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

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

**ANNOUNCEMENT OF ANNUAL RESULTS FOR
THE YEAR ENDED DECEMBER 31, 2019**

The board of directors (the “**Board**”) of Bank of Chongqing Co., Ltd.* (the “**Bank**” or “**Bank of Chongqing**”) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank and its subsidiaries (the “**Group**”) for the year ended December 31, 2019 (the “**Reporting Period**”). The contents of this results announcement have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the International Financial Reporting Standards (“**IFRSs**”). The Board and its audit committee have reviewed and confirmed the Annual Results.

1. CORPORATE INFORMATION

1.1 Corporate Basic Information

Legal Name and Abbreviation in Chinese:	重慶銀行股份有限公司 (Abbreviation: 重慶銀行)
Legal Name in English:	Bank of Chongqing Co., Ltd.
Legal Representative:	LIN Jun
Authorized Representatives:	LIN Jun WONG Wah Sing
Listing Exchange of H Shares: Stock Name and Stock Code:	The Stock Exchange of Hong Kong Limited Stock Name: BCQ Stock Code: 1963
Listing Exchange of Offshore Preference Shares: Stock Name and Stock Code:	The Stock Exchange of Hong Kong Limited Stock Name: BCQ 17USD_PREF Stock Code: 4616

1.2 Contact Persons and Contact Details

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Registered Address:	No. 6 Yongpingmen Street, Jiangbei District, Chongqing, the People's Republic of China (the "PRC") Postal Code: 400024
Principal Place of Business in Hong Kong:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

2. FINANCIAL HIGHLIGHTS

The financial information set out in this Annual Results announcement has been prepared according to the IFRSs on the basis of consolidation. Unless otherwise stated, such information is the data of the Group denominated in RMB.

With respect to the financial statements of the Group prepared under the PRC GAAP (China Accounting Standards) and those under the IFRSs, there is no difference for the net profit attributable to shareholders of the Bank for the Reporting Period ended December 31, 2019 and the equity attributable to shareholders of the Bank as at the end of the Reporting Period.

2.1 Financial Data

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,					
	2019	2018	Year-on-year Change between 2019 and 2018	2017	2016	2015
			Change in percentage (%)			
OPERATING RESULTS						
Interest income	21,892,641	19,322,772	13.3	18,920,176	16,226,274	15,507,610
Interest expense	(13,053,512)	(12,447,126)	4.9	(10,805,081)	(8,548,876)	(8,505,537)
Net interest income	8,839,129	6,875,646	28.6	8,115,095	7,677,398	7,002,073
Net fee and commission income	1,257,593	1,341,922	(6.3)	1,680,056	1,926,017	1,512,053
Net trading gains, net gains on investment securities and other operating income	1,694,315	2,412,516	(29.8)	219,655	(381)	78,455
Operating income	11,791,037	10,630,084	10.9	10,014,806	9,603,034	8,592,581
Operating expenses	(2,768,419)	(2,571,121)	7.7	(2,298,865)	(2,537,298)	(3,190,171)
Assets impairment losses	(3,613,581)	(3,436,768)	5.1	(2,999,164)	(2,411,134)	(1,135,300)
Operating profit	5,409,037	4,622,195	17.0	4,716,777	4,654,602	4,267,110
Share of profit of associates	163,250	220,427	(25.9)	178,378	3,910	2,809
Profit before income tax	5,572,287	4,842,622	15.1	4,895,155	4,658,512	4,269,919
Income tax	(1,250,830)	(1,020,527)	22.6	(1,130,958)	(1,156,345)	(1,099,858)
Net profit	4,321,457	3,822,095	13.1	3,764,197	3,502,167	3,170,061
Net profit attributable to shareholders of the Bank	4,207,488	3,769,847	11.6	3,725,881	3,502,167	3,170,061
Calculated on a per share basis (RMB)			Change			
Net assets per share attributable to shareholders of the Bank	10.25	9.00	1.25	8.33	7.61	6.81
Basic earnings per share	1.25	1.11	0.14	1.19	1.12	1.17
Dividend per share	0.236	0.154	0.082	0.118	0.291	0.264
Major indicators of assets/liabilities			Change in percentage (%)			
Total assets	501,231,864	450,368,973	11.3	422,763,025	373,103,734	319,807,987
Of which: loans and advances to customers, net	238,626,834	205,923,212	15.9	172,162,090	146,789,046	121,816,452
Total liabilities	462,618,195	415,757,400	11.3	390,303,113	349,291,822	298,514,992
Of which: customer deposits	281,048,911	256,394,193	9.6	238,704,678	229,593,793	199,298,705
Share capital	3,127,055	3,127,055	0.0	3,127,055	3,127,055	3,127,055
Equity attributable to shareholders of the Bank	36,949,429	33,051,012	11.8	30,951,596	23,811,912	21,292,995
Total equity	38,613,669	34,611,573	11.6	32,459,912	23,811,912	21,292,995

2.2 Financial Indicators

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

Note:

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

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Financial Review

In 2019, in the face of a complicated situation of significantly increased risks and challenges at home and abroad, China continued to maintain its strategic focus and saw sustained and healthy development of the economy and society, key progress in the three critical battles, remarkable achievements in targeted poverty alleviation, effective prevention and control of financial risks, and an important step forward in reform and opening up. However, due to the global economic slowdown and the greater uncertainty of the external political and economic environment and other factors, the economy was still under great downward pressure. In the face of a complicated external situation, the Group earnestly implemented the new development concept, maintained strategic focuses and carried out work steadily, seeing business indicators stable and moving in a positive direction. In 2019, the Group's net profit was RMB4,321 million, representing an increase of RMB499 million or 13.1% compared with the previous year.

As at December 31, 2019, the total assets of the Group amounted to RMB501,232 million, representing an increase of RMB50,863 million or 11.3% as compared to the end of the previous year. Based on the overall principle of high-quality development, the Group comprehensively promoted policy implementation, actively served the real economy, and achieved stable and steady provision of credit by innovating business product types, promoting financial services and enhancing investment-loan linkage and channel promotion. As a result, net loans and advances to customers grew by RMB32,704 million, or 15.9%, to RMB238,627 million as compared to the end of the previous year. Meanwhile, through further deepening the risk management structure reform, upgrading risk control technology and strictly controlling its business risks, the Group reduced its non-performing loan ratio to 1.27%, which was 0.09 percentage point less than that at the end of the previous year. The Group has firmly established the philosophy of "deposit is the foundation of the bank", making efforts to market green deposit and savings deposit, and steadily increased the scale of debt business. As at December 31, 2019, the amount of customer deposits increased by RMB24,655 million to RMB281,049 million, representing an increase of 9.6% as compared to the end of the previous year, providing a fundamental guarantee for the Group's asset placement, revenue increase and profit growth. The Group continuously strengthened the budget and cost management and made efforts to improve the input and output efficiency, while increasing the size of its business. The cost-to-income ratio recorded a year-on-year decrease of 0.66 percentage point to 22.27% in 2019, thus further improving the operating efficiency of the Group.

As at December 31, 2019, the Group's capital adequacy ratio, tier I capital adequacy ratio and core tier I capital adequacy ratio were 13.00%, 9.82% and 8.51% respectively, representing a decrease of 0.21 percentage point, a decrease of 0.12 percentage point and an increase of 0.04 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.

