)	–	–	(251,121,964)
Debt securities issued	–	(7,290,361)	(28,651,838)	(47,727,888)	(1,350,000)	(7,493,843)	–	–	(92,513,930)
Other financial liabilities	(23,663)	(857,350)	(486,324)	(994,545)	(1,683,484)	(274,184)	(1,573,841)	–	(5,893,391)
Total financial liabilities	(80,418,040)	(35,052,458)	(48,289,225)	(130,896,539)	(98,477,979)	(11,574,295)	(1,573,841)	–	(406,282,377)
Assets									
Cash and balances with central bank	569,685	9,000,132	–	–	–	–	34,157,615	–	43,727,432
Due from other banks and financial institutions	2,287,079	23,155,561	4,082,645	7,656,546	–	–	–	–	37,181,831
Non-derivative financial assets at FVPL	–	702,122	–	97	93,618	28,660	–	–	824,497
Loans and advances to customers	–	7,492,509	8,682,599	49,851,793	95,118,679	41,226,282	–	8,251,987	210,623,849
Investment securities									
– Loans and receivables	177,500	10,414,414	9,970,600	24,037,388	41,487,104	31,350,183	–	143,097	117,580,286
– AFS	–	7,048,777	4,177,579	7,231,447	16,911,082	6,678,580	–	–	42,047,465
– HTM	–	–	30,285	2,607,232	12,044,571	10,489,683	–	–	25,171,771
Other financial assets	9,884	2,262,476	166,669	376,039	1,320,967	595,546	11,432	–	4,743,013
Total financial assets	3,044,148	60,075,991	27,110,377	91,760,542	166,976,021	90,368,934	34,169,047	8,395,084	481,900,144
Net liquidity gap	(77,373,892)	25,023,533	(21,178,848)	(39,135,997)	68,498,042	78,794,639	32,595,206	8,395,084	75,617,767

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.3 *Cash flows of non-derivative financial instruments (Continued)*

Assets available to meet all of the liabilities include cash, balances with central bank, items in the course of collection and treasury, due from other banks and financial institutions, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, certain debt securities have been pledged for liabilities. The Group would also be able to meet unexpected net cash outflows by selling securities, using credit commitments from other financial institutions, early termination of borrowings from other financial institutions and repurchase agreements and using the mandatory reserve deposits upon the PBOC's approval.

3.3.4 *Cash flows of derivative financial instruments*

As at 31 December 2018, the Group's derivatives that will be settled on a net basis include interest rate swap swap contracts. The table below analyses the Group's derivative financial instruments that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Derivatives settled on a net basis

	Up to 1 month	**1–3 months**	**3 months to 1 year**	**1–5 years**	**Over 5 years**	**Total**
As at 31 December 2018						
Interest rate swap						
Outflow	**–**	**–**	**–**	**(657)**	**–**	**(657)**

As at 31 December 2017, the Group's derivatives that will be settled on a gross basis include currency swap contracts. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Derivatives settled on a gross basis

	Up to 1 month	1–3 months	3 months to 1 year	1–5 years	Over 5 years	Total
As at 31 December 2017						
Foreign exchange derivatives						
Inflow	32,694	–	–	–	–	32,694
Outflow	(32,576)	–	–	–	–	(32,576)
Total	118	–	–	–	–	118

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.5 *Maturity analysis*

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
As at 31 December 2018									
Assets									
Cash and balances with central bank	595,016	5,236,640	–	–	–	–	27,385,185	–	33,216,841
Due from other banks and financial institutions	1,715,995	41,261,831	7,143,741	7,793,512	–	–	–	–	57,915,079
Financial assets at FVPL	–	8,052,876	2,357,023	106,052	328,192	16,139,192	438,523	–	27,421,858
Loans and advances to customers	–	13,016,270	13,206,484	67,814,823	80,144,126	26,865,960	–	4,875,549	205,923,212
Investment securities									
– FVOCI	–	1,040,896	918,426	8,362,771	16,815,425	7,341,049	208,600	–	34,687,167
– Amortised cost	–	3,018,106	1,134,698	11,774,893	54,173,362	11,015,852	–	1,406,398	82,523,309
Other financial assets	–	1,423,448	–	–	–	229,436	25,933	97,115	1,775,932
Total financial assets	2,311,011	73,050,067	24,760,372	95,852,051	151,461,105	61,591,489	28,058,241	6,379,062	443,463,398
Liabilities									
Due to other banks and financial institution	(308,302)	(17,296,840)	(7,375,551)	(31,882,092)	(174,782)	(52,372)	–	–	(57,089,939)
Financial liabilities at FVPL	–	–	–	–	(657)	–	–	–	(657)
Customer deposits	(79,097,544)	(13,421,612)	(12,007,166)	(60,988,190)	(88,164,012)	(2,715,669)	–	–	(256,394,193)
Debt securities issued	–	(4,262,107)	(22,761,756)	(53,376,158)	(9,088,383)	(7,494,209)	–	–	(96,982,613)
Other financial liabilities	–	(334,881)	–	(34,882)	(596,346)	(245,037)	(2,206,391)	–	(3,417,537)
Total financial liabilities	(79,405,846)	(35,315,440)	(42,144,473)	(146,281,322)	(98,024,180)	(10,507,287)	(2,206,391)	–	(413,884,939)
Net liquidity gap	(77,094,835)	37,734,627	(17,384,101)	(50,429,271)	53,436,925	51,084,202	25,851,850	6,379,062	29,578,459

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.5 Maturity analysis (Continued)

	On Demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Indefinite	Overdue	Total
As at 31 December 2017									
Assets									
Cash and balances with central bank	569,685	9,000,132	–	–	–	–	34,157,615	–	43,727,432
Due from other banks and financial institutions	2,287,079	23,142,135	4,056,175	7,514,702	–	–	–	–	37,000,091
Financial assets at FVPL	–	702,202	–	–	–	–	–	–	702,202
Loans and advances to customers	–	7,282,295	7,438,918	45,020,338	79,412,198	24,985,183	–	8,023,158	172,162,090
Investment securities									
– Loans and receivables	177,500	10,397,533	9,865,260	23,341,317	35,779,137	20,919,909	–	127,069	100,607,725
– AFS	–	7,019,855	4,130,806	6,895,275	14,251,804	4,809,059	–	–	37,106,799
– HTM	–	–	30,000	2,548,911	11,065,634	7,367,830	–	–	21,012,375
Other financial assets	9,884	2,262,476	166,669	376,039	1,320,967	595,546	11,432	–	4,743,013
Total financial assets	3,044,148	59,806,628	25,687,828	85,696,582	141,829,740	58,677,527	34,169,047	8,150,227	417,061,727
Liabilities									
Due to other banks and financial institution	(501,587)	(15,763,075)	(4,431,933)	(34,505,295)	(569,362)	–	–	–	(55,771,252)
Customer deposits	(79,892,790)	(11,119,251)	(14,603,994)	(46,327,235)	(84,206,121)	(2,555,287)	–	–	(238,704,678)
Debt securities issued	–	(7,062,534)	(27,947,297)	(46,223,656)	–	(7,493,843)	–	–	(88,727,330)
Other financial liabilities	(23,663)	(857,350)	(486,324)	(994,545)	(1,683,484)	(274,184)	(1,573,841)	–	(5,893,391)
Total financial liabilities	(80,418,040)	(34,802,210)	(47,469,548)	(128,050,731)	(86,458,967)	(10,323,314)	(1,573,841)	–	(389,096,651)
Net liquidity gap	(77,373,892)	25,004,418	(21,781,720)	(42,354,149)	55,370,773	48,354,213	32,595,206	8,150,227	27,965,076

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.6 *Off-balance-sheet items*

The table below lists the off-balance-sheet statement items of the Group according to their remaining term to maturity, and also includes the future minimum lease payments under non-cancellable operating leases where the Group are the lessees. The financial commitments are listed by the earliest maturity date in its notional principal.

As at 31 December 2018	**Up to 1 year**	**1–5 years**	**Over 5 years**	**Total**
Bank acceptance bill	**18,012,260**	**–**	**–**	**18,012,260**
Letter of credit	**10,446,455**	**11,997**	**–**	**10,458,452**
Letter of guarantee	**2,348,795**	**1,591,155**	**680**	**3,940,630**
Unused credit card limits	**3,169,448**	**–**	**–**	**3,169,448**
Financial lease commitments	**–**	**–**	**–**	**–**
Irrevocable credit commitments	**29,530**	**50,402**	**–**	**79,932**
Operating lease commitments	**42,079**	**88,809**	**17,191**	**148,079**
Capital expenditure commitments	**214,525**	**154,124**	**–**	**368,649**
Total	**34,263,092**	**1,896,487**	**17,871**	**36,177,450**

As at 31 December 2017	Up to 1 year	1–5 years	Over 5 years	Total
Bank acceptance bill	13,510,911	–	–	13,510,911
Letter of credit	6,204,635	–	–	6,204,635
Letter of guarantee	1,412,042	3,218,275	650	4,630,967
Unused credit card limits	2,868,179	–	–	2,868,179
Financial lease commitments	180,000	–	–	180,000
Irrevocable credit commitments	46,990	63,024	–	110,014
Operating lease commitments	42,949	88,803	25,255	157,007
Capital expenditure commitments	332,453	46,360	–	378,813
Total	24,598,159	3,416,462	25,905	28,040,526

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities

(a) Financial instruments not measured at fair value

Financial assets and liabilities that are not measured at fair value in consolidated financial position mainly include: Balances with central bank, Due from other banks and financial institutions, Loans and advances to customers, Financial assets at amortised cost, Due to other banks and financial institutions, Customer deposits, Debt securities issued. Except for the following financial assets and financial liabilities, the carrying amount of financial assets and liabilities that are not measured at fair value is a reasonable approximation of their fair value.

The table below summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value.

	As at 31 December 2018				
	Carrying	**Fair Value**			
	Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Investment securities					
– Amortised cost	**82,523,309**	**–**	**–**	**84,643,116**	**84,643,116**
Financial liabilities					
Debt securities issued	**96,982,613**	**–**	**97,103,003**	**–**	**97,103,003**

	As at 31 December 2017				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets					
Investment securities					
– Loans and receivables	100,607,725	–	–	103,364,608	103,364,608
– HTM	21,012,375	–	18,225,714	–	18,225,714
Financial liabilities					
Debt securities issued	88,727,330	–	88,456,443	–	88,456,443

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(a) *Financial instruments not measured at fair value (Continued)*

Investment securities

The fair value of financial investment at amortised cost is based on market prices or broker/dealer price quotations. Where the information is not available, fair value is estimated using quoted market prices for securities with similar credit risk, maturity and yield characteristics.

Debt securities issued

The fair value of fixed interest bearing debt securities issued is calculated using a discounted cash flow model which is based on a current yield curve appropriate for the remaining term to maturity.

Other than the aforementioned, the carrying values of those financial assets and liabilities not presented at their fair value on the consolidated statement of financial position are a reasonable approximation of their fair values. Those financial assets and liabilities include balances with central bank, due from other banks and financial institutions, loans and advances to customers, due to other banks and financial institutions, customer deposits, etc. Their fair value is measured using a discounted future cash flow model.

(b) *Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by level of inputs to valuation techniques. The different levels have been defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value on a recurring basis as at 31 December 2018 and 2017:

As at 31 December 2018	Level 1	Level 2	Level 3	Total
Loans and advances to customers				
– Discounted bills	–	13,501,381	–	13,501,381
Financial assets at FVPL				
– Debt securities	135,953	1,010,413	–	1,146,366
– Fund investments	8,038,429	–	–	8,038,429
– Trust investments	–	–	5,174,858	5,174,858
– Wealth management products purchased from financial institutions	–	–	2,357,023	2,357,023
– Directional asset management plans	–	–	10,266,659	10,266,659
– Equity investment at fair value	438,523	–	–	438,523
– Derivative financial instruments	–	–	–	–
	8,612,905	1,010,413	17,798,540	27,421,858
Financial investments at FVOCI				
– Debt securities	9,419,631	25,058,936	–	34,478,567
– Equity investment	–	–	208,600	208,600
	9,419,631	25,058,936	208,600	34,687,167
Total	18,032,536	39,570,730	18,007,140	75,610,406

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

As at 31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
– Debt securities	359,485	342,599	–	702,084
– Derivative financial instruments	–	118	–	118
	359,485	342,717	–	702,202
AFS				
– Debt securities	8,155,692	28,456,515	–	36,612,207
– Equity investment	485,992	–	8,600	494,592
	8,641,684	28,456,515	8,600	37,106,799
Total	9,001,169	28,799,232	8,600	37,809,001

There was no transfer between Level 1 and 2 during the year.

For financial instruments traded in active markets, the Group determines its fair value with its active market quotation; for financial instruments that are not traded on active markets, the group uses valuation techniques to determine its fair value. The valuation models used are mainly cash flow discount models and market comparable company models. The input value of valuation technique mainly includes risk-free interest rate, benchmark interest rate, exchange rate, credit point difference, liquidity premium, EBITDA multiplier, lack of liquidity discount and so on.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Changes in Level 3 financial assets are analysed below:

	Financial assets at FVPL	**Investment securities at FVOCI**
Balance at 1 January 2018 (restated))	**39,169,120**	**8,600**
Total gains or losses		
– Current profits and losses	**(170,364)**	**–**
– Other comprehensive income	**–**	**200,000**
Purchase	**2,345,000**	**–**
Settlement	**(23,545,216)**	**–**
Balance at 31 December 2018	**17,798,540**	**208,600**
Total gains for the year included in consolidated statement of comprehensive income for financial assets held as at 31 December 2018	**70,290**	**200,000**

	Investment securities – AFS
Balance at 31 December 2016	576,664
Total gains or losses	
– Other comprehensive income	(189,040)
Settlement	(379,024)
Balance at 31 December 2017	8,600
Total gains for the year included in consolidated statement of comprehensive income for financial assets held as at 31 December 2017	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.5 Capital management

The Group's objectives when managing capital, which is a broader concept than 'equity' on the consolidated statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the Group operates;

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- To maintain a strong capital base to support the development of its business.

Capital adequacy ratio and the use of regulatory capital are monitored quarterly by the Group's management with employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBRC, for supervisory purposes. The required information is filed with the CBRC on a quarterly basis.

The Group calculated the capital adequacy ratio based on the *Rules for Regulating the Capital Adequacy of Commercial Banks (Trial)* issued by the CBRC in June, 2012. According to the approach, the Group measured the credit risk-weighted assets by the weighted method, market risk-weighted assets by the standard method, and operation risk-weighted assets by the basic indicator method.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the *Rules for Regulating the Capital Adequacy of Commercial Banks (Trial)*. For non-systematically important banks, the CBRC requires minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of 7.50%, 8.50% and 10.50%, respectively. At present, the Group is fully compliant with legal and regulatory requirements.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.5 Capital management (Continued)

The capital adequacy ratios calculated by the Group based on the *Administrative Measures for the Capital of Commercial Banks (Trial)* are as follows:

	As at 31 December	
	2018	2017
Core capital:		
Share capital	**3,127,055**	3,127,055
Counted part of capital surplus	**4,898,704**	4,325,902
Surplus reserve and general risk reserves	**8,016,715**	6,992,384
Counted part of retained earnings	**12,044,820**	11,596,948
Capital contribution by non-controlling interests	**592,485**	361,481
Core Tier 1 Capital deductibles items:		
Full deduction items	**(126,862)**	(100,340)
Threshold deduction items	**–**	–
Core Tier 1 Capital, net	**28,552,917**	26,303,430
Other Tier 1 Capital, net	**4,988,305**	4,957,505
Tier 2 Capital, net	**11,017,205**	10,240,749
Net capital	**44,558,427**	41,501,684
On-balance sheet risk-weighted assets	**307,153,940**	276,140,999
Off-balance sheet risk-weighted assets	**10,518,068**	10,969,438
Risk-weighted assets for exposure to counterparty credit risk	**345**	8,449
Total credit risk-weighted assets	**317,672,353**	287,118,886
Total market risk-weighted assets	**555,006**	544,914
Total operational risk-weighted assets	**19,064,920**	17,605,686
Total risk-weighted assets before applying capital base	**337,292,279**	305,269,486
Total risk-weighted assets after applying capital base	**337,292,279**	305,269,486
Core Tier 1 Capital adequacy ratio	**8.47%**	8.62%
Tier 1 Capital adequacy ratio	**9.94%**	10.24%
Capital adequacy ratio	**13.21%**	13.60%

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.6 Fiduciary activities

The Group provides custody and trustee services to third parties. Those assets that are held in a fiduciary capacity are not included in the consolidated financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the consolidated financial statements.

	As at 31 December	
	2018	2017
Assets held in investment custody accounts	**50,138,561**	37,648,746
Entrusted loans	**9,337,569**	10,281,683

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The following significant accounting estimates and judgements apply to 2018 and 2017

(a) Derecognition of financial asset

When assessing whether the batch transfer of loans meet the derecognition requirement of financial assets, it is required to assess whether the Group has transferred the right to receive cash flows of financial assets and whether all the risks and rewards of ownership of the loans have been transferred. In assessment, the Group considers several factors, such as whether the transaction arrangement is attached with repurchase clauses. The Group sets up scenario hypothesis and tests transfer of risks and rewards using future discounted cash flow model. The Group derecognises financial assets only when substantially all the risks and rewards of ownership of the loans have been transferred to another entity. If the Group substantially retains all the risks and rewards of ownership of the transferred loans, these loans shall be continued to recognise and the proceeds received shall be recognised as financial liabilities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

The following significant accounting estimates and judgements apply to 2018 and 2017 (Continued)

(b) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation models (e.g. discounted cash flow model). To the extent of practicality, only observable data is used in the discounted cash flow model. However, areas such as credit risks (from both parties of transactions), market volatilities and correlations require the management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(c) Consolidation of structured entity

Structured entity, refers that when judging the control side of the entity, the key elements to consider are the contracts which the entities' main activities are based on or the corresponding arrangements rather than the voting rights or similar rights (for example: the voting rights are just associated with administrative matters only).

When the Group acts as the asset manager in structured entity, the Group needs to identify its own role as the agent or the trustee to make decisions for the structured entity. If the Group's role is just an agent, the Group's primary responsibility is to exercise decision-making authority for other parties (other investors of the structured entity), and therefore the Group does not control the structured entity. However, if the Group's primary responsibility is to exercise decision-making authority for itself, thus the Group controls the structured entity. During the evaluation to identify its own role as the agent or the trustee, the Group considers many factors, such as: the scope of asset manager's decision-making power, rights held by other parties, commission levels as management service provider, and any other arrangements (such as direct investment) which could affect commission level.

(d) Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has made estimates for items of uncertainty and application of new tax legislation taking into account existing tax legislation and policies given by authorities in charge in previous years. Where the final tax outcomes of these matters are different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made (Note 30).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

The following significant accounting estimates and judgements apply to 2018

(e) Measurement of the expected credit loss

The measurement of the expected credit loss for loans and advances to customers and investment securities measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements to measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 3.1.4.

The following significant accounting estimates and judgements apply to 2017

(f) Impairment allowances for loans and advances and investment securities classified as loans and receivables

The Group reviews its loan portfolios and the breakdown of investment securities classified as loans and receivables to assess impairment on a monthly basis, unless known circumstances indicate that impairment may have occurred. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Group makes judgment as to whether there are evidences indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans or investment securities classified as loans and receivables in addition to the impairment that can be identified with an individual loan in that portfolio or an individual investment. These evidences may include observable data indicating that there has been an adverse change in the payment status of borrowers in the loan portfolio, or national or local economic conditions that correlate with defaults on assets of the Group, etc. The impairment loss of a loan and advance or investment securities classified as loans and receivables that is individually assessed for impairment is the difference between estimated discounted future cash flows and carrying amount. When loans and advances and investment securities classified as loans and receivables are collectively assessed for impairment, the management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

The following significant accounting estimates and judgements apply to 2017 (Continued)

(g) Held-to-maturity

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgments. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity or reclassifies some securities as available-for-sale securities, other than under specific circumstances defined in IAS 39, such as selling an insignificant amount close to maturity due to a significant deterioration in the issuer's credit, or regulatory requirement, it will be required to reclassify the entire portfolio of investment securities as available-for-sale. The investments would therefore be measured at fair value, other than amortised cost.

(h) Impairment of available-for-sale financial assets and held-to-maturity securities

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value to such an extent that it's below its cost. The determination of what is significant or prolonged requires the management's judgments. In making these judgements, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

The Group recognises an impairment loss for an available-for-sale debt instrument or a held-to-maturity debt instrument when there is objective evidence that the debt instrument is impaired due to one or more events occurred after initial recognition, indicating that the initially recognised value of the debt instrument is lower than the estimated future cash flows.

5 SUBSIDIARY

As at 31 December 2018, details of the Bank's subsidiary are set out below:

Name of entity	Date of incorporation	Place of incorporation	Paid-in capital	Proportion of equity interest	Proportion of voting rights	Principal activities
Chongqing Xinyu Financial Leasing Co., Ltd.	23 March 2017	Chongqing	3,000,000	51%	51%	Financial leasing

	Assets	Liabilities	Revenue	Net Profit
Chongqing Xinyu Financial Leasing Co., Ltd.	15,287,072	12,102,254	456,212	106,629

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

6 NET INTEREST INCOME

	2018	2017
Interest income		
Balances with central bank	**524,600**	578,520
Due from other banks and financial institutions	**1,359,910**	1,899,824
Loans and advances to customers	**11,848,155**	9,403,877
Investment securities	**5,590,107**	6,958,327
Financial assets at FVPL	**N/A**	79,628
	19,322,772	18,920,176
Interest expense		
Due to other banks and financial institutions	**(2,109,814)**	(2,159,215)
Customer deposits	**(6,379,071)**	(5,342,854)
Debt securities issued	**(3,958,241)**	(3,303,012)
	(12,447,126)	(10,805,081)
Net interest income	**6,875,646**	8,115,095

	2018	2017
Interest income accrued on loans and advances to customers impaired	**N/A**	117,090

7 NET FEE AND COMMISSION INCOME

	2018	2017
Fee and commission income		
Financial advisory and consulting services	**144,757**	159,698
Wealth management agency service	**542,435**	887,823
Custodian service	**252,592**	358,836
Bank card services	**323,068**	280,296
Guarantees and credit commitments	**96,923**	140,016
Settlement and agency services	**93,937**	114,212
	1,453,712	1,940,881
Fee and commission expense		
Settlement and agency services	**(63,024)**	(56,764)
Bank card services	**(34,221)**	(26,234)
Others	**(14,545)**	(177,827)
	(111,790)	(260,825)
Net fee and commission income	**1,341,922**	1,680,056

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

8 NET TRADING GAINS/(LOSSES)

	2018	2017
Foreign exchange gains	**245,215**	8,581
Fair value gains/(losses)	**222,556**	(29,801)
	467,771	(21,220)

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

The gains on foreign exchange arising from foreign currency monetary assets and liabilities were RMB224,755 thousand for the year ended 31 December 2018 (31 December 2017: RMB8,214 thousand of losses on foreign exchange).

Fair value gains/(losses) mainly include losses or gains generating from changes in the fair value of trading securities.

9 NET GAINS ON INVESTMENT SECURITIES

	2018	2017
Net losses arising from derecognition of held-for-trading financial assets	**N/A**	(33,389)
Net gains arising from derecognition of AFS financial assets	**N/A**	173,869
Net gains arising from investment of financial assets at FVPL	**1,884,335**	N/A
Net losses arising from derecognition of FVOCI	**(14,558)**	N/A
	1,869,777	140,480

10 OTHER OPERATING INCOME

	2018	2017
Gains on sale of property, plant and equipment	**13,583**	13,455
Gains on sale of held-for-sale assets	**14,096**	–
Gains on sale of foreclosed assets	**–**	602
Dividend income from unlisted AFS investments	**880**	22,542
Government grants[(a)]	**33,619**	30,598
Rental income from investment properties	**1,033**	808
Income from dormant accounts	**497**	1,318
Compensation on breach of contract	**2,824**	24,316
Other miscellaneous income[(b)]	**8,436**	6,756
	74,968	100,395

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

10 OTHER OPERATING INCOME (Continued)

(a) *Government grants*

For the year ended 31 December 2018, the government grants mainly include regional credit support, agricultural loans, business startup guaranteed loan support and other types of government grants for sub-branches of around RMB16,374 thousand in total, and the supportive financial subsidies of investment attraction policy for subsidiary in Yuzhong district of RMB17,245 thousand.

For the year ended 31 December 2017, the government grants mainly include agricultural loans, incremental small and micro loans, business startup guaranteed loan support and other types of government grants for sub-branches of around RMB30,598 thousand in total.

(b) *Other miscellaneous income mainly comprised cashier surplus and incomes from writing off other payables that cannot be settled.*

11 OPERATING EXPENSES

	2018	2017
Staff costs (including directors and supervisors' emoluments) *(Note 12)*	**1,525,596**	1,282,237
General and administrative expenses	**554,472**	592,466
Tax and surcharges	**134,100**	95,112
Depreciation of property, plant and equipment *(Note 24)*	**147,539**	125,394
Amortisation of intangible assets *(Note 25(c))*	**35,371**	28,897
Amortisation of land use rights *(Note 25(b))*	**4,672**	4,705
Depreciation of investment properties *(Note 25(d))*	**139**	307
Amortisation of long-term prepaid expenses	**19,647**	24,785
Rental expenses	**64,980**	74,776
Professional fees	**51,704**	44,972
Auditors' remuneration		
– Audit services	**3,858**	3,328
– Non-audit services	**472**	550
Donations	**10,070**	13,662
Others	**18,501**	7,674
	2,571,121	2,298,865

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

12 STAFF COSTS (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS)

	2018	2017
Salaries and bonuses	**1,126,679**	860,806
Pension expenses *(Note 31)*	**152,782**	156,083
Housing benefits and subsidies	**85,136**	80,783
Labour union and staff education funds	**27,289**	21,727
Other social security and benefit costs	**133,710**	162,838
Total *(Note 11)*	**1,525,596**	1,282,237

Five highest paid individuals

For the years ended 31 December 2018 and 2017, neither directors nor supervisors were included in the five highest paid individuals of the Group.

The emoluments payable to the five highest paid individuals for relevant years are as follows:

	2018	2017
Salaries, housing allowances and other benefits	**1,870**	1,296
Discretionary bonuses	**7,278**	19,003
Contributions to pension schemes	**489**	434
	9,637	20,733

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

12 STAFF COSTS (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS) (Continued)

Five highest paid individuals (Continued)

The emoluments payable to the senior management and individuals fell within the following bands:

	Number of individuals	
	2018	2017
RMB1,500,001 – RMB2,000,000	**4**	–
RMB2,000,001 – RMB2,500,000	**1**	1
RMB2,500,001 – RMB3,000,000	**–**	2
RMB3,000,001 – RMB3,500,000	**–**	–
RMB3,500,001 – RMB4,000,000	**–**	1
Above RMB4,000,000	**–**	1
	5	5

No emoluments had been paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for demission.

13 IMPAIRMENT LOSSES

	2018	2017
Loans and advances to customers *(Note 21(c))*		
– Collectively assessed	**N/A**	416,418
– Individually assessed	**N/A**	1,935,823
Loans and receivables *(Note 22)*	**N/A**	631,693
Loans and advances to customers carried at amortised cost	**3,531,882**	N/A
Loans and advances at FVOCI	**50,166**	N/A
Investment securities – amortised cost	**(149,200)**	N/A
Investment securities – FVOCI	**(81,879)**	N/A
Loan commitments and financial guarantee contracts	**72,308**	N/A
Due from other banks and financial institutions	**1,391**	N/A
Others	**12,100**	15,230
	3,436,768	2,999,164

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

14 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors' and supervisors' emoluments

Details of the directors' and supervisors' emoluments for the year ended 31 December 2018 are as follows:

Name	Remunerations	Salaries, allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive directors					
Lin Jun(1)	–	126	126	75	327
Ran Hailing (President)	–	168	168	100	436
Liu Jianhua	–	134	134	99	367
Huang Huasheng	–	134	134	–	268
Non-executive directors					
Deng Yong	95	–	–	–	95
Huang Hanxing	112	–	–	–	112
Lv Wei	113	–	–	–	113
Yang Jun(2)	45	–	–	–	45
Jin Jingyu	183	–	–	–	183
Kong Xiangbin	169	–	–	–	169
Li He	196	–	–	–	196
TO Koon Man Henry(3)	44	–	–	–	44
Wang Pengguo	190	–	–	–	190
Tang Xiaodong(4)	3	–	–	–	3
Supervisors					
Huang Changsheng	–	134	134	99	367
Yang Xiaotao	–	168	168	100	436
Zhou Xiaohong	–	387	1,205	96	1,688
Chen Zhong	–	82	–	–	82
Chen Zhengsheng(5)	–	47	–	–	47
Yin Xianglong	–	90	–	–	90
Chen Yan	–	61	–	–	61
Wu Bing	–	62	–	–	62
Peng Daihui(5)	–	60	–	–	60
Total	1,150	1,653	2,069	569	5,441

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

14 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

Details of the directors' and supervisors' emoluments for the year ended 31 December 2017 are as follows:

Name	Remunerations	Salaries, allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive directors					
Gan Weimin (Jan-Jun)[(6)]	–	84	235	55	374
Ran Hailing (President)	–	167	197	96	460
Liu Jianhua	–	134	154	95	383
Huang Haisheng	–	134	108	–	242
Non-executive directors					
Deng Yong	80	–	–	–	80
Huang Hanxing	108	–	–	–	108
Lv Wei	108	–	–	–	108
Yang Jun	98	–	–	–	98
Jin Jingyu	151	–	–	–	151
Kong Xiangbin	151	–	–	–	151
Li He	186	–	–	–	186
TO Koon Man Henry	152	–	–	–	152
Wang Pengguo	162	–	–	–	162
Supervisors					
Huang Changsheng	–	134	154	95	383
Lin Min[(7)]	–	106	376	30	512
Yang Xiaotao	–	167	197	96	460
Zhou Xiaohong	–	379	1,262	93	1,734
Chen Zhong	–	74	–	–	74
Chen Zhengsheng	–	84	–	–	84
Yin Xianglong	–	82	–	–	82
Chen Yan	–	53	–	–	53
Wu Bing	–	55	–	–	55
Total	1,196	1,653	2,683	560	6,092

14 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

(1) Lin Jun was approved as Chairman of the Board by the branch of CBIRC on 9 March 2018.

(2) Yang Jun no longer served as Non-executive director since 22 August 2018.

(3) TO Koon Man Henry no longer served as Non-executive director since 25 May 2018.

(4) Tang Xiaodong was approved as Non-executive director by the branch of CBRIC on 17 December 2018.

(5) Peng Daihui was elected as Supervisor on 25 May 2018. Chen Zhengsheng no longer served as Supervisor since the same date.

(6) Gan Weimin no longer served as Chairman of the Board since 28 June 2017.

(7) Lin Min no longer served as Supervisor since 26 May 2017.

The total remuneration packages (including discretionary bonus) for directors and supervisors for the year ended 31 December 2018 have not yet been finalised in accordance with relevant regulations of the relevant authorities in PRC. The amount of the remuneration not provided for is not expected to have any significant impact on the Group's consolidated financial statements for the year ended 31 December 2018.

(b) Directors' and supervisors' retirement benefits

For the year ended 31 December 2018, no retirement benefits were paid to the directors or supervisors by the defined benefit pension plan operated by the Group (2017: nil).

(c) Directors' and supervisors' termination benefits

For the year ended 31 December 2018, no termination benefits were paid to the directors or supervisors by the Group (2017: nil).

(d) Consideration provided to third parties for making available directors' and supervisors' services

For the year ended 31 December 2018, no consideration was provided to third parties for making available directors' and supervisor' services by the Group (2017: nil).

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

14 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(e) Information about loans, quasi-loans and other dealings in favour of directors, supervisors and body corporates controlled by such directors and supervisors

For the year ended 31 December 2018, no loan, quasi-loan and other dealing was entered into by the Group, where applicable, in favour of body corporates controlled by directors and supervisors. The information about loans, quasi-loans and other dealings entered into by the Group, where applicable, in favour of a director and a supervisor are as follows:

Name of director	Nature of connection	Outstanding at the beginning of the year	Outstanding at the end of the year	Maximum outstanding during the year	Amounts due but not been paid	Provisions for doubtful/ bad debts made	Term	Interest rate	Security
Liu Jianhua	Executive Director	1,924	1,844	1,924	–	–	18 years, average capital plus interest	4.165%	mortgaged by real estate
Jin Jingyu	Director	500	500	500	–	–	3 years, repay the whole capital at due date and interest on a period basis	4.75%	mortgaged
Chen Yan	Supervisor	110	270	300	–	–	12 months, repay the whole capital and interest at due date	5.66%	guaranteed

For the year ended 31 December 2017, no loan, quasi-loan and other dealing was entered into by the Group, where applicable, in favour of body corporates controlled by directors and supervisors. The information about loans, quasi-loans and other dealings entered into by the Group, where applicable, in favour of a director and a supervisor are as follows:

Name of director	Nature of connection	Outstanding at the beginning of the year	Outstanding at the end of the year	Maximum outstanding during the year	Amounts due but not been paid	Provisions for doubtful/ bad debts made	Term	Interest rate	Security
Liu Jianhua	Executive Director	2,000	1,924	2,000	–	–	18 years, average capital plus interest	4.165%	mortgaged by real estate
Jin Jingyu	Director	–	500	500	–	–	3 years, repay the whole capital at due date and interest on a period basis	4.75%	mortgaged
Chen Yan	Supervisor	–	110	120	–	–	10 months, repay the whole capital and interest at due date	5.66%	guaranteed

(f) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business, to which the Group was a party and in which a director or a supervisor of the Group had a material interest, whether directly or indirectly, subsisted at the end of 2018 or at any time during the year (2017: nil).

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

15 INCOME TAX EXPENSE

	2018	2017
Current income tax	**1,200,855**	1,311,112
Deferred income tax *(Note 30)*	**(180,328)**	(180,154)
	1,020,527	1,130,958

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

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate 25% (2017: 25%) to profit before income tax can be reconciled as follows:

	2018	2017
Profit before income tax	**4,842,622**	4,895,155
Tax calculated at a tax rate of 25%	**1,210,656**	1,223,789
Tax effect arising from non-taxable income[(a)]	**(166,189)**	(169,544)
Tax effect of expenses that are not deductible for tax purposes[(b)]	**29,246**	153,364
Income tax adjustment for prior years	**(53,186)**	(76,651)
Income tax expense	**1,020,527**	1,130,958

(a) The Group's non-taxable income mainly represents interest income arising from treasury bonds, which is non-taxable in accordance with PRC tax laws.

(b) The Group's expenses that are not tax deductible for tax purposes mainly represent the part of certain expenditures, such as entertainment expenses etc., which exceeds the tax deduction limits pursuant to PRC tax Laws.

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

16 BASIC AND DILUTED EARNINGS PER SHARE

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

	2018	2017
Net profit attributable to shareholders of the Bank	**3,769,847**	3,725,881
Less: Net profit attributable to other equity holders of the Bank	**(310,161)**	–
Net profit attributable to ordinary shareholders of the Bank	**3,459,686**	3,725,881
Weighted average number of ordinary shares issued (in thousand)	**3,127,055**	3,127,055
Basic and diluted earnings per share (in RMB yuan)	**1.11**	1.19

The Bank issued non-cumulative preference shares on 20 December 2017 under the terms and conditions as detailed in Note 33. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to ordinary shareholders of the Bank. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2018 and therefore the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings per share.