3.2 Analysis of the Financial Statements

3.2.1 Analysis of the Income Statement

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,			
	2019	2018	Change in amount	Change in percentage (%)
Interest income	21,892,641	19,322,772	2,569,869	13.3
Interest expense	(13,053,512)	(12,447,126)	(606,386)	4.9
Net interest income	8,839,129	6,875,646	1,963,483	28.6
Net fee and commission income	1,257,593	1,341,922	(84,329)	(6.3)
Net trading gains	248,103	467,771	(219,668)	(47.0)
Net gains on investment securities	1,381,023	1,869,777	(488,754)	(26.1)
Other operating income	65,189	74,968	(9,779)	(13.0)
Operating income	11,791,037	10,630,084	1,160,953	10.9
Operating expenses	(2,768,419)	(2,571,121)	(197,298)	7.7
Assets impairment losses	(3,613,581)	(3,436,768)	(176,813)	5.1
Share of profit of associates	163,250	220,427	(57,177)	(25.9)
Profit before income tax	5,572,287	4,842,622	729,665	15.1
Income tax	(1,250,830)	(1,020,527)	(230,303)	22.6
Net profit	4,321,457	3,822,095	499,362	13.1

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

3.2.1.1 Net interest income

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

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31,			Change in percentage (%)
	2019	2018	Change in amount	
Interest income	21,892,641	19,322,772	2,569,869	13.3
Interest expense	(13,053,512)	(12,447,126)	(606,386)	4.9
Net interest income	<u>8,839,129</u>	<u>6,875,646</u>	<u>1,963,483</u>	28.6

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

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

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

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

As a result of the combined impact of the above-mentioned factors, the net interest spread of the Group increased by 25 basis points to 2.03% as compared to the previous year, while the net interest margin increased by 32 basis points to 2.11% as compared to the previous year.

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	Due to changes in volume	Due to changes in interest rate	Change in interest income and expense
ASSETS			
Loans and advances to customers	1,974,659	(97,200)	1,877,459
Investment securities	591,258	449,257	1,040,515
Cash and balances with central bank	(57,726)	(10,594)	(68,320)
Due from other banks and financial institutions	(148,022)	(131,763)	(279,785)
Change in interest income	<u>2,360,169</u>	<u>209,700</u>	<u>2,569,869</u>
LIABILITIES			
Customer deposits	614,730	810,241	1,424,971
Due to other banks and financial institutions	(193,994)	(219,649)	(413,643)
Debt securities issued	342,992	(747,934)	(404,942)
Change in interest expense	<u>763,728</u>	<u>(157,342)</u>	<u>606,386</u>

3.2.1.2 Interest income

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

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

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

(1) Interest income from loans and advances to customers

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

(2) Interest income from investment securities

In 2019, the Group's interest income from investment securities amounted to RMB6,631 million, representing a year-on-year increase of RMB1,041 million or 18.6%, primarily due to the increase of 9.8% in average balance and the increase of 41 basis points in average yield on investment securities as compared to those of the previous year.

(3) Interest income from cash and balances with central bank

In 2019, the Group's interest income from cash and balances with central bank amounted to RMB456 million, representing a year-on-year decrease of RMB68 million or 13.0%, primarily due to the decrease of 11.7% in average balance and the decrease of 3 basis points in average yield on cash and balances with central bank as compared to those of the previous year.

(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:

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Due from other banks and financial institutions for deposits and loans	13,569,517	358,722	2.64	17,674,375	484,372	2.74
Financial assets held under resale agreements	<u>26,444,707</u>	<u>721,403</u>	2.73	<u>27,761,054</u>	<u>875,538</u>	3.15
Total	<u>40,014,224</u>	<u>1,080,125</u>	2.70	<u>45,435,429</u>	<u>1,359,910</u>	2.99

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

In 2019, the interest income from the Group's financial assets held under resale agreements amounted to RMB721 million, representing a year-on-year decrease of RMB154 million or 17.6%, primarily attributable to the decrease of 4.7% in average balance and the decrease of 42 basis points in average yield on financial assets held under resale agreements as compared to those of the previous year.

As a result of the foregoing factors, the Group's total interest income due from other banks and financial institutions in 2019 decreased by RMB280 million or 20.6% to RMB1,080 million as compared to that of the previous year.

3.2.1.3 Interest expense

(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:

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

In 2019, the Group's interest expense on customer deposits was RMB7,804 million, representing a year-on-year increase of RMB1,425 million or 22.3%, primarily due to a year-on-year increase in the average balance of customer deposits by 8.3%, and an increase in average cost ratio of customer deposits by 33 basis points as compared to that of the previous year.

(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:

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Deposits and loans from other banks	31,978,392	1,344,491	4.20	38,663,520	1,816,778	4.70
Borrowings from central bank	7,480,530	235,355	3.15	2,169,564	63,507	2.93
Financial assets sold under repurchase agreements	4,201,573	112,025	2.67	7,977,801	229,529	2.88
Lease liabilities	118,135	4,300	3.64	N/A	N/A	N/A
Total	43,778,630	1,696,171	3.87	48,810,885	2,109,814	4.32

In 2019, the Group's total interest expense on deposits and loans from other banks and financial institutions was RMB1,696 million, representing a year-on-year decrease of RMB414 million or 19.6%, primarily due to the year-on-year decrease in average balance of deposits and loans from other banks and financial institutions by 10.3%, and the year-on-year decrease in average cost ratio by 45 basis points.

(3) Interest expense on issuance of debt securities

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Subordinated debts	7,500,000	354,610	4.73	7,500,000	354,583	4.73
Financial debts for small and micro enterprises	-	-	-	945,205	46,106	4.88
Inter-bank certificates of deposits	81,829,123	2,817,816	3.44	78,482,247	3,456,807	4.40
Financial debts	9,000,000	380,873	4.23	2,112,329	100,745	4.77
Total	98,329,123	3,553,299	3.61	89,039,781	3,958,241	4.45

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

3.2.1.4 Net interest spread and net interest margin

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

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

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

3.2.1.5 Non-interest income

(1) Net fee and commission income

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

	For the year ended		Change in amount	Change in percentage (%)
	December 31, 2019	2018		
Fee and commission income	1,363,684	1,453,712	(90,028)	(6.2)
Financial advisory and consulting services	19,320	144,757	(125,437)	(86.7)
Wealth management agency services	661,875	542,435	119,440	22.0
Custodian services	135,156	252,592	(117,436)	(46.5)
Bank card services	345,677	323,068	22,609	7.0
Guarantees and credit commitments	115,360	96,923	18,437	19.0
Settlement and agency services	86,296	93,937	(7,641)	(8.1)
Fee and commission expense	(106,091)	(111,790)	5,699	(5.1)
Net fee and commission income	<u>1,257,593</u>	<u>1,341,922</u>	<u>(84,329)</u>	(6.3)

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

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

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

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

Commission income from bank card services amounted to RMB346 million, representing a year-on-year increase of RMB23 million or 7.0%, primarily due to the accelerated growth in number of issued bank cards and volume of settled transactions.

Commission income from guarantees and credit commitments amounted to RMB115 million, representing a year-on-year increase of RMB18 million or 19.0%, primarily due to growth in cross-border and guarantee business.

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

(2) Net trading gains

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

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

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

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

(3) Net gains on investment securities

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

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

3.2.1.6 Operating expenses

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

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

(1) Staff costs

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

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

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

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

(3) Depreciation and amortisation

The depreciation and amortisation in 2019 increased by RMB66 million or 31.9% to RMB273 million from the previous year mainly due to the depreciation of right of use asset being increased by RMB41.6 million arising out of changes in accounting policies.

(4) General and administrative expenses

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

3.2.1.7 Assets impairment losses

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

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended		Change in amount	Change in percentage (%)
	December 31, 2019	2018		
Loans and advances to customers carried at amortised cost	3,305,780	3,531,882	(226,102)	(6.4)
Loans and advances to customers at fair value through other comprehensive income	(32,437)	50,166	(82,603)	N/A
Financial investments carried at amortised cost	(71,725)	(149,200)	77,475	(51.9)
Financial investments at fair value through other comprehensive income	15,807	(81,879)	97,686	N/A
Loan commitments and financial guarantee contracts	206,722	72,308	134,414	185.9
Due from other banks and financial institutions	25,500	1,391	24,109	1,733.2
Others	163,934	12,100	151,834	1,254.8
Assets impairment losses	<u>3,613,581</u>	<u>3,436,768</u>	<u>176,813</u>	<u>5.1</u>