17 CASH AND BALANCES WITH CENTRAL BANK

	As at 31 December	
	2018	2017
Cash	**579,093**	569,685
Mandatory reserve deposits	**27,281,612**	34,062,459
Surplus reserve deposits with central bank	**5,236,640**	9,000,132
Fiscal deposits	**103,573**	95,156
Total	**33,200,918**	43,727,432
Interest receivable on balances with central bank	**15,923**	N/A
	33,216,841	43,727,432

The Group is required to place mandatory reserve deposits with central bank. The deposits are calculated based on the amount of customer deposits placed with the Group by its customers.

	As at 31 December	
	2018	2017
Mandatory reserve rate for deposits denominated in RMB	**11.0%**	14.5%
Mandatory reserve rate for deposits denominated in foreign currencies	**5.0%**	5.0%

Mandatory reserve deposits with central bank are not available for use by the Group in its day to day operations.

Deposits with central bank other than mandatory reserve maintained are mainly for liquidity purpose.

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

18 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2018	2017
Deposits with other banks and financial institutions	**7,432,476**	10,339,855
Notes purchased under resale agreements	**32,894,298**	17,996,326
Securities purchased under resale agreements	**7,390,900**	631,000
Placements with other banks and financial institutions	**10,021,166**	8,032,910
Total	**57,738,840**	37,000,091
Interest receivable on amounts due from other banks and financial institutions	**182,193**	N/A
Less: ECL allowance	**(5,954)**	N/A
	57,915,079	37,000,091

There is no credit impairment of amounts due from other banks and financial institutions and no write-off amount as at 31 December 2018 (31 December 2017: nil).

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018	2017
Financial assets at FVPL		
Debt securities – at fair value		
– Listed outside Hong Kong	**135,953**	359,485
– Unlisted	**16,451,930**	342,599
	16,587,883	702,084
Equity securities – at fair value		
– Listed outside Hong Kong	**438,523**	–
– Unlisted	**10,395,452**	–
	10,833,975	–
Derivative financial instruments *(Note 20)*	**–**	118
	27,421,858	702,202

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

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Unlisted financial assets measured at FVPL are set out below:

	As at 31 December	
	2018	2017
Debt securities – at fair value (unlisted)		
– Trust investments[(a)]	**5,174,858**	–
– Directional asset management plans[(b)]	**10,266,659**	–
– Commercial banks	**702,578**	–
– Corporations	**106,052**	152,836
– Government	**201,783**	189,763
	16,451,930	342,599

	As at 31 December	
	2018	2017
Equity securities – at fair value (unlisted)		
– Wealth management products purchased from financial institutions	**2,357,023**	–
– Fund investments	**8,038,429**	–
	10,395,452	–

The Group's unlisted commercial bank bonds, corporate bonds and government bonds are traded in the inter-bank bond market in Mainland China.

As at 31 December 2018, there are no the trading securities of the Group pledged to third parties under repurchase agreements (as at 31 December 2017: RMB189,763 thousand).

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

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Financial assets at fair value through profit or loss by the issuer are set out below:

	As at 31 December	
	2018	2017
Financial assets at FVPL		
– Commercial banks	**2,058,258**	–
– Securities companies	**10,266,659**	–
– Fund companies	**8,038,429**	–
– Trust companies	**5,174,858**	–
– Corporations	**242,005**	512,321
– Governments	**201,783**	189,763
– Policy banks	**1,001,343**	–
– Equity investment	**438,523**	–
	27,421,858	702,084

(a) Trust investment

	As at 31 December	
	2018	2017
Trust investments purchased from trust companies		
– Guaranteed by third-party company	**5,169,956**	–
– Unsecured	**4,902**	–
	5,174,858	–

(b) Directional asset management plans

	As at 31 December	
	2018	2017
Asset management plans purchased from securities companies		
– Guaranteed by third-party company	**10,266,659**	–

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

20 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2018		**Fair value**	
	Notional amount	**Assets**	**Liabilities**
Swap contracts	**137,264**	**–**	**(657)**

As at 31 December 2017		Fair value	
	Notional amount	Assets	Liabilities
Swap contracts	32,694	118	–

21 LOANS AND ADVANCES TO CUSTOMERS

	As at 31 December	
	2018	2017
Loans and advances to customers		
– Amortised cost	**197,707,670**	177,206,904
– FVOCI	**13,501,381**	N/A
Total	**211,209,051**	177,206,904
Interest receivable on loans and advances to customers	**1,221,718**	N/A
Less: Loan impairment allowance	**N/A**	(5,044,814)
Less: ECL allowance	**(6,507,557)**	N/A
	205,923,212	172,162,090

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(a) Loans and advances to customers

	As at 31 December	
	2018	2017
Loans and advances to corporate entities – amortised cost		
– Corporate loans	**128,932,758**	109,780,133
– Discounted bills	**N/A**	4,802,366
Loans and advances to corporate entities – FVOCI		
– Discounted bills	**13,501,381**	N/A
Subtotal	**142,434,139**	114,582,499
Loans and advances to individuals – amortised cost		
– Mortgage loans	**20,606,735**	17,235,358
– Individual consumption loans	**31,199,939**	30,024,576
– Credit card advances	**4,724,758**	4,193,902
– Individual business loans	**12,243,480**	11,170,569
Subtotal	**68,774,912**	62,624,405
Total	**211,209,051**	177,206,904
Interest receivable on loans and advances to customers	**1,221,718**	N/A
Gross amount of loans and advances to customers	**212,430,769**	177,206,904
Less: Impairment provision for portfolio loan	**N/A**	(3,917,468)
Impairment provision for individual loan	**N/A**	(1,127,346)
Losses on expected credit impairment	**(6,507,557)**	N/A
Total loan impairment allowance	**(6,507,557)**	(5,044,814)
Carrying amount of loans and advances to customers	**205,923,212**	172,162,090

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Credit quality of loans and advances to customers

	As at 31 December 2018				
	Overdue within 90 days (inclusive)	**Overdue for 90 days – 1 year (inclusive)**	**Overdue for 1-3 Years (inclusive)**	**Overdue for more than 3 years**	**Total**
Unsecured loans	**278,797**	**163,017**	**50,172**	**8,898**	**500,884**
Guaranteed loans	**2,193,873**	**270,950**	**284,650**	**12,445**	**2,761,918**
Collateralised loans	**1,707,901**	**1,004,686**	**507,102**	**198,361**	**3,418,050**
Pledged loans	**294,308**	**49,985**	**147,121**	**–**	**491,414**
Total	**4,474,879**	**1,488,638**	**989,045**	**219,704**	**7,172,266**

	As at 31 December 2017				
	Overdue within 90 days (inclusive)	Overdue for 90 days – 1 year (inclusive)	Overdue for 1-3 Years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	123,584	62,964	47,594	786	234,928
Guaranteed loans	1,831,973	804,272	504,457	684	3,141,386
Collateralised loans	1,933,125	1,292,887	800,974	58,910	4,085,896
Pledged loans	369,022	37,535	209,346	458	616,361
Total	4,257,704	2,197,658	1,562,371	60,838	8,078,571

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on impairment allowance for loans and advances to customers

(1) Movements on impairment allowance for loans and advances to customers at amortised cost

Loans and advances to corporate entities	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2018 (Restated)	1,633,763	1,899,933	1,312,599	4,846,295
Provision for impairment(i)	1,300,754	1,101,636	3,047,745	5,450,135
Reversal of impairment allowances(ii)	(697,760)	(842,415)	(316,300)	(1,856,475)
Transfer out/Write-off	–	–	(3,412,771)	(3,412,771)
Transfers:				
Transfer from Stage 1 to Stage 2	(78,964)	78,964	–	–
Transfer from Stage 1 to Stage 3	(69,221)	–	69,221	–
Transfer from Stage 2 to Stage 1	5,037	(5,037)	–	–
Transfer from Stage 2 to Stage 3	–	(466,676)	466,676	–
Transfer from Stage 3 to Stage 2	–	135,075	(135,075)	–
Recoveries of loans written-off in previous years	–	–	198,713	198,713
Unwind of discount	–	–	125,942	125,942
As at 31 December 2018	2,093,609	1,901,480	1,356,750	5,351,839

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on impairment allowance for loans and advances to customers (Continued)

(1) Movements on impairment allowance for loans and advances to customers at amortised cost (Continued)

	Stage 1	Stage 2	Stage 3	
Retail loans	**12M ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2018 (Restated)	**368,525**	**264,887**	**828,629**	**1,462,041**
Provision for impairment[(i)]	**215,553**	**258,630**	**353,874**	**828,057**
Reversal of impairment allowances[(ii)]	**(290,275)**	**(200,705)**	**(398,855)**	**(889,835)**
Write-off	**–**	**–**	**(437,959)**	**(437,959)**
Transfers:				
Transfer from Stage 1 to Stage 2	**(16,092)**	**16,092**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(28,784)**	**–**	**28,784**	**–**
Transfer from Stage 2 to Stage 1	**13,438**	**(13,438)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(51,261)**	**51,261**	**–**
Transfer from Stage 3 to Stage 2	**–**	**29,224**	**(29,224)**	**–**
Transfer from Stage 3 to Stage 1	**48,007**	**–**	**(48,007)**	**–**
Recoveries of loans written-off in previous years	**–**	**–**	**140,290**	**140,290**
Unwind of discount	**–**	**–**	**53,124**	**53,124**
As at 31 December 2018	**310,372**	**303,429**	**541,917**	**1,155,718**

(i) The ECL movement was caused by origination or purchase as well as changes in PDs/EADs/LGDs and stages as a result of regular update of parameters.

(ii) The ECL movement was caused by derecognition other than write-offs as well as changes in PDs/EADs/LGDs and stages as a result of regular update of parameters.

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on impairment allowance for loans and advances to customers (Continued)

(1) Movements on impairment allowance for loans and advances to customers at amortised cost (Continued)

	For the year ended 31 December 2017	
Analysed collectively or individually	Collectively assessed	Individually assessed
Balance at beginning of the year	3,501,050	730,545
Impairment allowances for loans charged to profit or loss	970,173	2,213,935
Reversal of impairment allowances for loans	(553,755)	(278,112)
Net impairment allowances for loans charged to profit or loss	416,418	1,935,823
Unwind of discount on allowances during the year	–	(117,090)
Loans written off during the year as uncollectible	–	(1,673,174)
Recovery of written-off bad debt	–	251,242
Balance at end of the year	3,917,468	1,127,346

	For the year ended 31 December 2017	
Analysis based on corporate or retail loan	Corporate Loans	Retail Loans
Balance at beginning of the year	3,253,544	978,051
Impairment allowances for loans charged to profit or loss	1,990,170	1,193,938
Reversal of impairment allowances for loans	(222,248)	(609,619)
Net impairment allowances for loans charged to profit or loss	1,767,922	584,319
Unwind of discount on allowances during the year	(85,478)	(31,612)
Loans written off during the year as uncollectible	(1,441,399)	(231,775)
Recovery of written-off bad debt	228,733	22,509
Balance at end of the year	3,723,322	1,321,492

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on impairment allowance for loans and advances to customers (Continued)

(2) Movements on impairment allowance for loans and advances to customers at FVOCI

ECL allowance	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
As at 1 January 2018 (Restated)	**21,383**	–	–
Provision for impairment	**71,549**	–	–
Reversal of impairment allowances	**(21,383)**	–	–
As at 31 December 2018	**71,549**	–	–

(d) Movements on gross amount (excluding interest receivable) of loans and advances to customers at amortised cost

Loans and advances to corporate entities	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2018 (Restated)	**97,965,237**	**8,679,607**	**3,135,289**	**109,780,133**
New financial assets originated or purchased	**60,525,289**	**3,321,251**	**1,571,783**	**65,418,323**
Financial assets matured	**(37,919,167)**	**(3,480,321)**	**(1,453,439)**	**(42,852,927)**
Financial assets derecognised other than write-offs	–	–	**(1,458,060)**	**(1,458,060)**
Write-off	–	–	**(1,954,711)**	**(1,954,711)**
Transfers:				
Transfer from Stage 1 to Stage 2	**(3,945,260)**	**3,945,260**	–	–
Transfer from Stage 1 to Stage 3	**(804,897)**	–	**804,897**	–
Transfer from Stage 2 to Stage 1	**91,000**	**(91,000)**	–	–
Transfer from Stage 2 to Stage 3	–	**(1,713,018)**	**1,713,018**	–
Transfer from Stage 3 to Stage 2	–	**332,500**	**(332,500)**	–
As at 31 December 2018	**115,912,202**	**10,994,279**	**2,026,277**	**128,932,758**

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

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Movements on gross amount (excluding interest receivable) of loans and advances to customers at amortised cost (Continued)

	Stage 1	Stage 2	Stage 3	
Retail loans	**12M ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2018 (Restated)	**60,180,359**	**1,007,050**	**1,436,996**	**62,624,405**
New financial assets originated or purchased	**40,513,519**	**536,581**	**187,038**	**41,237,138**
Financial assets matured	**(33,010,457)**	**(863,861)**	**(774,354)**	**(34,648,672)**
Financial assets derecognised other than write-offs	**–**	**–**	**(170,246)**	**(170,246)**
Write-off	**–**	**–**	**(267,713)**	**(267,713)**
Transfers:				
Transfer from Stage 1 to Stage 2	**(815,921)**	**815,921**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(317,824)**	**–**	**317,824**	**–**
Transfer from Stage 2 to Stage 1	**75,323**	**(75,323)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(240,112)**	**240,112**	**–**
Transfer from Stage 3 to Stage 2	**–**	**45,001**	**(45,001)**	**–**
Transfer from Stage 3 to Stage 1	**69,769**	**–**	**(69,769)**	**–**
As at 31 December 2018	**66,694,768**	**1,225,257**	**854,887**	**68,774,912**

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

22 INVESTMENT SECURITIES

	As at 31 December	
	2018	2017
Investment securities – FVOCI		
Debt securities – measured at fair value		
– Listed outside Hong Kong	**5,243,620**	N/A
– Listed in Hong Kong	**4,176,011**	N/A
– Unlisted	**24,219,352**	N/A
Total	**33,638,983**	N/A
Interest receivable on FVOCI	**839,570**	N/A
	34,478,553	N/A
Equity securities – measured at fair value		
– Unlisted	**208,600**	N/A
Others	**14**	N/A
	34,687,167	N/A

Unlisted financial investments measured at FVOCI are set out below:

	As at 31 December	
	2018	2017
Debt securities – measured at fair value (unlisted)		
– Corporate debt	**20,527,463**	N/A
– Policy bank debt	**2,090,419**	N/A
– Commercial bank debt	**1,410,517**	N/A
– Government debt	**190,953**	N/A
	24,219,352	N/A
Equity securities – measured at fair value (unlisted)		
– Equity investment	**208,600**	N/A
	24,427,952	N/A

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

22 INVESTMENT SECURITIES (Continued)

	As at 31 December	
	2018	2017
Investment securities – amortised cost		
Debt securities – measured at amortised cost		
– Listed outside Hong Kong	**12,754,742**	N/A
– Unlisted	**69,646,884**	N/A
Total	**82,401,626**	N/A
Interest receivable on debt securities at amortised cost	**1,595,712**	N/A
Less: ECL allowance	**(1,474,029)**	N/A
	82,523,309	N/A

Unlisted financial assets measured at amortised cost are set out below:

	As at 31 December	
	2018	2017
Debt securities – measured at amortised cost (unlisted)		
– Trust investment[(a)]	**22,165,632**	N/A
– Directional asset management plans[(b)]	**26,918,000**	N/A
– Bonds	**15,313,226**	N/A
– Debt financing plans	**4,420,000**	N/A
– Wealth management products purchased from financial institutions	**315,505**	N/A
– Others	**514,521**	N/A
	69,646,884	N/A

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

22 INVESTMENT SECURITIES (Continued)

	As at 31 December	
	2018	2017
Investment securities – loans and receivables		
Debt securities – at amortised cost		
– Trust investments[a]	**N/A**	34,532,649
– Directional asset management plans[b]	**N/A**	38,663,857
– Wealth management products purchased from financial institutions	**N/A**	22,920,801
– Local government bonds	**N/A**	5,707,900
Total	**N/A**	101,825,207
Less: Impairment allowances	**N/A**	(1,217,482)
	N/A	100,607,725

	As at 31 December	
	2018	2017
Investment securities – AFS		
Debt securities – at fair value		
– Listed outside Hong Kong	**N/A**	8,090,966
– Listed in Hong Kong	**N/A**	64,726
– Unlisted	**N/A**	28,456,501
	N/A	36,612,193
Equity securities – at fair value		
– Listed outside Hong Kong	**N/A**	485,992
– Unlisted	**N/A**	8,600
	N/A	494,592
Other	**N/A**	14
	N/A	37,106,799
Investment securities – HTM		
Debt securities – at amortised cost		
– Listed outside Hong Kong	**N/A**	11,827,162
– Unlisted	**N/A**	9,185,213
	N/A	21,012,375

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

22 INVESTMENT SECURITIES (Continued)

Movement of impairment allowance for investment securities:

	Investment securities – FVOCI	Investment securities – amortised cost			Total
	Stage 1 12M ECL	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2018 (Restated)	**170,371**	**936,958**	**152,169**	**534,102**	**1,793,600**
Provision for impairment	**49,393**	**442,118**	**99,729**	**45,569**	**636,809**
Reversal of impairment allowances	**(131,272)**	**(328,756)**	**(1,943)**	**(405,917)**	**(867,888)**
Transfers:					
Transfer from Stage 1 to Stage 2	**–**	**(1,136)**	**1,136**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**–**	**(52,553)**	**52,553**	**–**
As at 31 December 2018	**88,492**	**1,049,184**	**198,538**	**226,307**	**1,562,521**

	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Total
As at 31 December 2016	799,831	–	–	799,831
Provision for impairment	657,996	–	–	657,996
Reversal of impairment allowances	(26,303)	–	–	(26,303)
Write-off	(214,042)	–	–	(214,042)
As at 31 December 2017	1,217,482	–	–	1,217,482

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

22 INVESTMENT SECURITIES (Continued)

Movement on gross amount (excluding interest receivable) of investment securities:

	Investment securities – amortised cost			Total
	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2018 (Restated)	**80,645,964**	**817,237**	**1,811,699**	**83,274,900**
New financial assets originated or purchased	**23,388,467**	**–**	**21,738**	**23,410,205**
Financial assets matured	**(22,753,251)**	**(55,000)**	**(1,475,228)**	**(24,283,479)**
Transfers:				
Transfer from Stage 1 to Stage 2	**(90,000)**	**90,000**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(250,000)**	**250,000**	**–**
As at 31 December 2018	**81,191,180**	**602,237**	**608,209**	**82,401,626**

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

22 INVESTMENT SECURITIES (Continued)

Investment securities are analysed by issuer as follows:

	As at 31 December	
	2018	2017
Investment securities – FVOCI		
– Corporations	**29,926,526**	N/A
– Policy banks	**2,090,419**	N/A
– Commercial banks	**1,431,085**	N/A
– Equity investments at fair value	**208,600**	N/A
– Governments	**190,953**	N/A
– Others	**14**	N/A
Total	**33,847,597**	N/A
Interest receivable on FVOCI	**839,570**	N/A
	34,687,167	N/A
Investment securities – amortised cost		
– Trust companies	**22,165,632**	N/A
– Governments	**26,183,390**	N/A
– Securities Companies	**8,773,521**	N/A
– Assets management companies	**18,659,000**	N/A
– Corporations	**4,450,000**	N/A
– Policy banks	**1,734,578**	N/A
– Commercial banks	**435,505**	N/A
Total	**82,401,626**	N/A
Interest receivable on Investment securities at amortised cost	**1,595,712**	N/A
Less: ECL allowance	**(1,474,029)**	N/A
	82,523,309	N/A

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

22 INVESTMENT SECURITIES (Continued)

Investment securities are analysed by issuer as follows (Continued):

	As at 31 December	
	2018	2017
Investment securities – loans and receivables		
– Trust companies	**N/A**	32,052,648
– Commercial banks	**N/A**	25,220,801
– Security companies	**N/A**	24,702,954
– Asset management companies	**N/A**	14,140,904
– Local governments	**N/A**	5,707,900
Total	**N/A**	101,825,207
Less: Impairment allowance	**N/A**	(1,217,482)
	N/A	100,607,725
Investment securities – AFS		
– Corporations	**N/A**	28,932,697
– Fund companies	**N/A**	4,401,106
– Policy banks	**N/A**	2,985,313
– Equity investments at fair value	**N/A**	494,592
– Governments	**N/A**	181,394
– Trust companies	**N/A**	61,728
– Commercial banks	**N/A**	49,955
– Others	**N/A**	14
	N/A	37,106,799
Investment securities – HTM		
– Government	**N/A**	17,450,368
– Policy banks	**N/A**	3,182,007
– Commercial banks	**N/A**	350,000
– Corporations	**N/A**	30,000
	N/A	21,012,375

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

22 INVESTMENT SECURITIES (Continued)

(a) Trust investments

	As at 31 December	
	2018	2017
Trust investments purchased from trust companies		
– guaranteed by guarantee companies	**–**	125,000
– pledged by certificates of deposit	**–**	280,100
– collateralised by properties	**7,183,660**	12,308,243
– guaranteed by third-party companies	**11,432,287**	17,461,258
– unsecured	**3,149,685**	2,058,048
Subtotal	**21,765,632**	32,232,649
Trust investments purchased from commercial banks		
– guaranteed by other banks	**400,000**	2,300,000
Total	**22,165,632**	34,532,649

(b) Directional asset management plans

	As at 31 December	
	2018	2017
Asset management plans purchased from securities companies		
– pledged by certificates of deposit	**–**	200,000
– collateralised by properties	**1,275,000**	1,880,000
– guaranteed by third-party companies	**3,894,000**	14,538,250
– unsecured	**3,090,000**	8,584,703
Subtotal	**8,259,000**	25,202,953
Asset management plans purchased from asset management companies		
– guaranteed by third-party companies	**4,735,000**	3,250,000
– guaranteed by fund companies	**–**	362,216
– guaranteed by guarantee companies	**90,000**	–
– unsecured	**13,834,000**	9,848,688
Subtotal	**18,659,000**	13,460,904
Total	**26,918,000**	38,663,857

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

23 INVESTMENT IN ASSOCIATES

	As at 31 December	
	2018	2017
Balance at the beginning of the year	**1,113,146**	238,394
Addition of investment in associates	**316,796**	696,374
Share of profit of associates	**220,427**	178,378
Declared cash dividends	**(12,046)**	–
Balance at the end of the year	**1,638,323**	1,113,146

On 5 May 2011, the Group invested RMB22,000 thousand in Xingyi Wanfeng Village Bank Co., Ltd., ('Xingyi Wanfeng') on its incorporation and held 20% of equity interest of the RMB110,000 thousand registered capital.

On 15 June 2016, the Group invested RMB54,000 thousand in Mashang Consumer Finance Co., Ltd. ('Mashang Finance') on its incorporation. On 14 August 2016, Mashang Finance increased its registered capital to RMB1.3 billion, and the Group increased the investment to RMB205,270 thousand, which accounted for 15.79% of equity interest. On 13 July 2017, Mashang Finance further increased its registered capital to RMB2.21 billion, and the Group increased the investment to RMB338,346 thousand, which accounted for 15.31% of equity interest. On 9 August 2018, Mashang Finance further increased its registered capital to RMB4 billion, and the Group increased the investment to RMB655,142 thousand, which accounted 15.53% of equity interest.

Pursuant to the resolution of board meeting of Chongqing Three Gorges Bank Co., Ltd. ('Three Gorges Bank') on 21 April 2017, the Bank appointed a director to the board of Three Gorges Bank that day, and therefore the Group had significant influence on Three Gorges Bank. Three Gorges Bank became an associate of the Group. The registered capital of Three Gorges Bank is RMB4,846,935 thousand and 4.97% of its equity interest is held by the Group. The investment cost of the Group amounted to RMB379,024 thousand.

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

23 INVESTMENT IN ASSOCIATES (Continued)

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

	Place of incorporation	Assets	Liabilities	Revenue	Net (loss)/ profit	Shareholding (%)
As at 31 December 2018						
Xingyi Wanfeng	**PRC**	**1,339,474**	**1,201,146**	**61,925**	**(11,679)**	**20.00%**
Mashang Finance	**PRC**	**40,262,460**	**34,675,397**	**8,239,332**	**801,200**	**15.53%**
Three Gorges Bank	**PRC**	**204,016,900**	**190,731,370**	**4,634,565**	**2,012,321**	**4.97%**
As at 31 December 2017						
Xingyi Wanfeng	PRC	1,518,537	1,369,588	81,030	(15,682)	20.00%
Mashang Finance	PRC	31,800,455	29,019,064	4,667,970	577,665	15.31%
Three Gorges Bank	PRC	202,479,206	189,179,685	4,099,458	1,923,054	4.97%

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

24 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at 31 December 2017	**2,809,451**	**17,433**	**408,638**	**136,597**	**356,440**	**3,728,559**
Additions	**16,681**	**–**	**73,028**	**9,133**	**234,727**	**333,569**
Transfer from/(to) construction in progress	**14,252**	**–**	**–**	**–**	**(14,252)**	**–**
Disposals	**(22,790)**	**–**	**(11,482)**	**(9,139)**	**–**	**(43,411)**
Transfer to long-term prepaid expenses	**–**	**–**	**–**	**–**	**(2,640)**	**(2,640)**
Transfer to investment properties	**(1,638)**	**–**	**–**	**–**	**–**	**(1,638)**
Transfer to held-for-sale assets	**(29,684)**	**–**	**–**	**–**	**–**	**(29,684)**
As at 31 December 2018	**2,786,272**	**17,433**	**470,184**	**136,591**	**574,275**	**3,984,755**
Accumulated depreciation						
As at 31 December 2017	**(477,559)**	**(15,739)**	**(270,336)**	**(98,668)**	**–**	**(862,302)**
Charge for the year *(Note 11)*	**(87,333)**	**(357)**	**(46,903)**	**(12,946)**	**–**	**(147,539)**
Disposals	**12,267**	**–**	**10,393**	**8,727**	**–**	**31,387**
Transfer to investment properties	**729**	**–**	**–**	**–**	**–**	**729**
Transfer to held-for-sale assets	**16,262**	**–**	**–**	**–**	**–**	**16,262**
As at 31 December 2018	**(535,634)**	**(16,096)**	**(306,846)**	**(102,887)**	**–**	**(961,463)**
Net book value						
As at 31 December 2018	**2,250,638**	**1,337**	**163,338**	**33,704**	**574,275**	**3,023,292**
Cost						
As at 31 December 2016	2,096,422	18,923	359,471	122,171	849,443	3,446,430
Additions	51,291	981	65,285	22,107	167,770	307,434
Transfer from/(to) construction in progress	660,563	–	–	–	(660,563)	–
Transfer from investment properties	1,638	–	–	–	–	1,638
Disposals	(463)	(2,471)	(16,118)	(7,681)	–	(26,733)
Transfer to long-term prepaid expenses	–	–	–	–	(210)	(210)
As at 31 December 2017	2,809,451	17,433	408,638	136,597	356,440	3,728,559
Accumulated depreciation						
As at 31 December 2016	(408,644)	(17,436)	(242,636)	(86,478)	–	(755,194)
Charge for the year *(Note 11)*	(68,535)	(700)	(41,692)	(14,467)	–	(125,394)
Transfer from investment properties	(694)	–	–	–	–	(694)
Disposals	314	2,397	13,992	2,277	–	18,980
As at 31 December 2017	(477,559)	(15,739)	(270,336)	(98,668)	–	(862,302)
Net book value						
As at 31 December 2017	2,331,892	1,694	138,302	37,929	356,440	2,866,257

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

24 PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2018, the net value of the buildings whose registration procedures have not been completed was RMB33,559 thousand (31 December 2017: RMB63,942 thousand). The registration process has little impact on the Group's right to own the property, plant and equipment.

25 OTHER ASSETS

	As at 31 December	
	2018	2017
Interest receivable[(a)]	**94,428**	3,234,293
Fee and commission receivable	**475,779**	493,421
Other receivables	**982,616**	796,343
Less: Impairment allowance	**(7,683)**	(10,731)
Land use rights[(b)]	**143,085**	147,984
Leasehold improvement	**28,249**	39,414
Intangible assets[(c)]	**126,705**	100,195
Foreclosed assets	**16,733**	15,548
Prepaid rental expenses	**24,380**	33,580
Investment properties[(d)]	**2,703**	1,933
Continuing involvement in transferred assets	**229,437**	229,414
Held-for-sale assets	**11,319**	512
Settlement fund	**–**	671
Other	**1,461**	1,378
	2,129,212	5,083,955

(a) Interest receivable:

	As at 31 December	
	2018	2017
Due from and placements with banks, other financial institutions and central bank	**–**	138,208
Investment securities	**–**	2,357,431
Loans and advances to customers	**94,428**	738,654
	94,428	3,234,293

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

25 OTHER ASSETS (Continued)

(b) Land use rights

	As at 31 December	
	2018	2017
Cost		
Balance at the beginning of the year	**187,445**	194,165
Disposals	**(540)**	(6,720)
Balance at the end of the year	**186,905**	187,445
Accumulated amortisation		
Balance at the beginning of the year	**(39,461)**	(35,845)
Amortisation for the year *(Note 11)*	**(4,672)**	(4,705)
Transfer-out	**313**	1,089
Balance at the end of the year	**(43,820)**	(39,461)
Net book value		
Balance at the end of the year	**143,085**	147,984

(c) Intangible assets

	As at 31 December	
	2018	2017
Cost		
Balance at the beginning of the year	**236,062**	180,983
Additions	**61,881**	55,079
Disposals	**(69)**	–
Balance at the end of the year	**297,874**	236,062
Accumulated amortisation		
Balance at the beginning of the year	**(135,867)**	(106,970)
Amortisation for the year *(Note 11)*	**(35,371)**	(28,897)
Disposals	**69**	–
Balance at the end of the year	**(171,169)**	(135,867)
Net book value		
Balance at the end of the year	**126,705**	100,195

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

25 OTHER ASSETS (Continued)

(d) Investment properties

	As at 31 December	
	2018	2017
Cost		
Balance at the beginning of the year	**4,335**	9,868
Transfer from property, plant and equipment	**1,638**	–
Transfer-out	**–**	(1,638)
Disposals	**–**	(3,895)
Balance at the end of the year	**5,973**	4,335
Accumulated depreciation		
Balance at the beginning of the year	**(2,402)**	(5,465)
Transfer from property, plant and equipment	**(729)**	–
Depreciation charged for the year *(Note 11)*	**(139)**	(307)
Transfer-out	**–**	3,370
Balance at the end of the year	**(3,270)**	(2,402)
Net book value		
Balance at the end of the year	**2,703**	1,933

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

26 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	As at 31 December	
	2018	2017
Loans from central bank	**3,232,088**	1,745,881
Deposits from other banks	**28,482,610**	36,832,862
Deposits from other financial institutions	**358,010**	5,098,009
Loans from other banks and financial institutions	**14,029,645**	6,100,000
Notes sold under repurchase agreements	**3,023,414**	–
Securities sold under repurchase agreements	**7,550,700**	5,994,500
Total	**56,676,467**	55,771,252
Interest payable on due to other banks and financial institutions	**413,472**	N/A
	57,089,939	55,771,252

27 CUSTOMER DEPOSITS

	As at 31 December	
	2018	2017
Corporate demand deposits	**66,883,415**	69,460,773
Corporate time deposits	**85,905,724**	83,239,393
Individual demand deposits	**12,005,521**	10,275,560
Individual time deposits	**68,480,223**	57,445,728
Other deposits	**20,894,394**	18,283,224
Total	**254,169,277**	238,704,678
Interest payable on customer deposits	**2,224,916**	N/A
	256,394,193	238,704,678
Including:		
Pledged deposits held as collateral	**13,284,371**	6,601,609

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

28 DEBT SECURITIES ISSUED

	As at 31 December	
	2018	2017
Subordinated debts		
Fixed rate tier II capital debt – 2026[(a)]	**1,497,618**	1,497,390
Fixed rate tier II capital debt – 2027[(b)]	**5,996,591**	5,996,454
Financial debt		
Fixed rate financial debt – 2018[(c)]	**–**	2,999,074
Fixed rate financial debt – 2021[(d)]	**2,995,341**	–
Fixed rate green financial debt – 2021[(e)]	**5,996,470**	–
Inter-bank certificate of deposit[(f)]	**80,114,348**	78,234,412
Total	**96,600,368**	88,727,330
Interest payable on debt securities issued	**382,245**	N/A
	96,982,613	88,727,330

(a) Pursuant to a resolution at the general meeting passed on 16 May 2014 and the Approval for Bank of Chongqing Co., Ltd. to Issue Tier II Capital Bonds (Yu Yin Jian Fu [2015] No. 107) by the CBRC on 21 September 2015, the Bank issued RMB1.5 billion Tier II capital bonds within the domestic inter-bank bond market of China on 19 February 2016. Such Tier II capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.4% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on 22 February 2021.

(b) Pursuant to a resolution at the general meeting passed on 17 June 2016 and the Approval for Bank of Chongqing Co., Ltd. to Issue Tier II Capital Bonds (Yu Yin Jian Fu [2016] No. 162) by the CBRC on 30 November 2016, the Bank issued RMB6 billion Tier II capital bonds within the domestic inter-bank bond market of China on 20 March 2017. Such Tier II capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.8% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on 21 March 2022.

The debt has the write-down characteristics of the tier II capital instrument. When the supervised trigger events which are appointed in the issuing document occur, the Bank has the right to write down the principal of the debt and any accumulated interest payables will not be paid as well. According to the related regulations issued by the CBRC, the tier II capital debt meets the standards of the qualified tier II capital instrument.

28 DEBT SECURITIES ISSUED (Continued)

(c) *Pursuant to a resolution of the extraordinary general meeting passed on 25 November 2011 and Approval for Bank of Chongqing to Issue Small and Micro Enterprises Financial Debt (Yin Jian Fu [2012] No. 526) issued by the CBRC on 21 September 2012, the Group issued a RMB3 billion financial bond within China domestic interbank bond market on 25 April 2013. The financial bond issued has a maturity of 5 years, with a fixed coupon rate of 4.78% per annum for five years, payable annually. The fund is raised all for small and micro enterprise loans. The Group redeemed the bond on 25 April 2018*

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

(e) *Pursuant to a resolution at the general meeting passed on 21 July 2017 and the Approval for Bank of Chongqing Co., Ltd. to Issue Green Financial Bonds (Yu Yin Jian Fu [2017] No. 157) by the CBRC Chongqing Bureau on 2 November 2017, the Group issued RMB3 billion first phase of green financial bonds within the domestic inter-bank bond market of China on 5 November 2018 with a fixed coupon rate of 4.05%, per annum before maturity, and then issued RMB3 billion second phase of green financial bonds within the domestic inter-bank bond market of China on 21 November 2018 with a fixed coupon rate of 3.88%, per annum before maturity; such subordinated bonds have a maturity of 3 years, per annum before maturity. The proceeds from this issue will be used to support the green industry project specified in the Green Bond Support Project Catalogue compiled by the Green Finance Specialized Committee of the China Financial Association.*

(f) *For the year ended 31 December 2018, the Bank issued 196 inter-bank certificates of deposit at discounts with maturities from one month to one year (31 December 2017: 205 inter-bank certificates of deposit with maturities from one month to one year). As at 31 December 2018, 119 items of them are not yet due with a total par value of RMB81.7 billion. (31 December 2017:124 inter-bank certificates with a total par value of RMB79.8 billion).*

For the year ended 31 December 2018, there were no defaults of principal and interest or other breaches with respect to these bonds since their issuance (2017: nil).