3.2.1.8 Share of profit of associates

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

3.2.1.9 Income tax

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

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

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

3.2.2 Analysis of the Statement of Financial Position

3.2.2.1 Assets

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

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

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

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

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

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

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

(1) Loans and advances to customers

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

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

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

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

Distribution of loans and advances to customers by type of collateral

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

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

Impairment allowances for expected credit losses

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	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				
December 31, 2018	2,093,609	1,901,480	1,356,750	5,351,839
New financial assets originated or purchased	884,973	-	-	884,973
Remeasurement	(226,939)	2,298,039	930,151	3,001,251
Repayment	(781,996)	(367,474)	(280,151)	(1,429,621)
Written-off	-	-	(825,608)	(825,608)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(360,978)	360,978	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(20,307)	-	20,307	-
<i>Transfer from Stage 2 to Stage 1</i>	74,006	(74,006)	-	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(411,830)	411,830	-
Recoveries of loans written-off in previous years and advances transfer-in	-	-	146,317	146,317
Effect of discount factors	-	-	(77,724)	(77,724)
December 31, 2019	1,662,368	3,707,187	1,681,872	7,051,427

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Retail loans				
December 31, 2018	310,372	303,429	541,917	1,155,718
New financial assets originated or purchased	543,862	-	-	543,862
Remeasurement	47,578	295,034	432,885	775,497
Repayment	(118,084)	(170,613)	(181,485)	(470,182)
Written-off	-	-	(422,846)	(422,846)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(15,358)	15,358	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(34,637)	-	34,637	-
<i>Transfer from Stage 2 to Stage 1</i>	14,930	(14,930)	-	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(74,269)	74,269	-
<i>Transfer from Stage 3 to Stage 2</i>	-	3,169	(3,169)	-
<i>Transfer from Stage 3 to Stage 1</i>	4,148	-	(4,148)	-
Recoveries of loans written-off in previous years and advances transfer-in	-	-	101,592	101,592
Effect of discount factors	-	-	(13,164)	(13,164)
December 31, 2019	<u>752,811</u>	<u>357,178</u>	<u>560,488</u>	<u>1,670,477</u>

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

(2) Investment securities

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

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

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

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

(3) Investment in associates

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

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

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

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

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

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

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

3.2.2.2 Liabilities

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

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

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

(1) Customer deposits

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

As at December 31, 2019, the total customer deposits of the Group amounted to RMB281,049 million, representing an increase of RMB24,655 million or 9.6% as compared to the end of the previous year. Among which: Corporate deposits balance was RMB158,208 million, representing an increase of RMB5,419 million or 3.5% as compared to the end of the previous year; individual deposits balance was RMB100,813 million, representing an increase of RMB20,328 million or 25.3% as compared to the end of the previous year; corporate and individual demand deposits balance amounted to RMB82,094 million, representing an increase of RMB3,205 million or 4.1% as compared to the end of the previous year; corporate and individual time deposits balance amounted to RMB176,927 million, representing an increase of RMB22,541 million or 14.6% as compared to the end of the previous year.

(2) Debt securities issued

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Subordinated debts				
Fixed rate Tier II capital bond – 2026	1,497,618	1.4	1,497,618	1.5
Fixed rate Tier II capital bond – 2027	5,996,830	5.7	5,996,591	6.7
Financial debts				
Fixed rate financial debt – 2021	2,997,174	2.8	2,995,341	3.1
Fix-rate green financial bond – 2021	5,997,434	5.7	5,996,470	6.2
Inter-bank certificates of deposit	88,508,834	84.0	80,114,348	82.6
Interest payable on debt securities issued	388,116	0.4	382,245	0.4
Total	105,386,006	100.0	96,982,613	100.0

Pursuant to a resolution of the general meeting passed on May 16, 2014 and the Approval for Bank of Chongqing Co., Ltd. to Issue Tier II Capital Bonds (《關於重慶銀行股份有限公司發行二級資本債券的批覆》) (Yu Yin Jian Fu [2015] No. 107) by the 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 general meeting passed on July 21, 2017 and the Approval for Bank of Chongqing to Issue Financial Bonds (《關於重慶銀行發行金融債券的批覆》) (Yu Yin Jian Fu [2017] No. 156) by the CBRC Chongqing Bureau on November 3, 2017, the Bank issued RMB3,000 million innovation-and-entrepreneurship themed bonds within the domestic inter-bank bond market of China on June 8, 2018. Such bonds have a maturity of 3 years, with a fixed coupon rate of 4.50% per annum before maturity, payable annually. All proceeds raised are used for loans to innovation-and-entrepreneurship themed enterprises.

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

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

In 2019, there were no defaults of principal and interest or other breaches with respect to these bonds since their issuances.

(3) Due to other banks and financial institutions

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

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

3.2.2.3 Shareholders' equity

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

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

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

3.2.3 Loan quality analysis

3.2.3.1 Breakdown of loans by the five-category classification

The following table sets forth the distribution of the 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.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at December 31, 2019		As at December 31, 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Pass	235,044,428	95.61	201,291,218	95.31
Special mention	7,656,338	3.12	7,036,669	3.33
Substandard	980,046	0.40	1,371,389	0.65
Doubtful	1,547,069	0.63	889,139	0.42
Loss	603,712	0.24	620,636	0.29
Total principals of loans and advances to customers	245,831,593	100.00	211,209,051	100.00
Amount of non-performing loans	3,130,827	1.27	2,881,164	1.36

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

3.2.3.2 Concentration of loans

(1) Concentration by industry and non-performing loan

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

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 2019, 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 2019 decreased by 0.09 percentage point as compared to the end of the previous year. Major industries experienced the following changes:

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

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

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

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

(2) Concentration of borrowers

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

a. Indicators of concentration

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

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

b. Loans to top ten single borrowers

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

(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.

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

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

(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.

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

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

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

3.2.4 Analysis of Capital Adequacy Ratios

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

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

3.2.4.1 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 information about net capital and capital adequacy ratio of the Group and the Bank calculated according to the Administrative Measures for the Capital of Commercial Banks (for Trial)(《商業銀行資本管理辦法(試行)》) for the dates indicated.

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

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

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

As at the end of the Reporting Period, the Group's capital adequacy ratio was 13.00%, representing a decrease of 0.21 percentage point as compared to the end of the previous year. Tier I Capital adequacy ratio was 9.82%, representing a decrease of 0.12 percentage point as compared to the end of the previous year. Core Tier I Capital adequacy ratio was 8.51%, representing an increase of 0.04 percentage point as compared to the end of the previous year. The change in capital adequacy ratio during the Reporting Period was mainly because (1) the accumulation of endogenous capital increased. In 2019, the total capital increased by RMB5,120 million, while the core tier 1 capital increased by RMB3,970 million or 13.9%; and (2) the capital adequacy ratio decreased as a result of growth in the total on- and off-balance sheet risk-weighted assets arising out of sound development of various operations.

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

3.2.4.2 Leverage ratio

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

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

3.2.5 Segment information

3.2.5.1 Summary of geographical segment

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

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

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

3.2.5.2 Summary of business segment

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2019				
	Corporate banking	Retail banking	Treasury	Unallocated	Total
Net interest income from external customers	5,258,190	566,062	3,014,877	-	8,839,129
Inter-segment net interest income/(expense)	1,630,526	1,777,970	(3,408,496)	-	-
Net interest income/(expense)	6,888,716	2,344,032	(393,619)	-	8,839,129
Net fee and commission income	137,937	322,624	797,032	-	1,257,593
Net trading gains	106,498	-	141,605	-	248,103
Net gains on investment securities	-	-	1,381,023	-	1,381,023
<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the year ended December 31, 2018				
	Corporate banking	Retail banking	Treasury	Unallocated	Total
Net interest income/(expense) from external customers	5,567,780	398,680	909,186	-	6,875,646
Inter-segment net interest income/(expense)	1,826,220	1,526,162	(3,352,382)	-	-
Net interest income	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/(losses)	245,215	-	222,556	-	467,771
Net gains on investment securities	-	-	1,869,777	-	1,869,777

3.2.6 Analysis of off-balance sheet items

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

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

	As at December 31, 2019			
	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	29,221,132	-	-	29,221,132
Issuance of letters of credit	9,086,819	-	-	9,086,819
Issuance of letters of guarantee	4,117,566	2,651,013	730	6,769,309
Unused credit card limits	4,265,204	-	-	4,265,204
Irrevocable loan commitments	20,667	4,340	-	25,007
Capital expenditure commitments	118,139	88,442	-	206,581
Total	46,829,527	2,743,795	730	49,574,052

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

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

3.3 Risk Management

3.3.1 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.