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

29 OTHER LIABILITIES

	As at 31 December	
	2018	2017
Interest payable[(a)]	**–**	2,906,494
Clearing funds for unsecured wealth management products	**2,035,729**	1,697,837
Employee benefits payable	**536,189**	452,348
Value added tax and other taxes payable	**289,464**	181,880
Dividends payable	**28,482**	19,438
Deferred income	**282,397**	213,282
Other payables	**988,909**	892,339
Settlement fund	**96,493**	–
Promissory notes issued	**10,257**	50,042
Continuing involvement in transferred liabilities	**229,437**	229,414
Provisions	**215,112**	–
Others	**28,856**	98,264
	4,741,325	6,741,338

(a) Interest payable

	As at 31 December	
	2018	2017
Deposits from banks and other financial institutions	**N/A**	457,792
Customer deposits	**N/A**	2,068,194
Debt securities issued	**N/A**	380,508
Total	**N/A**	2,906,494

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

30 DEFERRED INCOME TAXES

Deferred income taxes were calculated based on all temporary differences using an effective tax rate of 25% as at 31 December 2018 (31 December 2017: 25%) for transactions.

Movements in the deferred income tax are listed as follows:

	As at 31 December	
	2018	2017
Balance at the beginning of the year	**1,380,953**	1,005,271
Impact of first adoption of IFRS 9 on opening balance	**491,243**	N/A
Balance at the beginning of the year (Restated)	**1,872,196**	N/A
Charge to profit or loss *(Note 15)*	**180,328**	180,154
Changes in fair value of financial assets at FVOCI	**(169,772)**	N/A
Changes in ECL allowance of financial assets at FVOCI	**7,928**	N/A
Changes in fair value of AFS financial assets	**N/A**	195,528
Balance at the end of the year	**1,890,680**	1,380,953

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

30 DEFERRED INCOME TAXES (Continued)

Deferred tax assets and liabilities are attributable to the following items:

	As at 31 December	
	2018	2017
Deferred tax assets		
Assets impairment allowances	**1,792,351**	1,193,434
Losses on changes in fair value of financial assets at FVPL	**19,738**	N/A
Losses on changes in fair value of AFS financial assets	**N/A**	117,833
Others[(a)]	**276,386**	163,254
	2,088,475	1,474,521
Deferred tax liabilities		
Gains on changes in fair value of financial assets at FVPL	**–**	(124)
Gains on changes in fair value of financial assets at FVOCI	**(52,256)**	N/A
Share of the profit from associates under the equity method	**(145,539)**	(93,444)
	(197,795)	(93,568)
Net deferred tax assets	**1,890,680**	1,380,953

(a) Other deferred tax assets of the Group are mainly generated by unpaid salaries and bonuses, advances from customers and government grants.

Deferred income tax in the consolidated statement of comprehensive income comprises the following temporary differences:

	2018	2017
Assets impairment allowances	**140,204**	104,777
Changes in fair value of financial assets at FVPL	**(20,913)**	2,033
Profit and loss adjustments of associates	**(52,095)**	(60,009)
Others	**113,132**	(60,878)
	180,328	(14,077)

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

31 RETIREMENT BENEFIT OBLIGATIONS

The Group pays supplementary retirement benefits to employees in Mainland China, who retired before 30 June 2011. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on government bonds at the reporting date, the maturity dates of which approximate to the terms of the Group's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are charged or credited to the consolidated statement of comprehensive income as they occur. The amounts recognised in the consolidated statement of financial position represent the present value of unfunded obligations plus any unrecognised actuarial gains and losses minus any unrecognised past service cost.

Employees who retire after 1 January 2010 can voluntarily participate in an annuity plan set up by the Group pursuant to related state corporate annuity regulations. The Group contributes to the annuity plan based on certain percentage of the employees' gross salary of previous year and the contribution is recognised in other comprehensive income as incurred.

	2018	2017
Expenses incurred for retirement benefit plans	**124,477**	110,380
Expenses incurred for supplementary retirement benefits	**327**	892
Expenses incurred for corporate annuity plan	**27,978**	44,811
Total *(Note 12)*	**152,782**	156,083

	As at 31 December	
	2018	2017
Consolidated statement of financial position obligations for:		
– Pension benefits	**23,210**	20,659

	2018	2017
Consolidated statement of comprehensive income charge for:		
– Pension benefits	**327**	892

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

31 RETIREMENT BENEFIT OBLIGATIONS (Continued)

The amounts recognised in the consolidated statements of financial position are determined as follows:

	As at 31 December	
	2018	2017
Present value of unfunded obligations	**23,210**	20,659
Unrecognised past service cost	**–**	–
Net amount of liabilities in the consolidated statement of financial position	**23,210**	20,659

Movements of the present value of unfunded obligations are as follows:

	2018	2017
Balance at the beginning of the year	**20,659**	22,745
Retirement benefits paid	**(1,887)**	(1,574)
Current service cost	**–**	–
Interest cost	**327**	892
Net actuarial losses/(gains)	**4,111**	(1,404)
Past service cost	**–**	–
Balance at the end of the year	**23,210**	20,659

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

31 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Amounts of retirement benefits recognised in the consolidated statement of comprehensive income are as follows:

	2018	2017
Current service cost	**–**	–
Interest cost	**327**	892
Past service cost	**–**	–
Retirement benefit expense – total	**327**	892

Revaluation of retirement benefits plan recognised in the consolidated statement of comprehensive income is as follows:

	2018	2017
Revaluation of retirement benefits plan *(Note 40)*	**3,083**	(1,053)

The mortality assumptions are determined based on the statistics published by China Insurance Regulatory Commission.

The following table lists an average remaining life expectancy in years of a pensioner retiring at age 60 for male and 55 for female:

	As at 31 December	
	2018	2017
Male	**22.08**	22.08
Female	**29.58**	29.58

32 SHARE CAPITAL

All shares of the Bank issued are fully paid ordinary shares. The par value per share is RMB1. The number of the Group's shares is as follows:

	Number of shares (in thousand)	**Amount**
As at 31 December 2018 and 2017	3,127,055	3,127,055

33 PREFERENCE SHARES

(1) Preference shares outstanding at the end of the year

	Issue date	Dividend Rate	Issue price (USD)	Quantity in shares	In original currency (USD, in thousands)	In RMB (in thousands)	Maturity	Conversion condition
Offshore preference share	20 December 2017	5.40% at the issue date, and reset in the following periods according to the agreement. Dividend rate shall not at any time exceed 16.21% per annum.	20	37,500,000	750,000	4,909,307	No maturity date	No conversion during the year

(2) Preference shares movement of the year

	31 December 2017	**Additions**	**Deductions**	**31 December 2018**
Quantity in shares	37,500,000	–	–	**37,500,000**
Carrying amount in RMB (in thousands)	4,909,307	–	–	**4,909,307**

	31 December 2016	Additions	Deductions	31 December 2017
Quantity in shares	–	37,500,000	–	37,500,000
Carrying amount in RMB (in thousands)	–	4,909,307	–	4,909,307

33 PREFERENCE SHARES (Continued)

(3) Main clauses

(a) Dividend Rate

The offshore preference shares will accrue dividends on their liquidation preference at the relevant dividend rate below:

(1) from the issue date (inclusive) to the first reset date (exclusive), at the initial dividend rate; and

(2) thereafter, in respect of the period from the first reset date and each reset date falling thereafter (inclusive) to the immediately following reset date (exclusive), at the relevant reset dividend rate, provided that the dividend rate shall not at any time exceed 16.21% per annum, being the mean of the weighted average return on equity of the Bank (as determined in accordance with the *Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (as amended in 2010)* and calculated based on the return attributable to the ordinary shareholders) for the two most recent financial years prior to the issue date.

(b) Conditions to Distribution of Dividends

As the capital adequacy ratio of the Bank meeting the relevant regulatory requirements, the Bank having distributable after-tax profit after making up for the losses of previous years and contributing to the statutory common reserve fund and general reserve in accordance with law; and the Board having passed a resolution to declare such dividend in accordance with the Articles of Association; Bank can distribute the dividends to offshore preference shareholders.

Furthermore, subject to a resolution to be passed at a general meeting on each such occasion, the Bank may elect to cancel (in whole or in part) any dividend otherwise scheduled to be paid on a dividend payment date in the manner set out in the conditions. The Bank may at its discretion use the funds arising from the cancellation of such dividend to repay other debts that are due. Save as provided in the conditions, the offshore preference shareholders shall not be entitled to convene, attend or vote at such shareholders' general meeting.

The Bank shall give notice of any cancellation (in whole or in part) of any dividend scheduled to be paid to the offshore preference shareholders (in the manner specified in conditions) and the fiscal agent as soon as possible after a resolution has been passed at the general meeting described above to cancel (in whole or in part) such dividend, and in any event at least 10 payment business days prior to the relevant dividend payment date, provided that any failure to give such notice shall not affect the cancellation of (in whole or in part) such dividend by the Bank and shall not constitute a default for any purpose.

If the proposal of cancellation of all or part of offshore preference share dividends is approved by general meeting, the Bank shall not make any distribution or dividend to general shareholders or any type of share/obligation whose recovery order is or is clearly illustrated after offshore preference share.

33 PREFERENCE SHARES (Continued)

(3) Main clauses (Continued)

(c) Conversion

If any trigger event occurs, the Bank shall (having notified and obtained the consent of the CBRC but without the need for the consent of the preference shareholders or the ordinary shareholders):

(1) cancel any dividend in respect of the relevant loss absorption amount that is unpaid and accrued up to the conversion date (inclusive); and

(2) irrevocably and compulsorily convert with effect from the conversion date all or some of the offshore preference shares into such number of H Shares as is equal to (i) the loss absorption amount held by the offshore preference shareholders (as converted into Hong Kong dollars at the fixed exchange rate of U.S.$1.00 to HK$7.7628) divided by (ii) the effective conversion price rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H Shares (such conversion to H Shares being referred to as a 'Conversion', and 'Converted' shall have a corresponding meaning), and any fractional share less than one H Share resulting from the conversion will not be issued and no cash payment or other adjustment will be made in lieu thereof.

Trigger event means additional Tier 1 Capital Instrument trigger event or non-viability trigger event (whichever is applicable). Among them, additional Tier 1 Capital Instrument trigger event means at any time, the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below.

Non-viability trigger event is the earlier of below:

(i) the CBRC having decided that without a conversion or write off of the Bank's capital, the Bank would become non-viable; and

(ii) the relevant authorities having decided that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

33 PREFERENCE SHARES (Continued)

(3) Main clauses (Continued)

(d) Status and rights upon liquidation

Upon the winding-up of the Bank, the offshore preference shareholders shall rank:

(1) junior to holders of (i) all liabilities of the Bank including subordinated liabilities and (ii) obligations issued or guaranteed by the Bank that rank, or are expressed to rank, senior to the offshore preference shares;
(2) equally in all respects with each other and without preference among themselves and with the holders of parity obligations; and
(3) senior to the ordinary shareholders.

Upon the winding-up of the Bank, the assets of the Bank will be distributed in the following order:

(i) payment of liquidation expenses;
(ii) payment of salaries, social insurance premiums and legal compensations of the employees of the Bank;
(iii) payment of principal amounts for personal savings deposit and its legal interest;
(iv) payment of taxes due; and
(v) settlement of the debts of the Bank.

On such winding-up of the Bank, the residual assets of the Bank shall, after the distributions in accordance with paragraphs (i) to (v) above have been made, be applied to the claims of the offshore preference shareholders and the claims of the offshore preference shareholders shall rank pari passu with the claims of holders of any parity obligations in all respects and in priority to the claims of the ordinary shareholders. On such winding-up of the Bank, the offshore preference shareholders shall be entitled to an amount in respect of each offshore preference share which will be equal to the liquidation preference together with any declared but unpaid dividends for the then current dividend period in respect of that offshore preference share.

If there are insufficient residual assets upon such winding-up of the Bank to cover the amounts payable in full on the offshore preference shares and all parity obligations, the offshore preference shareholders and the holders of such parity obligations will share rateably in the distribution of such residual assets (if any) of the Bank in proportion to the full amounts to which they are respectively entitled.

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

33 PREFERENCE SHARES (Continued)

(3) Main clauses (Continued)

(e) Optional Redemption

The Bank may, subject to obtaining CBRC approval and compliance with the conditions to the distribution of dividends set out in the conditions and the redemption preconditions, upon not less than 30 nor more than 60 days' notice to the offshore preference shareholders and the fiscal agent, redeem in whole or in part the offshore preference shares on the first reset date and on any dividend payment date thereafter. The redemption price for each offshore preference share so redeemed shall be the aggregate of an amount equal to its liquidation preference plus any declared but unpaid dividends in respect of the period from the immediately preceding dividend payment date (inclusive) to the date scheduled for redemption (exclusive).

34 CAPITAL SURPLUS

Generally, transactions of the following nature are recorded in the capital surplus:

(a) Share premium arising from the issue of shares at prices in excess of their par value;
(b) Donations received from shareholders; and
(c) Any other items required by the PRC regulations to be so treated.

Capital surplus can be utilised for the issuance of bonus shares or for increasing paid-in capital as approved by the shareholders at the annual general shareholders' meeting.

The Bank issued shares at share premium. Share premium was recorded in the capital surplus after deducting direct issuance costs, which mainly included underwriting fees and professional fees.

The Group's capital surplus is shown as follow:

	As at 31 December	
	2018	2017
Share premium	**4,679,838**	4,679,838
Donations received from shareholders	**800**	800
	4,680,638	4,680,638

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

35 OTHER RESERVES

	Surplus reserve[(a)]	General reserve[(b)]	Revaluation reserve of equity instruments at FVOCI	Revaluation reserve of debt instruments at FVOCI	Impairment allowances for financial assets at FVOCI	Remeasurement of retirement benefits plan	Total
Balance at 31 December 2017	**2,245,019**	**4,747,365**	**–**	**(353,322)**	**N/A**	**(1,414)**	**6,637,648**
Changes from first adoption of IFRS 9	**–**	**–**	**–**	**949**	**143,815**	**–**	**144,764**
Balance at 1 January 2018 (restated)	**2,245,019**	**4,747,365**	**–**	**(352,373)**	**143,815**	**(1,414)**	**6,782,412**
Other comprehensive income	**–**	**–**	**150,000**	**359,316**	**(23,785)**	**(3,083)**	**482,448**
Addition	**371,547**	**652,785**	**–**	**–**	**–**	**–**	**1,024,332**
Balance at 31 December 2018	**2,616,566**	**5,400,150**	**150,000**	**6,943**	**120,030**	**(4,497)**	**8,289,192**
Balance at 31 December 2016	1,872,431	4,042,421	141,780	91,482	N/A	(2,467)	6,145,647
Other comprehensive income	–	–	(141,780)	(444,804)	N/A	1,053	(585,531)
Addition	372,588	704,944	–	–	N/A	–	1,077,532
Balance at 31 December 2017	2,245,019	4,747,365	–	(353,322)	N/A	(1,414)	6,637,648

(a) Surplus reserve

In accordance with the Company Law of the People's Republic of China and the Articles of Association, 10% of the net distributable profit of the Bank and its subsidiary, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital. With approval, statutory surplus reserve can be used for making up losses, or increasing the share capital.

The Group's statutory reserve as at 31 December 2018 amounted to RMB2,616,689 thousand (31 December 2017: RMB2,245,019 thousand).

(b) General reserve

The Bank and its subsidiary appropriates general reserves according to Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance (MOF) on 30 March 2012. In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets. This document also stipulates that if the balance of general risk reserve for a financial enterprise can hardly reach 1.5% of the aggregate amount of all risk assets, the reserve may be appropriated to 1.5% during certain years, which shall not exceed 5 years in principle. This principle has been in effect since 1 July 2012.

A general reserve of RMB76,790 thousand based on 1.5% of the ending balance of risk assets for the year ended 31 December 2018 was proposed by the Board of the Bank for approval at the annual general meeting. These consolidated financial statements do not reflect this general reserve.

For the year ended 31 December 2018, the Group appropriated a general reserve of RMB652,785 thousand from retained earnings (2017: RMB704,944 thousand). As at 31 December 2018, the ending balance of general reserve was RMB5,400,150 thousand (31 December 2017: RMB4,747,365 thousand).

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

36 DIVIDENDS

	2018	2017
Dividend declared during the year	**368,992**	909,973
Dividend per share (in RMB)(Based on prior year shares)	**0.118**	0.291
Preference shares dividends declared during the year	**310,161**	–

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

(i) Making up prior year's cumulative losses, if any;

(ii) Allocations to the non-distributable statutory accumulation reserve of 10% of the net profit of the Bank.

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

A dividend of RMB0.154 per share in respect of profit for the year ended 31 December 2018 (2017: RMB0.118 per share), amounting to a total dividend of RMB481,566 thousand based on the number of shares issued as at 31 December 2018, will be proposed for approval at the annual general meeting. These consolidated financial statements do not reflect this dividend payable in liabilities.

37 STRUCTURED ENTITY

(a) Consolidated structured entity

The Group has consolidated certain structured entities which mainly are wealth management products where the Group provides financial guarantee. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For those wealth management products where the Group provides financial guarantee, the Group therefore has obligation to fund the losses, if any, in accordance with the guarantee agreements although the Group does not have any investment in those products. The Group concludes that these structured entities shall be consolidated.

As at 31 December 2018, the wealth management products managed and consolidated by the Group amounted to RMB5,853,716 thousand (31 December 2017: RMB13,165,158 thousand). The financial impact of any individual wealth management products on the Group's financial performance is not significant. Interests held by interest holders in wealth management products are included in customer deposits and due to other banks and financial institutions.

37 STRUCTURED ENTITY (Continued)

(b) Unconsolidated structured entity

(i) Unconsolidated structured entities managed by the Group

The unconsolidated structure entities managed by the Group are mainly unsecured wealth management products issued and managed by the Group acting as an agent. Based on the analysis and research on the potential targeted clients, the Group designs and sells capital investment and management plan to specific targeted clients, and the raised funds are then put into related financial market or invested in related financial products according to the product contracts. Gains would be allocated to investors after the Group gained from investment. The Group receives corresponding wealth management commission fee income as the asset manager. The Group has recognised net commission income from unsecured wealth management products with the amount of RMB542,435 thousand for the year ended 31 December 2018 through provision of asset management service (2017: RMB748,927 thousand). The Group expects that the variable return is insignificant as to the structured entities. By the end of 31 December 2018, the maximum risk exposure of the unconsolidated structured entities was zero (31 December 2017: nil). The Group has not provided any liquidity support to the wealth management products during the year (2017: nil).