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

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

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

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

3.3.2 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.

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

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

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

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

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

3.3.3 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.

3.3.3.1 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 gap risk, which arose from the mismatch between interest rate sensitive assets or liabilities at the re-pricing date or that at the maturity date.

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

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

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:

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
December 31, 2019							
Assets							
Cash and balances with central bank	31,365,969	-	-	-	-	667,129	32,033,098
Due from other banks and financial institutions	49,560,335	6,752,447	4,874,812	-	-	89,148	61,276,742
Financial assets at fair value through profit or loss	721,785	2,958,920	20,089,626	1,554,625	1,027,195	624,865	26,977,016
Loans and advances to customers	77,175,157	17,456,850	60,897,053	70,308,456	5,127,350	7,661,968	238,626,834
Investment securities							
- Financial assets at fair value through other comprehensive income	2,604	77,464	3,342,442	25,689,519	5,831,317	1,150,732	36,094,078
- Financial assets measured at amortised cost	2,384,053	3,120,546	14,322,319	65,108,405	9,521,846	1,950,182	96,407,351
Other financial assets	-	-	201,170	-	-	1,626,511	1,827,681
Total financial assets	161,209,903	30,366,227	103,727,422	162,661,005	21,507,708	13,770,535	493,242,800
Liabilities							
Due to other banks and financial institutions	(19,282,312)	(7,500,000)	(42,490,000)	(274,782)	(34,743)	(567,388)	(70,149,225)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(3,602)	(3,602)
Customer deposits	(94,333,014)	(19,888,782)	(54,477,507)	(104,965,584)	(4,837,564)	(2,546,460)	(281,048,911)
Debt securities issued	(7,475,510)	(16,583,687)	(64,449,637)	(8,994,464)	(7,494,590)	(388,118)	(105,386,006)
Other financial liabilities	(960)	(2,074)	(39,477)	(52,018)	(17,483)	(3,664,754)	(3,776,766)
Total financial liabilities	(121,091,796)	(43,974,543)	(161,456,621)	(114,286,848)	(12,384,380)	(7,170,322)	(460,364,510)
Total interest rate sensitivity gap	40,118,107	(13,608,316)	(57,729,199)	48,374,157	9,123,328	6,600,213	32,878,290

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
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 assets at fair value through other comprehensive income	1,198,537	179,807	4,926,960	19,496,226	7,837,453	1,048,184	34,687,167
- Financial assets 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	102,127,980	24,211,656	165,568,092	110,498,988	26,366,392	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	(12,036,548)	(17,386,755)	20,390,227	14,251,479	16,108,593	8,251,463	29,578,459

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

3.3.3.2 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.

3.3.3.3 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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	Change of net interest income	
	December 31, 2019	December 31, 2018
+ 100 basis points parallel move in all yield curves	54,578	(183,777)
- 100 basis points parallel move in all yield curves	(54,578)	183,777
<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	Change of other comprehensive income	
	December 31, 2019	December 31, 2018
+ 100 basis points parallel move in all yield curves	(905,702)	(795,375)
- 100 basis points parallel move in all yield curves	945,105	835,318

(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%.

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

3.3.4 Liquidity risk management

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

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

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

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

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

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

The Group uses liquidity gap analysis to assess liquidity risk. The table below shows the net assets and liabilities of the Group by the period from the reporting date to the contractual maturity date.

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

	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	In perpetuity	Overdue	Total
December 31, 2019									
Net liquidity gap	(78,335,240)	28,628,540	(22,257,512)	(68,436,091)	85,264,904	58,415,888	24,428,000	5,169,801	32,878,290

(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)	37,933,760	(18,117,061)	(53,759,767)	56,626,837	51,758,613	25,851,850	6,379,062	29,578,459

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

Liquidity coverage ratio of the Bank

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

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

3.4 Outlook

In 2020, there are greater risks and challenges in the global economic environment, with uncertainties from trade frictions, and possible greater downward pressure on the global economy arising out of the COVID-19 outbreak in the short term. At the same time, China is in the critical period of transforming its development model, optimizing its economic structure and fostering new drivers of growth, with a mix of structural, institutional and cyclical issues. In 2020, affected by multiple factors, China will face a more complicated and severe economic situation. However, with the continuous progress in the supply-side structural reform and the introduction of counter-cyclical adjustment policies such as tax reduction and fee reduction, China will continue to see a stable economy moving in a positive direction in the long term.

In terms of financial policies, at the Central Economic Work Conference, it was proposed that in the new year, "a prudent monetary policy should be flexible and moderate, and reasonable and sufficient liquidity should be maintained". On the first day of 2020, the Central Bank published an "interest rate cut" policy. It is expected that there will be a series of macro policies of countercyclical adjustment in the future. A prudent monetary policy provides a good policy environment for the development of domestic economy and banking financial institutions.

As China's largest municipality, the most developed urban center in Western China and the largest port city on the upper reaches of the Yangtze River, Chongqing enjoyed a great geographical advantage. At the beginning of the year, at the meeting of the Central Financial and Economic Affairs Commission, a decision was made to promote the construction of Chengdu-Chongqing Economic Rim, opening a new chapter in the cooperation between Chengdu and Chongqing in development. At the same time, a number of major projects related to Chongqing's long-term development, such as the new land-sea corridor in Western China, the national digital economy innovation and development pilot zone, and the Chongqing-Kunming high-speed railway, have been successively approved. Benefiting from the implementation of various regional policies, financial institutions in the region will also get new development opportunities.

2020 is a decisive year for the Group to consolidate its sound momentum. The Group will continue to adhere to the overall principle of making progress while maintaining stability, the new development philosophy, the supply-side structural reform as the main line, and the reform and opening up as a driving force. It will comprehensively promote steady growth, reforms, structure adjustments, risk prevention and foundation consolidation. It will seek a dynamic balance among multiple objectives to promote high-quality development.

The Group will continuously enhance the ability of the financial sector to serve the real economy, with a close focus on high-quality development goals, in line with the economic situation, the national strategy, and in consideration of its own advantages. The Group will make efforts to enhance its core competitiveness and value creation ability, and realize scientific, steady and sustainable development, with a focus on the strategic vision of “being a leader in Western China and a benchmark for listing companies”, an orientation towards specialization, integration and intelligentization, and under the principle of taking rooting in industry, deepening reform, optimizing structure, leading by science and technology, and risk prevention and control.

4. MAJOR ASSET PURCHASES, SALES AND MERGERS

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

5. OTHER INFORMATION

5.1 Corporate Governance Code

During the Reporting Period, the Bank is dedicated to improving the transparency of its corporate governance to protect the interest of shareholders and enhance corporate value and commitment.

In order to maintain a high standard of corporate governance, the Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Listing Rules, and has established a dedicated, professional and accountable Board, board of supervisors (the “**Board of Supervisors**”), and experienced senior management. The members of the Board and Board of Supervisors of the Bank, except for employee supervisors, are all elected by shareholders at the shareholders’ general meetings.

Unless otherwise disclosed in the section headed “5.3 Changes in Directors, Supervisors and Senior Management”, during the Reporting Period, the Bank fully complied with the code provisions set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules, and, where appropriate, adopted the recommended best practices therein. The Bank also strictly abided by the applicable laws, regulations and the Listing Rules in respect of the management of inside information.

The Bank is committed to maintaining high standards in corporate governance, and will continue to enhance its corporate governance to ensure compliance with the Corporate Governance Code and other applicable laws and regulations and meeting expectations from the shareholders and potential investors of the Bank.

5.2 Directors, Supervisors and Senior Management of the Bank

As of the date of this results announcement, the compositions of the Board, Board of Supervisors and senior management of the Bank are as follows:

The Board of the Bank comprised a total of fourteen directors, including four executive directors, namely Ms. LIN Jun (Chairman), Mr. RAN Hailing (President), Mr. LIU Jianhua, Mr. WONG Wah Sing; six non-executive directors, namely Mr. WONG Hon Hing (Vice Chairman), Mr. DENG Yong, Mr. YANG Yusong, Mr. TANG Xiaodong, Mr. WU Heng, Ms. LIU Ying; and four independent non-executive directors, namely Mr. LIU Xing, Mr. WANG Rong, Mr. KONG Xiangbin, Dr. JIN Jingyu.

The Board of Supervisors comprised a total of nine supervisors, including four employee supervisors, namely Mr. YANG Xiaotao, Mr. HUANG Changsheng, Mr. YIN Jun, Mr. WU Ping; two shareholder supervisors, namely Mr. ZENG Xiangming, Mr. QI Jun; and three external supervisors, namely Mr. PENG Daihui, Mr. CHEN Zhong, Mr. HOU Guoyue.

The senior management of the Bank comprised a total of eight members, namely Mr. RAN Hailing, Mr. SUI Jun, Mr. LIU Jianhua, Ms. YANG Shiyin, Mr. ZHOU Guohua, Ms. PENG Yanxi, Mr. HUANG Ning, Mr. WONG Wah Sing.

5.3 Changes in Directors, Supervisors and Senior Management

5.3.1 Change in Directors

On April 17, 2019, the Bank received the *Reply on the Qualification of Mr. WU Heng* (YYBJF [2019] No.139) issued by the Chongqing Bureau of China Banking and Insurance Regulatory Commission (the “**Chongqing CBIRC**”), approving the qualification of Mr. WU Heng as a non-executive director of the Bank. The term of office of Mr. WU Heng as a non-executive director commenced on the date of the approval (i.e., April 12, 2019) and will end upon the expiry of the term of office for the Fifth Session of the Board.

On June 20, 2019, the Board considered and approved the proposal to appoint Dr. ZOU Hong as an independent non-executive director of the Bank. The appointment was considered and approved at the first extraordinary general meeting of 2019 of the Bank held on August 30, 2019 and subject to the approval by the Chongqing CBIRC.

Upon expiry of the term of office of the Fifth Session of the Board, among members of the Fifth Session of the Board, Ms. LV Wei, Mr. LI He, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu, retired and did not stand for re-election for the Sixth Session of the Board. On October 25, 2019, the Board approved the proposed re-election of Ms. LIN Jun, Mr. RAN Hailing, Mr. LIU Jianhua and Mr. WONG Wah Sing as executive directors, the proposed re-election of Mr. WONG Hon Hing, Mr. DENG Yong, Mr. YANG Yusong, Mr. TANG Xiaodong and Mr. WU Heng and the proposed appointment of Ms. LIU Ying as non-executive directors, the proposed re-election of Dr. ZOU Hong and the proposed appointment of Mr. YUAN Xiaobin, Mr. LIU Xing, Mr. FUNG Don Hau and Mr. WANG Rong as independent non-executive directors of the Sixth Session of the Board. Such re-election and appointment were considered and approved at the second extraordinary general meeting of 2019 of the Bank on December 9, 2019, and the qualification of directorship of Dr. ZOU Hong, Ms. LIU Ying, Mr. YUAN Xiaobin, Mr. LIU Xing, Mr. FUNG Don Hau and Mr. WANG Rong was subject to the approval by the Chongqing CBIRC. Mr. LI He, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu continue to perform their duties as independent non-executive directors, until the Chongqing CBIRC has approved the qualifications of the newly appointed directors.

On December 9, 2019, the Board elected Ms. LIN Jun, an executive director, and Mr. WONG Hon Hing, a non-executive director, as Chairman and Vice Chairman of the Sixth Session of the Board, respectively, with a term of office same as the term of office of the Sixth Session of the Board.

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

During the 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 Chongqing CBIRC (being December 17, 2018) to the date of approval of the qualification of Dr. ZOU Hong, Mr. YUAN Xiaobin and Mr. FUNG Don Hau as the Bank's independent non-executive directors by the Chongqing CBIRC, the Bank is not in full compliance with Rule 3.10A of the Listing Rules, which stipulates that the number of the independent non-executive directors shall represent at least one-third of the board of directors.

5.3.2 Change in Supervisors

On July 5, 2019, the Board received a written resignation signed by Mr. CHEN Yan on June 18, 2019. He resigned as a shareholder supervisor of the Bank on medical grounds, with effect on the date of resignation.

On July 8, 2019, the Bank received a resolution submitted by the Board of Supervisors to recommend the appointment of Mr. ZENG Xiangming as a shareholder supervisor. The appointment was considered and approved at the first extraordinary general meeting of 2019 of the Bank held on August 30, 2019. Mr. ZENG Xiangming was appointed as a shareholder supervisor with effect from August 30, 2019.

Upon expiry of the term of office of the Fifth Session of the Board of Supervisors, among members of the Fifth Session of the Board of Supervisors, Mr. ZHOU Xiaohong, Mr. YIN Xianglong and Mr. WU Bing, retired and did not stand for re-election for the Sixth Session of the Board of Supervisors. On October 25, 2019, the Board of Supervisors approved on the proposed re-election of Mr. PENG Daihui, Mr. CHEN Zhong and the proposed appointment of Mr. HOU Guoyue as external supervisors, the proposed re-election of Mr. ZENG Xiangming and the proposed appointment of Mr. QI Jun as shareholder supervisors of the Sixth Session of the Board of Supervisors. Such re-election and appointment were considered and approved at the second extraordinary general meeting of 2019 of the Bank on December 9, 2019. The aforesaid shareholder supervisors and external supervisors are appointed for a term of three years, commencing from December 9, 2019 and ending upon the expiry of the term of office of the Sixth Session of the Board of Supervisors.

On November 4, 2019, the employee representatives' meeting of the Bank re-elected Mr. YANG Xiaotao, Mr. HUANG Changsheng and Mr. YIN Jun as the employee supervisors for the Sixth Session of the Board of Supervisors, and elected Mr. WU Ping as the employee supervisor for the Sixth Session of the Board of Supervisors. The term of office of the employee supervisors for the Sixth Session of the Board of Supervisors commenced from November 4, 2019 and will end upon the expiry of the term of office of the Sixth Session of the Board of Supervisors.

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

5.3.3 Change in Senior Management

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

5.4 Securities Transactions by Directors and Supervisors

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

5.5 Profits and Dividends

The Bank’s revenue for the year ended December 31, 2019 and the Bank’s financial position as at the same date are set out in the section headed “Financial Report” of this results announcement.

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

The Board has proposed a final dividend of RMB0.236 per share (tax inclusive) for the year ended December 31, 2019 (“**2019 Final Dividend**”), amounting to an aggregate amount of RMB737,984,933.98 (tax inclusive) to all shareholders of the Bank. The dividend distribution proposal will be submitted to the 2019 annual general meeting of the Bank for approval. If the proposal is approved at the 2019 annual general meeting of the Bank, the dividend will be distributed to holders of domestic shares and holders of H Shares whose names appear on the register of members on May 24, 2020. The proposed dividends will be denominated in RMB. Dividends to holders of domestic shares shall be paid in RMB, and dividends to holders of H Shares shall be paid in Hong Kong dollars. The exchange rate of RMB to HK\$ to be adopted shall be the average middle rates of the five business days preceding the date of declaration of such dividends by the Bank at the 2019 annual general meeting (being May 13, 2020, inclusive) as announced by the People’s Bank of China. The register of members of the Bank will be closed from Tuesday, May 19, 2020 to Sunday, May 24, 2020 (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 Monday, May 18, 2020.

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

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

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

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

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

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

During the Reporting Period, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Bank.

5.8 Review of Annual Results Announcement of 2019

The 2019 financial statements prepared by the Bank in accordance with the IFRSs have been audited by PricewaterhouseCoopers in accordance with International Standards on Auditing.

The Board and its audit committee of the Bank have reviewed and approved the Annual Results announcement of the Bank.