As at 31 December 2018, asset investment from the unsecured wealth management products issued and managed by the Group which were unconsolidated structure entities amounted to RMB49,967,816 thousand (31 December 2017: RMB52,071,951 thousand). The balance of unconsolidated wealth management products issued and managed by the Group amounted to RMB52,003,545 thousand (31 December 2017: RMB53,578,777 thousand).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, owners of the products or any third parties that could increase the Group's risk from unsecured wealth management products disclosed above during the year ended 31 December 2018 (31 December 2017: nil). The Group was not required to absorb any losses incurred by unsecured wealth management products before other parties. For the year ended 31 December 2018, the unsecured wealth management products issued by the Group caused no losses, and did not experience any financial difficulties (31 December 2017: nil).

(ii) Unconsolidated structured entities invested by the Group

In 2018, to make better use of capital for profit, the Group invested in unconsolidated structured entities, mainly including the wealth management products, capital trust schemes and directional asset management plans issued and managed by independent third parties. The Group classified the unconsolidated structured entities as financial assets at FVPL and amortised cost (2017: Loans and receivables).

The table below lists the carrying amount and maximum loss risk exposure of the assets due to the holdings of interests from unconsolidated structured entities.

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

37 STRUCTURED ENTITY (Continued)

(b) Unconsolidated structured entity (Continued)

(ii) Unconsolidated structured entities invested by the Group (Continued)

As at 31 December 2018	**Carrying amount**	**Maximum risk exposure**
Financial assets at FVPL	**17,798,540**	**17,798,540**
Investment securities – amortised cost	**48,029,120**	**48,029,120**
	65,827,660	**65,827,660**

As at 31 December 2017	Carrying amount	Maximum risk exposure
Investment securities – loans and receivables	95,601,296	95,601,296

The market information of total size of the unconsolidated structured entities listed above is not readily available from the public.

The interest income and fee and commission income from the above unconsolidated structured entities managed and invested by the Group were:

	2018	2017
Interest income	**2,824,400**	5,028,918
Income from investment	**1,617,308**	N/A
Fee and commission income	**795,027**	1,107,763
	5,236,735	6,136,681

For the year ended 31 December 2018, there was no loss related to the above unconsolidated structured entities (2017: nil).

For the year ended 31 December 2018, the Group had no plan to provide any financial or other support to unconsolidated structured entities (2017: nil).

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

38 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit related commitments which the Group has committed to the customers:

	As at 31 December	
	2018	2017
Guarantees	**3,940,630**	4,630,967
Letters of credit	**10,458,452**	6,204,635
Acceptances	**18,012,260**	13,510,911
Other commitments with an original maturity of		
– Within 1 year	**3,198,978**	3,095,169
– Over 1 year	**50,402**	63,024
	35,660,722	27,504,706

Capital expenditure commitments

	As at 31 December	
	2018	2017
Contracted but not provided for:		
– Capital expenditure commitments for buildings	**133,072**	181,699
– Acquisition of IT system	**166,256**	142,093
	299,328	323,792
Authorised but not contracted for:		
– Capital expenditure commitments for buildings	**69,321**	55,021
	69,321	55,021

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

38 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Operating lease commitments

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

	As at 31 December	
	2018	2017
Within 1 year	**42,079**	42,949
Over 1 year but within 5 years	**88,809**	88,803
Over 5 years	**17,191**	25,255
	148,079	157,007

External investment commitment

As at 31 December 2018, the Group had not made the payment yet.

Legal proceedings

Legal proceedings are initiated by third parties against the Group as defendant. The Group has 27 outstanding legal claims of RMB284,540 thousand in total as at 31 December 2018 (31 December 2017: 16 outstanding legal claims for loan of RMB281,358 thousand in total). After consulting legal professionals, the management believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

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

39 COLLATERALS

(a) Assets pledged

The carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	As at 31 December	
	2018	2017
Debt securities	**7,550,700**	5,994,500
Notes under resale agreements	**508,334**	–
Discounted bills	**2,527,429**	–
Total	**10,586,463**	5,994,500

The carrying amounts of loans pledged as collateral under refinance agreements with the PBOC are as follows:

	As at 31 December	
	2018	2017
Loans	**4,442,000**	2,483,493
Bonds	**619,200**	–
	5,061,200	2,483,493

As at 31 December 2018 and 2017, the Group's repurchase agreements and refinance agreements were due within 12 months.

(b) Collateral accepted

The Group received debt securities and bills as collaterals in connection with the purchase of assets under resale agreements. Some of these collaterals accepted can be resold or repledged.

As at 31 December 2018, the Group has accepted collaterals that can be resold or repledged with a fair value of RMB40,285,198 thousand (31 December 2017: RMB17,995,796 thousand). The Group has repledged collaterals accepted that the Group is obligated to repay with a fair value of RMB508,334 thousand as at 31 December 2018 (31 December 2017: nil).

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

40 OTHER COMPREHENSIVE INCOME

	Before tax amount	Tax expense/ (benefit)	Net of tax amount
As at 31 December 2018			
Items that may be reclassified to profit or loss:			
Net gains on valuation of financial assets measured at FVOCI	**464,530**	**(116,132)**	**348,398**
Net gains on disposal of financial assets measured at FVOCI that are reclassified into profit or loss	**14,558**	**(3,640)**	**10,918**
Credit loss provision of financial assets measured at FVOCI	**(31,713)**	**7,928**	**(23,785)**
Items that will not be reclassified to profit or loss:			
Net gains on equity instruments measured at FVOCI	**200,000**	**(50,000)**	**150,000**
Revaluation of retirement benefit plans	**(4,111)**	**1,028**	**(3,083)**
Other comprehensive income for the year	**643,264**	**(160,816)**	**482,448**
As at 31 December 2017			
Items that may be reclassified to profit or loss:			
Changes in fair value of AFS financial assets included in other comprehensive income	(782,112)	195,528	(586,584)
Items that will not be reclassified to profit or loss:			
Revaluation of retirement benefits plan	1,404	(351)	1,053
Other comprehensive income for the year	(780,708)	195,177	(585,531)

41 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

For the purposes of the consolidated statement of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	As at 31 December	
	2018	2017
Cash and balances with central bank	**5,815,733**	9,566,914
Due from other banks and financial institutions	**4,882,475**	8,885,308
Placements with banks	**3,568,864**	1,972,755
	14,267,072	20,424,977

42 FINANCIAL ASSETS TRANSFER

(a) Package disposal of loans and advances

For the year ended 31 December 2018, the Group disposed of packaged loans to the third parties with a gross amount of RMB315,844 thousand (2017: RMB2,252,777 thousand) and collected cash totaling RMB315,844 thousand (2017: RMB1,214,764 thousand). As 31 December 2018 the amount of RMB225,806 that was not collected would be collect in the coming four years. The Group derecognised these loans accordingly.

(b) Asset securitisation

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to trust companies or special purpose trusts which issue asset-backed securities to investors.

The Group may retain interests in the form of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the financial statement to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets.

As at 31 December 2018, assets continuously recognised by the Group amounted to RMB229,437 thousand have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets in the form of holding subordinated tranches. (31 December 2017: RMB229,414 thousand).

As at 31 December 2018, the gross amount and carrying amount of unmatured securitised loans was RMB5,203,226 thousand and a RMB3,543,475 thousand respectively (31 December 2017: RMB2,340,962 thousand and RMB2,314,744 thousand respectively). Among them, the Group disposed of non-performing loans with a gross amount of RMB2,862,264 thousand (as at 31 December 2017: nil), and derecognised these loans accordingly.

43 RELATED PARTY TRANSACTIONS

(a) Related parties of the Group

The Group has no control over or controlled by any related parties or joint ventures during the reporting period.

The related parties of the Group mainly include: the major shareholders who have 5% or more shares of the Bank as well as the entities controlled by them, the Group's associates, the key management personnel (including the Group's directors, supervisors and senior management) and their family members who have close relationships with them as well as the entities which are controlled, jointly controlled or can be significantly influenced by the Group's key management personnel or their family members, and the entities in which the Group's key management personnel or their close family members act as directors or senior management except the Group.

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

43 RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions and balances

Transactions and balances with associates

Transactions between the Group and its associates are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates are as follows:

	As at 31 December	
	2018	2017
Due from other banks and financial institutions	**–**	300,000
Due to other banks and financial institutions	**123**	521

	2018	2017
Interest income	**25,358**	23,846
Interest expense	**1**	16

Related party transactions and balances (besides associates)

The transactions between the Group and the related parties, mainly comprised of those concerning loans and deposits, were engaged under ordinary business terms.

All transaction balances and ranges of the interest rate with the related parties (excluding associates) at the end of reporting period are as follows:

	As at 31 December	
	2018	2017
Loans and advances to customers	**583,014**	117,934
Customer deposits	**1,036,983**	1,022,435
Due to other banks and financial institutions	**1,324**	788,798
Other receivables	**162,877**	228,193
Investment securities at amortised cost	**500,000**	–
Investment asset at FVOCI	**540,000**	–

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

43 RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions and balances (Continued)

	As at 31 December	
	2018	2017
Loans and advances to customers	**4.165%-5.655%**	4.17%-5.66%
Customer deposits	**0.05%-4.8%**	0.385%-3.575%
Due to other banks and financial institutions	**0.05%-0.385%**	0.385%
Investment securities at amortised cost	**5.3%**	N/A
Investment asset at FVOCI	**6.3%**	N/A

	2018	2017
Interest income from loans and advances to customers	**7,123**	5,286
Interest income from investment securities	**38,936**	–
Interest expense for customer deposits	**4,261**	4,728
Fee and commission income	**445**	–

As at 28 March 2018, Chongqing Yukang Asset Management Co., Ltd., the Group's related party, subscribed three trust schemes issued by third-party trust companies. The investments amounted to RMB733,592 thousand, RMB490,139 thousand and RMB227,324 thousand, holding 99.32%, 100% and 100% of their shares respectively. The underlying assets of the trust schemes were the credit assets beneficial right transferred by the Group and amounted to RMB1,619,902 thousand, RMB1,242,362 thousand and RMB444,296 thousand respectively.

(c) Balance of loans and advances to customers guaranteed by the related parties

	As at 31 December	
	2018	2017
Chongqing Sanxia Financing Guarantee Group Corporation	**466,180**	645,880
Chongqing Small&Mirco Business Financing Guarantee Co., Ltd.	**79,789**	–
Chongqing Education Guarantee Co., Ltd.	**163,150**	–
Chongqing Yutai Guarantee Co., Ltd.	**90,263**	–
Chongqing Xingnong Financing Guarantee Group Co., Ltd	**–**	441,370
Chongqing Export-Import Credit Guarantee Co., Ltd.	**–**	96,000
Chongqing RE-Guarantee Co., Ltd.	**34,500**	113,000
	833,882	1,296,250

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

43 RELATED PARTY TRANSACTIONS (Continued)

(d) Transactions between the Bank and its subsidiary

Related party transactions are conducted between the Bank and its subsidiary. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority.

Transactions and balances are as follows:

	As at 31 December	
The Bank	**2018**	2017
Due from other banks and financial institutions	**1,600,000**	–
Due to other banks and financial institutions	**151,215**	26,314

The Bank	**2018**	2017
Interest income	**14,779**	–
Interest expense	**4,823**	21,440
Fee and commission income	**2,008**	–

(e) Transactions with key management personnel

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the business of the Group, directly or indirectly, including directors, supervisors and senior management personnel. The Group enters into banking transactions with key management personnel in the normal course of business. For the years ended 31 December 2018 and 2017, there was no material transaction and balance with key management personnel on an individual basis.

The compensation for key management for the years ended 31 December 2018 and 2017 comprises:

	2018	2017
Remunerations, salaries, allowances and benefits	**3,485**	2,407
Discretionary bonuses	**2,751**	3,666
Contribution to pension schemes	**1,074**	1,055
	7,310	7,128

(f) Loans and advances to directors, supervisors and senior management

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior management as at the end of reporting period. Those loans and advances to directors, supervisors and senior management were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees.

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

44 SEGMENT ANALYSIS

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

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

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

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

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

	2018				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net interest income from external customers	5,567,780	398,680	909,186	–	6,875,646
Inter-segment net interest income/(expense)	1,826,220	1,526,162	(3,352,382)	–	–
Net interest income/(expense)	7,394,000	1,924,842	(2,443,196)	–	6,875,646
Net fee and commission income	253,567	293,328	795,027	–	1,341,922
Net trading income	245,215	–	222,556	–	467,771
Net gains on investment securities	–	–	1,869,777	–	1,869,777
Share of profit of associates	–	–	220,427	–	220,427
Other operating income	–	2,824	880	71,264	74,968
Impairment losses	(3,593,659)	61,776	107,214	(12,099)	(3,436,768)
Operating expense	(1,340,359)	(1,028,132)	(163,636)	(38,994)	(2,571,121)
– Depreciation and amortisation	(108,104)	(82,921)	(13,198)	(3,145)	(207,368)
– Others	(1,232,255)	(945,211)	(150,438)	(35,849)	(2,363,753)
Profit before income tax	2,958,764	1,254,638	609,049	20,171	4,842,622

	As at 31 December 2018				
Capital expenditure	151,731	71,256	186,402	1,756	411,145
Segment assets	166,206,234	78,053,909	204,185,736	1,923,094	450,368,973
Segment liabilities	(182,012,244)	(81,570,116)	(152,173,991)	(1,049)	(415,757,400)

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

44 SEGMENT ANALYSIS (Continued)

	2017				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net interest income/(expense) from external customers	4,224,549	(163,526)	4,054,072	–	8,115,095
Inter-segment net interest income/ (expense)	1,542,406	1,443,877	(2,986,283)	–	–
Net interest income	5,766,955	1,280,351	1,067,789	–	8,115,095
Net fee and commission income	320,783	185,592	1,173,681	–	1,680,056
Net trading income/(expense)	8,581	–	(29,801)	–	(21,220)
Net gains on investment securities	–	–	140,480	–	140,480
Share of profit of associates	–	–	178,378	–	178,378
Other operating income	–	25,936	22,542	51,917	100,395
Impairment losses	(2,223,317)	(128,925)	(631,693)	(15,229)	(2,999,164)
Operating expense	(1,213,687)	(845,734)	(210,656)	(28,788)	(2,298,865)
– Depreciation and amortisation	(97,189)	(67,725)	(16,869)	(2,305)	(184,088)
– Others	(1,116,498)	(778,009)	(193,787)	(26,483)	(2,114,777)
Profit before income tax	2,659,315	517,220	1,710,720	7,900	4,895,155

	As at 31 December 2017				
Capital expenditure	138,140	60,056	179,090	1,239	378,525
Segment assets	154,284,077	67,074,827	200,019,858	1,384,263	422,763,025
Segment liabilities	(177,173,388)	(68,614,025)	(144,514,878)	(822)	(390,303,113)

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

45 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

(a) Statement of financial position of the Bank

	As at 31 December	
	2018	2017
ASSETS		
Cash and balances with central bank	**33,216,841**	43,727,432
Due from other banks and financial institutions	**59,492,166**	36,900,088
Financial assets at fair value through profit or loss ('FVPL')	**27,421,858**	702,202
Loans and advances to customers	**190,973,038**	163,283,323
Investment securities		
– Loans and receivables	**N/A**	100,607,725
– Available-for-sale ('AFS')	**N/A**	37,106,799
– Held-to-maturity ('HTM')	**N/A**	21,012,375
– Fair value through other comprehensive income ('FVOCI')	**34,687,167**	N/A
– Amortised cost	**82,523,309**	N/A
Investment in subsidiaries	**1,530,000**	1,530,000
Investment in associates	**1,638,323**	1,113,146
Property, plant and equipment	**2,978,159**	2,830,692
Deferred tax assets	**1,778,471**	1,369,094
Other assets	**2,126,011**	5,040,438
Total assets	**438,365,343**	415,223,314
LIABILITIES		
Due to other banks and financial institutions	**47,444,989**	50,197,566
Financial liabilities at fair value through profit or loss	**657**	–
Customer deposits	**256,394,193**	238,704,678
Current tax liabilities	**474,564**	331,343
Debt securities issued	**96,982,613**	88,727,330
Other liabilities	**4,111,572**	6,350,681
Total liabilities	**405,408,588**	384,311,598
EQUITY		
Share capital	**3,127,055**	3,127,055
Preference shares	**4,909,307**	4,909,307
Capital surplus	**4,680,638**	4,680,638
Other reserves	**8,237,748**	6,619,611
Retained earnings	**12,002,007**	11,575,105
Equity attributable to shareholders of the Bank	**32,956,755**	30,911,716
Total liabilities and equity	**438,365,343**	415,223,314

LIN JUN	RAN HAILING	YANG SHIYIN	YANG KUN
CHAIRMAN	PRESIDENT	VICE PRESIDENT	HEAD OF FINANCE DEPARTMENT (PROPOSED)

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

45 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (Continued)

(b) Statement of Changes in Equity of the Bank

	Share capital	Preference shares	Capital surplus	Surplus reserve	General reserve	Revaluation reserve for financial assets at FVOCI	Revaluation of retirement benefits	Retained earnings	Total
Balance at 31 December 2016	3,127,055	–	4,680,638	1,872,431	4,042,421	233,262	(2,467)	9,858,572	23,811,912
Net profit for the year	–	–	–	–	–	–	–	3,686,001	3,686,001
Other comprehensive income	–	–	–	–	–	(586,584)	1,053	–	(585,531)
Total comprehensive income	–	–	–	–	–	(586,584)	1,053	3,686,001	3,100,470
Issuance of preference shares	–	4,909,307	–	–	–	–	–	–	4,909,307
Dividends	–	–	–	–	–	–	–	(909,973)	(909,973)
Transfer to other reserves	–	–	–	368,600	690,895	–	–	(1,059,495)	–
Balance at 31 December 2017	3,127,055	4,909,307	4,680,638	2,241,031	4,733,316	(353,322)	(1,414)	11,575,105	30,911,716
Balance at 31 December 2017	**3,127,055**	**4,909,307**	**4,680,638**	**2,241,031**	**4,733,316**	**(353,322)**	**(1,414)**	**11,575,105**	**30,911,716**
Changes on initial application of IFRS 9	**–**	**–**	**–**	**–**	**–**	**144,764**	**–**	**(1,618,487)**	**(1,473,723)**
Restated balance at 1 January 2018	**3,127,055**	**4,909,307**	**4,680,638**	**2,241,031**	**4,733,316**	**(208,558)**	**(1,414)**	**9,956,618**	**29,437,993**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,715,467**	**3,715,467**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**485,531**	**(3,083)**	**–**	**482,448**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**485,531**	**(3,083)**	**3,715,467**	**4,197,915**
Dividends to ordinary shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(368,992)**	**(368,992)**
Dividends to preference shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(310,161)**	**(310,161)**
Transfer to other reserves	**–**	**–**	**–**	**371,547**	**619,378**	**–**	**–**	**(990,925)**	**–**
Balance at 31 December 2018	**3,127,055**	**4,909,307**	**4,680,638**	**2,612,578**	**5,352,694**	**276,973**	**(4,497)**	**12,002,007**	**32,956,755**

46 SUBSEQUENT EVENTS

Up to the date of this report, the Group has no material events for disclosure after the reporting date.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Liquidity Ratios

(Expressed in percentage)	As at December 31, 2018	As at December 31, 2017
RMB current assets to RMB current liabilities	**78.84**	75.25
Foreign currency current assets to foreign currency current liabilities	**146.55**	687.92

The liquidity ratios are calculated in accordance with the relevant provisions of the PBOC and the CBIRC.