6. FINANCIAL STATEMENTS

BANK OF CHONGQING CO., LTD. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

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

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

BANK OF CHONGQING CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts expressed in thousands of RMB unless otherwise stated)

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

BANK OF CHONGQING CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2019

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

	Equity attributable to shareholders of the Bank									Total
	Share capital	Preference shares	Capital surplus	Surplus reserve	General reserve	Revaluation reserve for FVOCI	Remeasurement of retirement benefits	Retained earnings	Non-controlling interests	
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	-	-	-	-	-	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	-	-	-	-	-	-	-	(368,992)	-	(368,992)
Dividends to preference shares	-	-	-	-	-	-	-	(310,161)	-	(310,161)
Transfer to other reserves	-	-	-	371,547	652,785	-	-	(1,024,332)	-	-
Balance at 31 December 2018	<u>3,127,055</u>	<u>4,909,307</u>	<u>4,680,638</u>	<u>2,616,566</u>	<u>5,400,150</u>	<u>276,973</u>	<u>(4,497)</u>	<u>12,044,820</u>	<u>1,560,561</u>	<u>34,611,573</u>
Balance at 31 December 2018	<u>3,127,055</u>	<u>4,909,307</u>	<u>4,680,638</u>	<u>2,616,566</u>	<u>5,400,150</u>	<u>276,973</u>	<u>(4,497)</u>	<u>12,044,820</u>	<u>1,560,561</u>	<u>34,611,573</u>
Net profit for the year	-	-	-	-	-	-	-	4,207,488	113,969	4,321,457
Other comprehensive income	-	-	-	-	-	483,835	(748)	-	-	483,087
Total comprehensive income	-	-	-	-	-	483,835	(748)	4,207,488	113,969	4,804,544
Dividends to ordinary shares	-	-	-	-	-	-	-	(481,566)	(10,290)	(491,856)
Dividends to preference shares	-	-	-	-	-	-	-	(310,592)	-	(310,592)
Transfer to other reserves	-	-	-	409,956	116,535	-	-	(526,491)	-	-
Balance at 31 December 2019	<u>3,127,055</u>	<u>4,909,307</u>	<u>4,680,638</u>	<u>3,026,522</u>	<u>5,516,685</u>	<u>760,808</u>	<u>(5,245)</u>	<u>14,933,659</u>	<u>1,664,240</u>	<u>38,613,669</u>

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

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

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

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

BANK OF CHONGQING CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts expressed in thousands of RMB unless otherwise stated)

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 notes.

(a) New and revised IFRSs issued and applied

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

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

1 BASIS OF PRESENTATION (CONTINUED)

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

IFRS 16 Leases

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

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

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

Consolidated statement of financial position:

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

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

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

1 BASIS OF PRESENTATION (CONTINUED)

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

IFRS 16 Leases (Continued)

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

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

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

Amendments to IFRS 9

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

Amendments to IAS 28

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

1 BASIS OF PRESENTATION (CONTINUED)

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

Annual Improvements to IFRS Standards 2015 -2017 Cycle

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

Interpretation 23 Uncertainty over Income Tax Treatments

The IASB issued IFRIC 23 – Uncertainty over Income Tax Treatments to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

Amendments to IAS 19

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

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

(b) New and revised applicable 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.
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework for Financial Reporting	Conceptual Framework for Financial Reporting	1 January 2020

1 BASIS OF PRESENTATION (CONTINUED)

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

Amendments to IFRS 10 and IAS 28

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

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

Amendments to IAS 1 and IAS 8

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

In particular, the amendments clarify:

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

Amendments to IFRS 3

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

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

1 BASIS OF PRESENTATION (CONTINUED)

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

Revised Conceptual Framework for Financial Reporting

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

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

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

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

2 SUBSIDIARY

As at 31 December 2019, details of the Bank's subsidiary are set out below:

Name of entity	Date of incorporation	Place of incorporation	Paid-in capital	Proportion of equity interest	Proportion of voting rights	Principal activities
Chongqing Xinyu Financial Leasing Co., Ltd.	23 March 2017	Chongqing, the PRC	3,000,000	51%	51%	Financial leasing
		Assets	Liabilities	Revenue	Net profit	
Chongqing Xinyu Financial Leasing Co., Ltd.		<u>18,705,422</u>	<u>15,309,015</u>	<u>604,148</u>	<u>232,590</u>	

The subsidiary is a company limited by share.

3 NET INTEREST INCOME

	2019	2018
Interest income		
Balances with central bank	456,280	524,600
Due from other banks and financial institutions	1,080,125	1,359,910
Loans and advances to customers	13,725,614	11,848,155
Investment securities	6,630,622	5,590,107
	<u>21,892,641</u>	<u>19,322,772</u>
Interest expense		
Due to other banks and financial institutions	(1,691,871)	(2,109,814)
Customer deposits	(7,804,042)	(6,379,071)
Debt securities issued	(3,553,299)	(3,958,241)
Other liabilities	(4,300)	—
	<u>(13,053,512)</u>	<u>(12,447,126)</u>
Net interest income	<u>8,839,129</u>	<u>6,875,646</u>

4 NET FEE AND COMMISSION INCOME

	2019	2018
Fee and commission income		
Financial advisory and consulting services	19,320	144,757
Wealth management agency service	661,875	542,435
Custodian service	135,156	252,592
Bank card services	345,677	323,068
Guarantees and credit commitments	115,360	96,923
Settlement and agency services	86,296	93,937
	<u>1,363,684</u>	<u>1,453,712</u>
Fee and commission expense		
Settlement and agency services	(68,105)	(63,024)
Bank card services	(24,468)	(34,221)
Others	(13,518)	(14,545)
	<u>(106,091)</u>	<u>(111,790)</u>
Net fee and commission income	<u>1,257,593</u>	<u>1,341,922</u>

5 NET TRADING GAINS

	2019	2018
Foreign exchange gains	106,498	245,215
Bond and fund investments	164,916	270,800
Equity investments	(20,344)	(47,469)
Derivatives	(2,967)	(775)
	<u>248,103</u>	<u>467,771</u>

Net trading gains mainly include net gains/(losses) on foreign exchange, and gains and losses arising from buying and selling of, interest income on and changes in the fair value of financial assets held for trading.

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

The gains on foreign exchange arising from foreign currency monetary assets and liabilities were RMB93,117 thousand for the year ended 31 December 2019 (31 December 2018: RMB224,944 thousand of gains on foreign exchange).

6 NET GAINS ON INVESTMENT SECURITIES

	2019	2018
Net gains arising from financial assets at FVPL	1,381,023	1,884,335
Net losses arising from derecognition of FVOCI	—	(14,558)
	<u>1,381,023</u>	<u>1,869,777</u>

7 OTHER OPERATING INCOME

	2019	2018
Government grants ^(a)	37,728	33,619
Gains on sale of property, plant and equipment	8,712	13,583
Gains on sale of held-for-sale assets	5,866	14,096
Rental income ^(b)	5,389	1,033
Dividend income from unlisted FVOCI investments	1,200	880
Compensation on breach of contract	2,025	2,824
Income from dormant accounts	3	497
Other miscellaneous income ^(c)	4,266	8,436
	<u>65,189</u>	<u>74,968</u>

(a) The government grants mainly include enterprise development support bonus, bonus of incremental agricultural loans, bonus for assessment of branches of the Group and other government grants used for supporting local economic development, etc.

(b) The rental income of the Group is generated from leasing its self-owned buildings and motor vehicles.

(c) Other miscellaneous income mainly comprised cashier surplus, penalty and confiscatory income and incomes from writing off other payables that cannot be settled.