2. Cross-border Claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include amounts due from other banks and other financial institutions.

Cross-border claims have been disclosed by different countries or geographical areas. A country or geographical area is reported separately where it constitutes 10% of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in another country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018	As at December 31, 2017
Asia Pacific excluding Mainland China	**1,174,254**	4,892,457
– of which attributed to Hong Kong	**1,173,788**	4,891,815
Europe	**2,509**	2,379
North America	**424,427**	444,194
Oceania	**–**	649
Total	**1,601,190**	5,339,679

3. Currency Concentrations

(All amounts expressed in thousands of RMB unless otherwise stated)	Equivalent in RMB US Dollar	HK Dollar	Others	Total
As at December 31, 2018				
Spot assets	**17,502,794**	**3,515**	**60,540**	**17,566,849**
Spot liabilities	**(12,105,119)**	**(118)**	**(52,725)**	**(12,157,962)**
Net long/(short) position	**5,397,675**	**3,397**	**7,815**	**5,408,887**

(All amounts expressed in thousands of RMB unless otherwise stated)	Equivalent in RMB US Dollar	HK Dollar	Others	Total
As at December 31, 2017				
Spot assets	14,404,657	13,104	70,979	14,488,740
Spot liabilities	(14,190,336)	(128)	(70,108)	(14,260,572)
Net long/(short) position	214,321	12,976	871	228,168

4. Overdue and Rescheduled Assets

(1) Total overdue loans

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018 Total Overdue loans to customers	Percentage (%)	As at December 31, 2017 Total Overdue loans to customers	Percentage (%)
Within 3 months	**4,476,712**	**62.42**	4,260,480	52.74
Between 3 and 6 months	**483,543**	**6.74**	822,409	10.18
Between 6 and 12 months	**1,003,262**	**13.99**	1,372,474	16.99
Over 12 months	**1,208,749**	**16.85**	1,623,208	20.09
Total	**7,172,266**	**100.00**	8,078,571	100.00

(2) Overdue and rescheduled loans

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2018	As at December 31, 2017
Gross amount of overdue and rescheduled loans	**928,953**	1,227,618

4. Overdue and Rescheduled Assets (Continued)

(3) Type of collateral of overdue loans

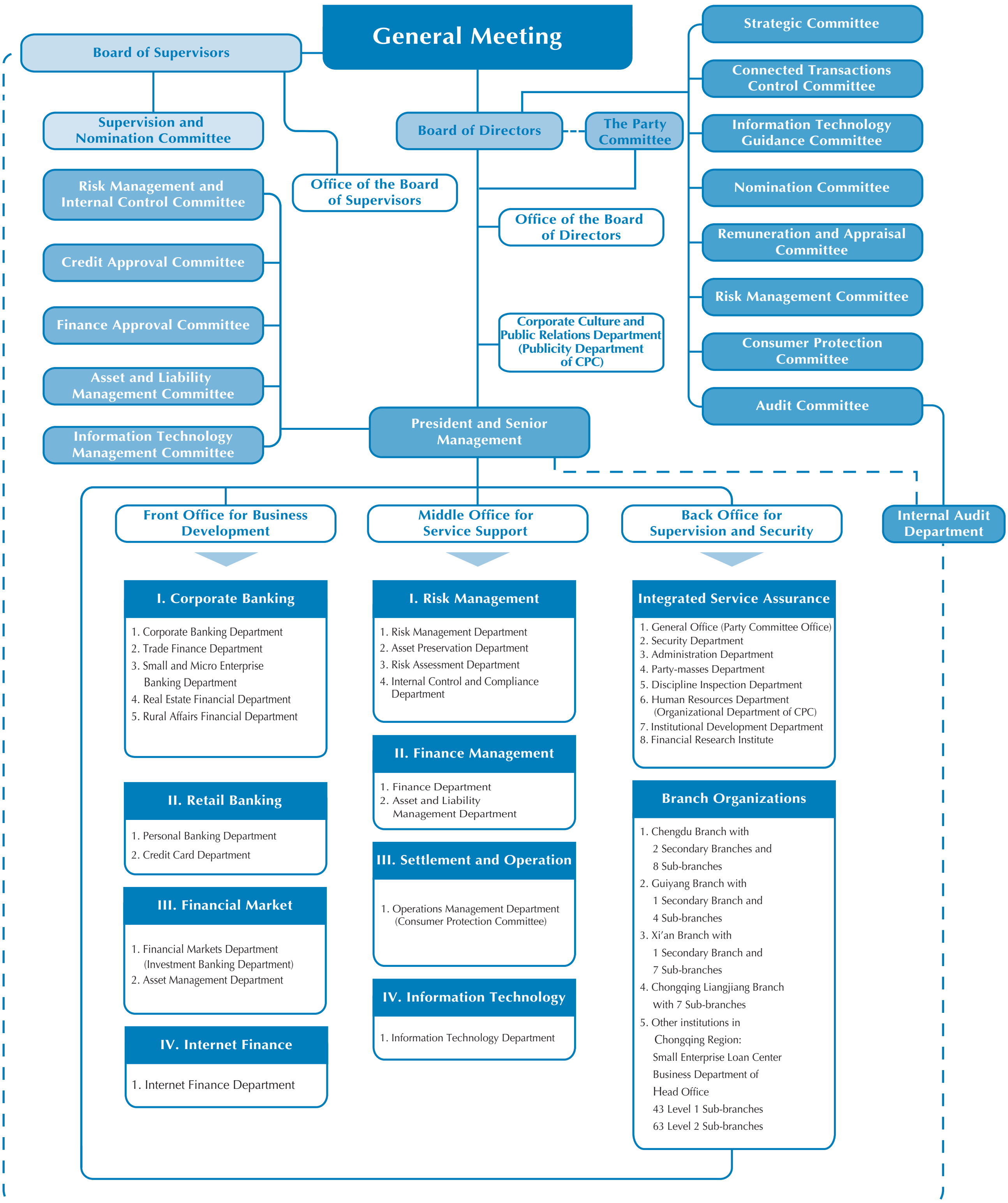
(All amounts expressed in thousands of RMB unless otherwise stated)	Past due 1-90 days (including 90 days)	Past due 90 days-1 year (including 1 year)	Past due 1 year-3 year (including 3 year)	Past due over 3 years	Total
As at December 31, 2018					
Unsecured loans	**278,797**	**163,017**	**50,172**	**8,898**	**500,884**
Guaranteed loans	**2,193,873**	**270,950**	**284,650**	**12,445**	**2,761,918**
Collateralised loans	**1,707,901**	**1,004,686**	**507,102**	**198,361**	**3,418,050**
Pledged loans	**294,308**	**49,985**	**147,121**	**–**	**491,414**
Total	**4,474,879**	**1,488,638**	**989,045**	**219,704**	**7,172,266**

(All amounts expressed in thousands of RMB unless otherwise stated)	Past due 1-90 days (including 90 days)	Past due 90 days-1 year (including 1 year)	Past due 1 year-3 year (including 3 year)	Past due over 3 years	Total
As at December 31, 2017					
Unsecured loans	123,584	62,964	47,594	786	234,928
Guaranteed loans	1,831,973	804,272	504,457	684	3,141,386
Collateralised loans	1,933,125	1,292,887	800,974	58,910	4,085,896
Pledged loans	369,022	37,535	209,346	458	616,361
Total	4,257,704	2,197,658	1,562,371	60,838	8,078,571

5. Geographical Information

The Bank mainly operates its business in Mainland China, and most of its loans and advances are granted to the clients from the city of Chongqing.

Organizational Chart



List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
1	Business Department of Bank of Chongqing Co., Ltd.	Lot A04-1/03, Outline Zoning A, Jiangbeicheng, Jiangbei District, Chongqing	400020
2	Small Enterprise Loan Centre of Bank of Chongqing Co., Ltd.	No. 331 Donghu South Road, Yubei District, Chongqing	401147
3	Liangjiang Branch of Bank of Chongqing Co., Ltd.	No. 52 Middle Section of Huangshan Avenue, Yubei District, Chongqing	401121
4	Chengdu Branch of Bank of Chongqing Co., Ltd.	North Building, New Tianfu International Centre, No. 99 Tianfu Second Street, Hi-Tech District, Chengdu, Sichuan	610059
5	Guiyang Branch of Bank of Chongqing Co., Ltd.	1/F to 3/F, Building II, Shengshi Huating, No. 51 Jiefang Road, Nanming District, Guiyang, Guizhou	550002
6	Xi'an Branch of Bank of Chongqing Co., Ltd.	1/F to 3/F, Building 2, Yinhe Xinzuobiao Building, No. 25 Tangyan Road, Xi'an, Shaanxi	710075
7	Guang'an Secondary Branch of Bank of Chongqing Co., Ltd.	1/F and 15/F, Guang'an Power Administration, Building, No. 9 Siyuan Avenue, Guang'an District, Guang'an, Sichuan	638000
8	Leshan Secondary Branch of Bank of Chongqing Co., Ltd.	(Even No.) No. 438-454 Baiyang Middle Road and (Even No.) No. 206-214 Jiaxing Road, Central District, Leshan, Sichuan	614001
9	Bijie Secondary Branch of Bank of Chongqing Co., Ltd.	1-4/F, Block 5, Qizhong Aolai International Plaza, Qixingguan District, Bijie, Guizhou	551700
10	Yan'an Secondary Branch of Bank of Chongqing Co., Ltd.	1st and 4th floors, Building A, Yan'an Mintou Financial Town, southwest corner of Zichang Road & Xuanyuan Avenue, New District, Baota District, Yan'an, Shaanxi	716000
11	Wenhuagong Sub-branch of Bank of Chongqing Co., Ltd.	No. 139 Zhongshan San Road, Yuzhong District, Chongqing	400014
12	Qixinggang Sub-branch of Bank of Chongqing Co., Ltd.	No. 148 Zhongshan Yi Road, Yuzhong District, Chongqing	400013
13	Bayi Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 258 Bayi Road, Yuzhong District, Chongqing	400010
14	The Great Hall Sub-branch of Bank of Chongqing Co., Ltd.	No. 4 Xuetianwan Zheng Street, Yuzhong District, Chongqing	400015
15	Renhe Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 89 Renhe Street, Yuzhong District, Chongqing	400015
16	Shangqingsi Sub-branch of Bank of Chongqing Co., Ltd.	No. 38-4, 5, 6, and 7 Zhongshan Si Road, Yuzhong District, Chongqing	400015
17	Jiefangbei Sub-branch of Bank of Chongqing Co., Ltd.	No. 101 Minzu Road, Yuzhong District,Chongqing	400010
18	Minsheng Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 153 Zourong Road, Yuzhong District, Chongqing	400010

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
19	Dayanggou Sub-branch of Bank of Chongqing Co., Ltd.	(street frontage), Oupeng Building, No. 216 Xinhua Road, Yuzhong District,Chongqing	400010
20	Chaotianmen Sub-branch of Bank of Chongqing Co., Ltd.	No. 7 Datong Street, Yuzhong District, Chongqing	400011
21	Zongbucheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 44 and 46 Huxie Road, Yuzhong District, Chongqing	400011
22	Hualongqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 162 and 164 Ruitian Road, Yuzhong District, Chongqing	400043
23	Renmin Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 129 Renmin Road, Yuzhong District, Chongqing	400015
24	Shidai Tian Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 16-2-35 and 16-2-36 Shidai Tian Street, Yuzhong District, Chongqing	400014
25	Daping Sub-branch of Bank of Chongqing Co., Ltd.	No. 121 Daping Changjiang Er Road, Yuzhong District, Chongqing	400042
26	Sanxia Plaza Sub-branch of Bank of Chongqing Co., Ltd.	No. 339-3, Xiaolongkan Zheng Street, Shapingba District, Chongqing	400030
27	Shazheng Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 37-6 Shazheng Street, Shapingba District, Chongqing	400030
28	Xiaolongkan Sub-branch of Bank of Chongqing Co., Ltd.	No. 18 Xiaolongkan New Street, Shapingba District, Chongqing	400030
29	Tianxingqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 40-28 Tianxingqiao Zheng Street, Shapingba District, Chongqing	400030
30	Xiyong Weidianyuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 17-21 and 63-67, No. 26, Xishuang Avenue, Shapingba District, Chongqing	401332
31	Chongda Sub-branch of Bank of Chongqing Co., Ltd.	No. 83 Shabei Street, Shapingba District, Chongqing	400044
32	University City Sub-branch of Bank of Chongqing Co., Ltd.	No. 125-127 and 149-152, No. 17 University City West Road, Huxi Town, Shapingba District, Chongqing	400044
33	Dadukou Sub-branch of Bank of Chongqing Co., Ltd.	No. 37-18 Cuibai Road, Chunhui Road Subdistrict, Dadukou District, Chongqing	400084
34	Ganghua Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Shuangshan Road, Dadukou District, Chongqing	400084
35	Jiulong Square Sub-branch of Bank of Chongqing Co., Ltd.	No. 36 Yangjiaping Xijiao Road, Jiulongpo District, Chongqing	400050
36	Baishiyi Sub-branch of Bank of Chongqing Co., Ltd	No. 1-3, 4, 5, and 6, Unit 1, Building 1, No 23 Bai Xin Road, Baishiyi Town, Jiulongpo District, Chongqing	401329
37	High-Tech Development Zone Subbranch of Bank of Chongqing Co., Ltd.	No. 1409 Jingwei Avenue, Jiulongpo District, Chongqing	400039
38	Yangjiaping Sub-branch of Bank of Chongqing Co., Ltd.	(Jianye Building) Yangjiaping Labour Village 3, Jiulongpo District, Chongqing	400050

No.	Name of Banking Institution	Address	Postal Code
39	Yuzhou Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 18-1 Yuzhou Road, Jiulongpo District, Chongqing	400039
40	Nanping Sub-branch of Bank of Chongqing Co., Ltd.	2-2, 1/F, No. 199 Nancheng Avenue, Nanping Subdistrict, Nan'an District, Chongqing	400060
41	Chayuan New District Sub-branch of Bank of Chongqing Co., Ltd.	No. 101-8 Tongjiang Avenue, Chayuan New District, Nan'an District, Chongqing	401336
42	Danzishi Sub-branch of Bank of Chongqing Co., Ltd.	No. 52 Danzishi New Street, Nan'an District, Chongqing	400061
43	Huilongwan Sub-branch of Bank of Chongqing Co., Ltd.	No. 37, 1/F, No. 29, Nanhu Road, Nan'an District, Chongqing	400060
44	Banan Sub-branch of Bank of Chongqing Co., Ltd.	Shop-1 13-20, Shop-2 9-14, Shop-3 6-12, No. 40, Longzhou Avenue, Banan District, Chongqing	401320
45	Yudong Sub-branch of Bank of Chongqing Co., Ltd.	No. 60-1 Xinshi Street, Banan District, Chongqing	401320
46	Jieshi Sub-branch of Bank of Chongqing Co., Ltd.	No. 137, 139, 141 and 143 Jiemei Road, Jieshi Town, Banan District, Chongqing	401346
47	Lijiatuo Sub-branch of Bank of Chongqing Co., Ltd.	Shop 5 No. 5, Mawangping Zheng Street, Lijiatuo, Banan District, Chongqing	400054
48	Beibei Sub-branch of Bank of Chongqing Co., Ltd.	No. 453, 455 and 457 Yunqing Road, Beibei District, Chongqing	400700
49	Beibeichaoyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 73 Zhongshan Road, Beibei District, Chongqing	400700
50	Southwest University Sub-branch of Bank of Chongqing Co., Ltd.	No. 18 Shigang Village, Beibei District, Chongqing	400700
51	Tianshengqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 85-3 Huangshu Village, Beibei District, Chongqing	400716
52	Beibei District Shuitu Sub-branch of Bank of Chongqing Co., Ltd.	No. 98-27 Fangzheng Avenue, Beibei District, Chongqing	400700
53	Jianxin North Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 23-4 Jianxin North Road, Jiangbei District, Chongqing	400020
54	Ranjiaba Sub-branch of Bank of Chongqing Co., Ltd.	No. 433 and 435 Longshan Road, Nanqiao Temple, Yubei District, Chongqing	400020
55	Wulidian Sub-branch of Bank of Chongqing Co., Ltd.	No. 292 Jianxin East Road, Jiangbei District, Chongqing	400023
56	Jianxin East Road Sub-branch of Bank of Chongqing Co., Ltd.	Baiyexing Building, No. 3-1 Jianxin East Road, Jiangbei District, Chongqing	400020
57	Bonded Port Sub-branch of Bank of Chongqing Co., Ltd.	2-1, 2-2, 2-3, and 2-4, Building 2, No. 153 Jinyu Avenue, Jiangbei District, Chongqing	400025
58	Longtousi Sub-branch of Bank of Chongqing Co., Ltd.	No. 331 Donghu South Road, Yubei District, Chongqing	401147
59	Jinkai Sub-branch of Bank of Chongqing Co., Ltd.	No. 11-1 Jintong Road, Beibu New District, Chongqing	401122

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
60	Yanghe Sub-branch of Bank of Chongqing Co., Ltd.	No. 383 Honghuang Road, Longxi Sub-district, Yubei District, Chongqing	401147
61	Yuanyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 119, Building G8, No. 1122 Jinkai Avenue, Beibu New District, Chongqing	401147
62	Liangjiang New District Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-3 Xingguang Avenue, Gaoxin Park, Beibu New District, Chongqing	401121
63	Fenglinxiushui Sub-branch of Bank of Chongqing Co., Ltd.	No. 52, 54, 56 and 58 Xihu Road, Yubei District, Chongqing	401120
64	Songshuqiao Sub-branch of Bank of Chongqing Co., Ltd.	District A, Shanghai Building, No. 71 Wuling Road, Longxi Sub-district, Yubei District, Chongqing	401147
65	Renhe Sub-branch of Bank of Chongqing Co., Ltd.	No. 50 Renhe Jile Avenue, Yubei District, Chongqing	401121
66	Jiazhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 115 Jiazhou Road, Yubei District, Chongqing	401147
67	Yuzui Sub-branch of Bank of Chongqing Co., Ltd.	No. 14, 15 and 16, 1/F, Building B2, Tuoxin • Liangjiang Qibocheng, No. 47 Yonghe Road, Yuzui, Liangjiang New District, Chongqing	401133
68	Red Star Plaza Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1, 1-2, and 1-3, Building 4, No. 42 Golden State Avenue, Beibu New District, Chongqing	401120
69	Yubei Sub-branch of Bank of Chongqing Co., Ltd.	Shops 1-1 and 2-1 of Integrated Commercial Complex of Shengjing Tianxia, No. 9 Baiguo Road, Shuanglonghu Sub-district, Yubei District, Chongqing	401120
70	Lianglu Sub-branch of Bank of Chongqing Co., Ltd.	No. 86 Shuanglong Avenue, Shuanglonghu Sub-district, Yubei District, Chongqing	401120
71	Fuling Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-2, 2-2, 3-1, 3-4, Basement, Block 2, Xiangjiang Garden, No. 8-1 Zhongshan Road, Fuling District, Chongqing	408000
72	Fuling Stadium Sub-branch of Bank of Chongqing Co., Ltd.	Xinghua Middle Road (Stadium South Road), Fuling District, Chongqing	408000
73	Lidu Sub-branch of Bank of Chongqing Co., Ltd.	Shop 17, 18, 19, 20, Building S2-1, Panhua International Plaza, No. 29-20, 21, 22, 23, Taibai Avenue, Fuling District, Chongqing	408100
74	Changshou Sub-branch of Bank of Chongqing Co., Ltd.	No. 10 Taoyuan West Road, Changshou District, Chongqing	401220
75	Yanjia Sub-branch of Bank of Chongqing Co., Ltd.	No. 33 Yucai Road, Yanjia Sub-district, Changshou District, Chongqing	401221
76	Fengcheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 2 Xiangyang Road, Changshou District, Chongqing	401220
77	Hechuan Sub-branch of Bank of Chongqing Co., Ltd.	1-2, 2-1, No. 402, 400 Jiangcheng Avenue, South Office, Hechuan District, Chongqing	401520

No.	Name of Banking Institution	Address	Postal Code
78	Hechuan District Zhaojia Sub-branch of Bank of Chongqing Co., Ltd.	No. 47, 49, 51 Jiaotong Street and No. 210, 212, 214, 216 Zuofu Road, Joint Office, Hechuan District, Chongqing	401520
79	Wanzhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 193 Baiyan Road, Wanzhou District, Chongqing	404000
80	Wanzhou District Wuqiao Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Building A, Shanghai Grand World, No. 55 Shanghai Avenue, (Wuqiao) Wanzhou District, Chongqing	404020
81	Qianjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 555 Xinhua Avenue (West Section), Chengxi Sub-district, Qianjiang District, Chongqing	409000
82	Dashizi Sub-branch of Bank of Chongqing Co., Ltd.	No. 120 Jiefang Road, Chengdong Sub-district, Qianjiang District, Chongqing	409000
83	Jiangjin Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-2 and 2-1, Building 1, Xiangrui Building, No. 518 Dingshan Avenue, Dingshan Sub-district, Jiangjin District, Chongqing	402260
84	Jiangjin District Shuangfu Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1, 1-2 and 1-3, Basement, Block 1, Meifang Mansion, Shui Basement, No. 95, 93 and 91 Shuangfu Avenue, Shuangfu Sub-district, Jiangjin District, Chongqing	402260
85	Jiangjin District Luohuang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-8, Block Commercial, Century Huacheng, No. 23 Luohuang Industrial Park Avenue, Luohuang Town, Jiangjin District, Chongqing	402283
86	Tongliang Sub-branch of Bank of Chongqing Co., Ltd.	2-1, No. 2, No. 2 Jiefang East Road, Bachuan Sub-district, Tongliang District, Chongqing	402560
87	Tongliang District Xincheng Sub-branch of Bank of Chongqing Co., Ltd.	(Even No.) No. 198-206 and 206-1-8 Zhongxing East Road, Dongcheng Sub-district, Tongliang District, Chongqing	402560
88	Yongchuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 78 Renmin South Road, Yongchuan District, Chongqing	402160
89	Yongchuan District Yuxi Square Sub-branch of Bank of Chongqing Co., Ltd.	No. 101-1-5 and 101-10 Xuanhua Road, Yongchuan District, Chongqing	402160
90	Liangping Sub-branch of Bank of Chongqing Co., Ltd.	No. 2, 4, 6 and 8 Shuncheng Street, Liangshan Town, Liangping County, Chongqing	405200
91	Liangping Sanxiafeng Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-21 to 1-25, 1-96 to 1-101, 2-19 to 2-25, Building 2, No. 5, Jingui Road, Shuanggui Street, Liangping District, Chongqing	405200
92	Nanchuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-12 and No. 2-14, Block 1 (Chamber of Commerce Building), No. 12 Longhua Avenue, Xi Cheng Sub-district, Nanchuan District, Chongqing	408400

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
93	Nanchuan District Heping Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 18-1 Heping Road, Nan Cheng Sub-district, Nanchuan District, Chongqing	408400
94	Rongchang Sub-branch of Bank of Chongqing Co., Ltd.	1-3 and 2-3, No. 43-2 Changlong Avenue, Changzhou Sub-district, Rongchang County, Chongqing	402460
95	Rongchang County Changyuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 199-205 Binhe Middle Road, Changyuan Town, Rongchang County, Chongqing	402460
96	Zhong County Sub-branch of Bank of Chongqing Co., Ltd.	No. 3-1 Zhongbo Avenue, Zhongzhou Town, Zhong County, Chongqing	404300
97	Bishan Sub-branch of Bank of Chongqing Co., Ltd.	No. 205 (3 to 5) Jinjian Road, Bishan County, Chongqing	402760
98	Qinggang Sub-branch of Bank of Chongqing Co., Ltd.	No. 190, 192 and 194 Zhong Street, Qinggang Sub-district, Bishan County, Chongqing	402760
99	Qijiang Sub-branch of Bank of Chongqing Co., Ltd.	Sub No. 1-40 and Sub No. 2-225 to 229, Podium Building, Rongrun Kaixuan Mingcheng, No. 47 Jiulong Avenue, Wenlong Sub-district, Qijiang District, Chongqing	401420
100	Wansheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 23-1 Wansheng Avenue, Wansheng District, Chongqing	400800
101	Xiushan Sub-branch of Bank of Chongqing Co., Ltd.	1-4, 1-5, 2-4 and 2-5, No. 70-1, Fengxiang Road, Zhonghe Street, Xiushan County, Chongqing	409900
102	Xiushan County Wuyue Plaza Sub-branch of Bank of Chongqing Co., Ltd.	1-4, 1-5 and 1-6, Unit 1, Building 1, No. 3 Baisha Avenue (North Section), Zhonghe Street, Xiushan County, Chongqing	409900
103	Kaizhou Sub-branch of Bank of Chongqing Co., Ltd.	Market Square, Kaizhou Avenue (Middle Section), Kaizhou County, Chongqing	405400
104	Kaizhou County Pingqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 500 Kaizhou Avenue West, Yunfeng Street, Kaizhou County, Chongqing	405499
105	Dazu Sub-branch of Bank of Chongqing Co., Ltd.	No. 257 Wuxing Avenue, Tangxiang Sub-district, Dazu County, Chongqing	402360
106	Shuangqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 10-39 Xihu Avenue, Shuangqiao District, Chongqing	400900
107	Dazu County Longshui Sub-branch of Bank of Chongqing Co., Ltd.	1-8, 1-7-1, 1-7-2 and 1-6-2, Block G, Wujin Lvyou Cheng, Longshui Town, Dazu District, Chongqing	402368
108	Tongnan Sub-branch of Bank of Chongqing Co., Ltd.	No. 2, 1/F, No. 86-92 Xingtong Avenue, Guilin Sub-district, Tongnan County, Chongqing	402660

No.	Name of Banking Institution	Address	Postal Code
109	Tongnan Waitan Sub-branch of Bank of Chongqing Co., Ltd.	Shops 9, 10, 11, 27 and 28, 1/F, Building 4, No. 3 Waitan West Road, Zitong Sub-district, Tongnan District, Chongqing	402660
110	Fengdu Sub-branch of Bank of Chongqing Co., Ltd.	No. 184 and 186 Pingdu Avenue (West Section), Sanhe Town, Fengdu County, Chongqing	408200
111	Shizhu Sub-branch of Bank of Chongqing Co., Ltd.	No. 35-26-30, Dudu Avenue, Wan'an Street, Shizhu County, Chongqing	409100
112	Shizhu Wanshou Sub-branch of Bank of Chongqing Co., Ltd.	No.100-9, Wanshou Avenue, Wan'an Street, Shizhu County, Chongqing	409100
113	Dianjiang Sub-branch of Bank of Chongqing Co., Ltd.	Unit 1-1, Building B51 Fengshan West Road, Guixi Town, Dianjiang County, Chongqing	408300
114	Yunyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1299 Yunjiang Avenue, Shuangjiang Town, Yunyang County, Chongqing	404500
115	Wuxi Sub-branch of Bank of Chongqing Co., Ltd.	Entertainment and Sports Building, Chunshen Avenue, Chengxiang Town, Wuxi County, Chongqing	405800
116	Wulong Sub-branch of Bank of Chongqing Co., Ltd.	No. 117 Furong West Road, Xiangkou Town, Wulong County, Chongqing	408500
117	Wulong County Nancheng Sub-branch of Bank of Chongqing Co., Ltd.	Unit 8-11, No.2 Jianshe Middle Road, Xiangkou Town, Wulong County, Chongqing	408500
118	Youyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-14, 1-15, 2-1, Building 9, Huisheng Square, No. 10 Middle Road, Taohuayuan Avenue, Siyang County, Chongqing City	409800
119	Youyang Taohuayuan Sub-branch of Bank of Chongqing Co., Ltd	No. 17 Chengbei New District, Zhongduo Town, Youyang County, Chongqing	409800
120	Pengshui Sub-branch of Bank of Chongqing Co., Ltd.	G/F (street frontage) Binjiang Community, Hanjia Town, Pengshui County, Chongqing	409699
121	Wushan Sub-branch of Bank of Chongqing Co., Ltd.	Complex Building 1-1, No. 329 Guangdong East Road, Gaotang Sub-district, Wushan County, Chongqing	404700
122	Chengkou Sub-branch of Bank of Chongqing Co., Ltd.	Commercial Building One, Block 1, Chongyang • Yicheng International Commercial Podium, No.18 Dongda Street, Gecheng Sub-district, Chengkou County, Chongqing	405900
123	Fengjie Sub-branch of Bank of Chongqing Co., Ltd.	No. 4 Qiaomu Street, Yong'an Town, Fengjie County, Chongqing	404600
124	Chongzhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 353-367 Yangci Street and No. 79 South Section 1, Binhe Road, Chongyang Town, Chongzhou, Sichuan	611230
125	Chengdu Binjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 65 Shangchi Zheng Street, Qingyang District, Chengdu, Sichuan	610015
126	Chengdu Wuhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 17 South Section 4, Yihuan Road Gaosheng Bridge, Wuhou District, Chengdu, Sichuan	610000

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
127	Chengdu Economic Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	(Even No.) 620-626 Beiquan Road, and (Odd No.) 1-19 Yiju Road, Longquanyi District, Chengdu, Sichuan	610100
128	Chengdu Jinsha Sub-branch of Bank of Chongqing Co., Ltd.	No. 171 Jinze Road, and No. 246 Shuhui Road, Qingyang District, Chengdu, Sichuan	610074
129	Chengdu Kehua Sub-branch of Bank of Chongqing Co., Ltd.	Libao Building, No. 62 Kehua North Road, Wuhou District, Chengdu, Sichuan	610040
130	Chengdu Jinjiang Sub-branch of Bank of Chongqing Co, Ltd.	No. 79-93, 79-95 and 79-97 Section 1, Jinhua Road, Jinjiang District, Chengdu, Sichuan	610023
131	Chengdu Xindu Sub-branch of Bank of Chongqing Co, Ltd.	No. 470, 472 and 474 Yuying Road, Chengdu, Sichuan	610599
132	Guiyang Chengdong Sub-branch of Bank of Chongqing Co., Ltd.	No. 116 Baoshan North Road, Yunyan District, Guiyang, Guizhou	550001
133	Zunyi Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1 Building 1, Jinxucheng Shangcheng Community, Nanjing Road, Huichuan District, Zunyi, Guizhou	563000
134	Liupanshui Zhongshan Middle Road Sub-branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Longcheng Plaza, No. 81 Zhongshan Middle Road, Zhongshan District, Liupanshui, Guizhou	553000
135	Guiyang Guanshanhu Sub-branch of Bank of Chongqing Co., Ltd.	No. 3, 1st Floor, North Zone of Financial Business District (4), Zone B, Zhongtian • Exhibition City, Changling North Road, Guanshanhu District, Guiyang, Guizhou	550081
136	Xi'an Economic &Technological Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	1st Floor, Huadi Golden Block, No. 369, Middle Section of North Second Ring Road, Weiyang District, Xi'an, Shaanxi	710015
137	Xi'an Qujiang New District Sub-branch of Bank of Chongqing Co., Ltd.	1/F and 2/F, No. 6, Building No. 1, Longmai South Zone Tianlunyu Cheng, Second South Ring Road (East Section), Xi'an, Shaanxi	710018
138	Xi'an International Trade and Logistics Park Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Qihang Garden Commercial Street, No. 6 Port Avenue, Xi'an International Trade and Logistics Park, Xi'an, Shaanxi	710026
139	Xi'an Jidong Sub-branch of Bank of Chongqing Co., Ltd.	1/F 10101, 2/F 10201, Block 2, Wanxiangcheng Phase 1, Xidong New City, Xixian New District, Xi'an City, Shaanxi	710116
140	Xi'an Yanta South Road Sub-branch of Bank of Chongqing Co., Ltd.	10108 Building1 No. 396 Yanta South Road, Qujiang New District, Xi'an, Shaanxi	710061
141	Xi'an Aerospace City Sub-branch of Bank of Chongqing Co., Ltd.	Room 30102, 30103, 1st floor, Unit 3 & Room 11901, 11902, 11903, 11904, 19th floor, Unit 1, Shaanxi Zhengheng Financial Investment Service Headquarter Base, No. 391, Yanta South Road, Xi'an Aerospace Economic Technology Development Zone, Shaanxi Province	710100
142	Yan'an Nanshi Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Nanshi Street, Baota District, Yan'an City, Shaanxi	716000

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

"Articles of Association"	the articles of association of the Bank, as amended from time to time
"Bank" or "Bank of Chongqing"	Bank of Chongqing Co., Ltd. (重慶銀行股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
"Board" or "Board of Directors"	the board of Directors of the Bank
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CBIRC"	China Banking and Insurance Regulatory Commission of the PRC
"CBRC Chongqing Bureau"	China Banking Regulatory Commission Chongqing Bureau (中國銀行業監督管理委員會重慶監管局)
"CBIRC Chongqing Bureau"	China Banking and Insurance Regulatory Commission Chongqing Bureau
"Chongqing Road & Bridge"	Chongqing Road & Bridge Co., Ltd., a company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code:600106), and holds approximately 5.48% of the total issued share capital of the Bank as at the Latest Practicable Date
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Dah Sing Bank"	Dah Sing Bank, Limited, a licensed bank incorporated in Hong Kong, holds approximately 14.66% of the total issued share capital of the Bank as at the Latest Practicable Date
"Director(s)"	director(s) of the Bank
"Domestic Shares"	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
"HKD" or "HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

Definitions

"H Shares"	overseas-listed foreign shares issued by the Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
"IFRS(s)"	International Financial Reporting Standard(s)
"Latest Practicable Date"	April 23, 2019, the latest practicable date prior to printing of this annual report
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PBOC" or "Central Bank"	People's Bank of China (中國人民銀行)
"PRC" or "China"	the People's Republic of China, and for the purpose of this report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Reporting Period"	the year ended December 31, 2018
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shares"	the Domestic Shares and the H Shares
"Shareholder(s)"	the shareholders of the Bank
"Supervisor(s)"	the supervisor(s) of the Bank
"Yufu"	Chongqing Yufu Assets Management Group Co., Ltd., a company incorporated in the PRC with limited liability, holds approximately 14.78% of the total issued share capital of the Bank as at the Latest Practicable Date