8 OPERATING EXPENSES

	2019	2018
Staff costs	1,672,798	1,525,596
General and administrative expenses	578,025	554,472
Tax and surcharges	142,450	134,100
Depreciation of property, plant and equipment	168,923	147,539
Amortisation of intangible assets	48,701	35,371
Depreciation of right-of-use assets	46,222	4,672
Depreciation of investment properties	119	139
Amortisation of long-term prepaid expenses	9,532	19,647
Rental expenses	7,687	64,980
Professional fees	55,518	51,704
Auditors' remuneration		
– Audit services	4,276	3,858
– Non-audit services	–	472
Donations	10,110	10,070
Others	24,058	18,501
	<u>2,768,419</u>	<u>2,571,121</u>

9 STAFF COSTS

	2019	2018
Salaries and bonuses	1,233,972	1,126,679
Pension expenses	160,570	152,782
Housing benefits and subsidies	94,568	85,136
Labour union and staff education funds	31,150	27,289
Other social security and benefit costs	152,538	133,710
Total	<u>1,672,798</u>	<u>1,525,596</u>

9 STAFF COSTS (CONTINUED)

Five highest paid individuals

The emoluments payable to the five highest paid individuals for relevant years are as follows:

	2019	2018
Remunerations, salaries, allowances and benefits	1,677	1,870
Discretionary bonuses	6,880	7,278
Contributions to pension schemes	483	489
	<u>9,040</u>	<u>9,637</u>

The emoluments payable to the senior management and individuals fell within the following bands:

	Number of individuals	
	2019	2018
RMB1,500,001 – RMB2,000,000	4	4
RMB2,000,001 – RMB2,500,000	1	1
RMB2,500,001 – RMB3,000,000	–	–
RMB3,000,001 – RMB3,500,000	–	–
RMB3,500,001 – RMB4,000,000	–	–
Above RMB4,000,000	–	–
	<u>5</u>	<u>5</u>

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.

10 IMPAIRMENT LOSSES

	2019	2018
Loans and advances to customers carried at amortised cost	3,305,780	3,531,882
Loans and advances to customers at FVOCI	(32,437)	50,166
Investment securities – amortised cost	(71,725)	(149,200)
Investment securities – FVOCI	15,807	(81,879)
Loan commitments and financial guarantee contracts	206,722	72,308
Due from other banks and financial institutions	25,500	1,391
Others	163,934	12,100
	<u>3,613,581</u>	<u>3,436,768</u>

11 INCOME TAX EXPENSE

	2019	2018
Current income tax	2,000,959	1,200,855
Deferred income tax	(750,129)	(180,328)
	<u>1,250,830</u>	<u>1,020,527</u>

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

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate 25% (2018: 25%) to profit before income tax can be reconciled as follows:

	2019	2018
Profit before income tax	<u>5,572,287</u>	<u>4,842,622</u>
Tax calculated at a tax rate of 25%	1,393,072	1,210,656
Tax effect arising from non-taxable income ^(a)	(183,198)	(166,189)
Tax effect of expenses that are not deductible for tax purposes ^(b)	30,761	29,246
Income tax adjustment for prior years	<u>10,195</u>	<u>(53,186)</u>
Income tax expense	<u>1,250,830</u>	<u>1,020,527</u>

(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.

12 BASIC AND DILUTED EARNINGS PER SHARE

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

	2019	2018
Net profit attributable to shareholders of the Bank	4,207,488	3,769,847
Less: Net profit attributable to other equity holders of the Bank	<u>(310,592)</u>	<u>(310,161)</u>
Net profit attributable to ordinary shareholders of the Bank	3,896,896	3,459,686
Weighted average number of ordinary shares issued (in thousand)	3,127,055	3,127,055
Basic and diluted earnings per share (in RMB yuan)	1.25	1.11

The Bank issued non-cumulative preference shares on 20 December 2017. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to ordinary shareholders of the Bank. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2019 and therefore the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings per share.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
Financial assets at FVPL		
– Listed outside Hong Kong	492,618	574,476
– Unlisted	<u>26,483,965</u>	<u>26,847,382</u>
	<u>26,976,583</u>	<u>27,421,858</u>
Derivative financial instruments	<u>433</u>	–
	<u><u>26,977,016</u></u>	<u><u>27,421,858</u></u>

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Unlisted financial assets measured at FVPL are set out below:

	As at 31 December	
	2019	2018
Unlisted financial assets at FVPL		
– Trust investments ^(a)	5,219,379	5,174,858
– Directional asset management plans ^(b)	10,360,368	10,266,659
– Wealth management products purchased from financial institutions	9,618,383	2,357,023
– Fund investments	–	8,038,429
– Commercial banks	683,689	702,578
– Corporations	–	106,052
– Governments	602,146	201,783
	<u>26,483,965</u>	<u>26,847,382</u>

The Group's unlisted commercial bank bonds, corporate bonds and government bonds are traded in the inter-bank bond market in Mainland China.

As at 31 December 2019, there are no the trading securities of the Group pledged to third parties under repurchase agreements (as at 31 December 2018: nil).

Financial assets at fair value through profit or loss by the issuer are set out below:

	As at 31 December	
	2019	2018
Financial assets at FVPL		
– Commercial banks	6,748,327	2,058,258
– Securities companies	10,360,368	10,266,659
– Fund companies	–	8,038,429
– Trust companies	5,219,379	5,174,858
– Corporations	74,439	242,005
– Governments	602,146	201,783
– Policy banks	3,553,745	1,001,343
– Equity investment	418,179	438,523
	<u>26,976,583</u>	<u>27,421,858</u>

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**(a) Trust investment**

	As at 31 December 2019	2018
Trust investments purchased from trust companies		
– Guaranteed by third-party company	5,214,393	5,169,956
– Unsecured	4,986	4,902
	<u>5,219,379</u>	<u>5,174,858</u>

(b) Directional asset management plans

	As at 31 December 2019	2018
Asset management plans purchased from securities companies		
– Guaranteed by third-party company	<u>10,360,368</u>	<u>10,266,659</u>

14 INVESTMENT SECURITIES

	As at 31 December 2019	2018
Investment securities – FVOCI		
Debt securities – measured at fair value		
– Listed outside Hong Kong	6,189,898	5,243,620
– Listed in Hong Kong	3,948,840	4,176,011
– Unlisted	<u>24,804,608</u>	<u>24,219,352</u>
Total	<u>34,943,346</u>	33,638,983
Interest receivable on financial investments at FVOCI	<u>873,718</u>	839,570
	<u>35,817,064</u>	<u>34,478,553</u>
Equity securities – measured at fair value		
– Unlisted	<u>277,000</u>	208,600
Others	<u>14</u>	14
	<u>36,094,078</u>	<u>34,687,167</u>

14 INVESTMENT SECURITIES (CONTINUED)

Unlisted financial investments measured at FVOCI are set out below:

	As at 31 December 2019	2018
Debt securities – measured at fair value (unlisted)		
– Corporate debt	22,611,823	20,527,463
– Policy bank debt	1,082,057	2,090,419
– Commercial bank debt	915,810	1,410,517
– Government debt	194,918	190,953
	<u>24,804,608</u>	<u>24,219,352</u>
Equity securities- measured at fair value (unlisted)		
– Equity investment	277,000	208,600
	<u>25,081,608</u>	<u>24,427,952</u>
	As at 31 December 2019	2018
Investment securities – amortised cost		
Debt securities – measured at amortised cost		
– Listed outside Hong Kong	11,790,198	12,754,742
– Unlisted	84,069,275	69,646,884
	<u>95,859,473</u>	<u>82,401,626</u>
Total	<u>95,859,473</u>	<u>82,401,626</u>
Interest receivable on debt securities at amortised cost	1,950,182	1,595,712
Less: ECL allowance	(1,402,304)	(1,474,029)
	<u>96,407,351</u>	<u>82,523,309</u>

Unlisted financial assets measured at amortised cost are set out below:

	As at 31 December 2019	2018
Debt securities – measured at amortised cost (unlisted)		
– Trust investment ^(a)	15,909,408	22,165,632
– Directional asset management plans ^(b)	40,819,000	26,918,000
– Bonds	18,716,867	15,313,226
– Debt financing plans	8,624,000	4,420,000
– Wealth management products purchased from financial institutions	–	315,505
– Others	–	514,521
	<u>84,069,275</u>	<u>69,646,884</u>

14 INVESTMENT SECURITIES (CONTINUED)

Movement of impairment allowance for investment securities:

	Investment securities –	Investment securities – amortised cost			Total
	FVOCI	Stage 1		Stage 2	
	Stage 1	Stage 1	Lifetime ECL	Lifetime ECL	
	12M ECL	12M ECL	Lifetime ECL	Lifetime ECL	
As at 31 December 2018	88,492	1,049,184	198,538	226,307	1,562,521
New financial assets originated or purchased	28,499	369,078	–	–	397,577
Remeasurement	6,840	(341,184)	231,739	116,642	14,037
Repayments	(19,532)	(190,270)	(178,938)	(78,792)	(467,532)
Transfers:					
<i>Transfer from Stage 1 to Stage 2</i>	–	(30,808)	30,808	–	–
<i>Transfer from Stage 1 to Stage 3</i>	–	(2,411)	–	2,411	–
<i>Transfer from Stage 2 to Stage 3</i>	–	–	(19,600)	19,600	–
As at 31 December 2019	104,299	853,589	262,547	286,168	1,506,603

	Investment securities –	Investment securities – amortised cost			Total
	FVOCI	Stage 1		Stage 2	
	Stage 1	Stage 1	Lifetime ECL	Lifetime ECL	
	12M ECL	12M ECL	Lifetime ECL	Lifetime ECL	
As at 1 January 2018 (Restated)	170,371	936,958	152,169	534,102	1,793,600
Provision for impairment	49,393	442,118	99,729	45,569	636,809
Reversal of impairment allowances	(131,272)	(328,756)	(1,943)	(405,917)	(867,888)
Transfers:					
<i>Transfer from Stage 1 to Stage 2</i>	–	(1,136)	1,136	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	–	(52,553)	52,553	–
As at 31 December 2018	88,492	1,049,184	198,538	226,307	1,562,521

14 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 31 December 2018	81,191,180	602,237	608,209	82,401,626
New financial assets originated or purchased	33,640,316	–	–	33,640,316
Financial assets matured	(19,442,447)	(542,237)	(197,785)	(20,182,469)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(2,191,644)	2,191,644	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(186,598)	–	186,598	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(60,000)	60,000	–
As at 31 December 2019	93,010,807	2,191,644	657,022	95,859,473

	Investment securities – amortised cost			Total
	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
As at 1 January 2018 (Restated)	80,645,964	817,237	1,811,699	83,274,900
New financial assets originated or purchased	23,410,205	–	–	23,410,205
Proceeds received	(22,753,251)	(55,000)	(1,475,228)	(24,283,479)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(90,000)	90,000	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(21,738)	–	21,738	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(250,000)	250,000	–
As at 31 December 2018	81,191,180	602,237	608,209	82,401,626

14 INVESTMENT SECURITIES (CONTINUED)

Investment securities are analysed by issuer as follows:

	As at 31 December	
	2019	2018
Investment securities – FVOCI		
– Corporations	32,729,590	29,926,526
– Policy banks	1,082,057	2,090,419
– Commercial banks	936,781	1,431,085
– Equity investments at fair value	277,000	208,600
– Governments	194,918	190,953
– Others	14	14
	<u>35,220,360</u>	<u>33,847,597</u>
Total		
	<u>35,220,360</u>	<u>33,847,597</u>
Interest receivable on financial investments at FVOCI	873,718	839,570
	<u>873,718</u>	<u>839,570</u>
	<u>36,094,078</u>	<u>34,687,167</u>
Investment securities – amortised cost		
– Trust companies	15,909,408	22,165,632
– Governments	28,776,237	26,183,390
– Securities companies	6,281,000	8,773,521
– Assets management companies	34,538,000	18,659,000
– Corporations	8,654,000	4,450,000
– Policy banks	1,580,828	1,734,578
– Commercial banks	120,000	435,505
	<u>95,859,473</u>	<u>82,401,626</u>
Total		
	<u>95,859,473</u>	<u>82,401,626</u>
Interest receivable on financial investments at amortised cost	1,950,182	1,595,712
Less: ECL allowance	(1,402,304)	(1,474,029)
	<u>1,950,182</u>	<u>1,595,712</u>
	<u>(1,402,304)</u>	<u>(1,474,029)</u>
	<u>96,407,351</u>	<u>82,523,309</u>

14 INVESTMENT SECURITIES (CONTINUED)

(a) Trust investments

	As at 31 December	
	2019	2018
Trust investments purchased from trust companies		
– guaranteed by third-party companies	8,557,942	11,432,287
– collateralised by properties	4,406,666	7,183,660
– unsecured	2,944,800	3,149,685
	<u>15,909,408</u>	<u>21,765,632</u>
Subtotal		
Trust investments purchased from commercial banks		
– guaranteed by other banks	–	400,000
	<u>–</u>	<u>400,000</u>
Total	<u><u>15,909,408</u></u>	<u><u>22,165,632</u></u>

(b) Directional asset management plans

	As at 31 December	
	2019	2018
Asset management plans purchased from securities companies		
– unsecured	4,250,000	3,090,000
– guaranteed by third-party companies	3,273,000	3,894,000
– collateralised by properties	1,258,000	1,275,000
	<u>8,781,000</u>	<u>8,259,000</u>
Subtotal		
Asset management plans purchased from asset management companies		
– unsecured	25,093,000	13,834,000
– guaranteed by third-party companies	6,945,000	4,735,000
– guaranteed by guarantee companies	–	90,000
	<u>32,038,000</u>	<u>18,659,000</u>
Subtotal		
Total	<u><u>40,819,000</u></u>	<u><u>26,918,000</u></u>

15 INVESTMENT IN ASSOCIATES

	As at 31 December	
	2019	2018
Balance at the beginning of the year	1,638,323	1,113,146
Addition of investment in associates	–	316,796
Share of profit of associates	163,250	220,427
Declared cash dividends	–	(12,046)
	<u>1,801,573</u>	<u>1,638,323</u>

On 5 May 2011, the Group invested RMB22,000 thousand in Xingyi Wanfeng Village Bank Co., Ltd., (“**Xingyi Wanfeng**”) on its incorporation and held 20% of equity interest of the RMB110,000 thousand registered capital.

On 15 June 2016, the Group invested RMB54,000 thousand in Mashang Consumer Finance Co., Ltd. (“**Mashang Finance**”) on its incorporation. On 14 August 2016, Mashang Finance increased its registered capital to RMB1.3 billion, and the Group increased the investment to RMB205,270 thousand, which accounted for 15.79% of equity interest. On 13 July 2017, Mashang Finance further increased its registered capital to RMB2.21 billion, and the Group increased the investment to RMB338,346 thousand, which accounted for 15.31% of equity interest. On 9 August 2018, Mashang Finance further increased its registered capital to RMB4 billion, and the Group increased the investment to RMB655,142 thousand, which accounted 15.53% of equity interest.

Pursuant to the resolution of board meeting of Chongqing Three Gorges Bank Co., Ltd. (“**Three Gorges Bank**”) on 21 April 2017, the Bank appointed a director to the board of Three Gorges Bank that day, and therefore the Group had significant influence on Three Gorges Bank. Three Gorges Bank became an associate of the Group. The registered capital of Three Gorges Bank is RMB4,846,935 thousand and 4.97% of its equity interest is held by the Group. The investment cost of the Group amounted to RMB379,024 thousand.

Investments in associates of the Group are unlisted corporation’s ordinary shares. Assets, liabilities, revenue and profit of associates are listed as follows:

	Place of incorporation	Assets	Liabilities	Revenue	Net profit/ (loss)	Shareholding (%)
As at 31 December 2019						
Xingyi Wanfeng	PRC	1,232,857	1,093,981	88,140	612	20.00%
Mashang Finance	PRC	54,815,310	48,374,859	8,999,009	853,388	15.53%
Three Gorges Bank	PRC	<u>208,247,378</u>	<u>192,800,124</u>	<u>4,690,149</u>	<u>1,614,073</u>	<u>4.97%</u>
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	<u>204,016,900</u>	<u>190,731,370</u>	<u>4,634,565</u>	<u>1,279,945</u>	<u>4.97%</u>

16 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit related commitments which the Group has committed to the customers:

	As at 31 December	
	2019	2018
Guarantees	6,769,309	3,940,630
Letters of credit	9,086,819	10,458,452
Acceptances	29,221,132	18,012,260
Other commitments with an original maturity of		
– Within 1 year	4,285,871	3,198,978
– Over 1 year	4,340	50,402
	49,367,471	35,660,722

Capital expenditure commitments

	As at 31 December	
	2019	2018
Contracted but not provided for:		
– Capital expenditure commitments for buildings	107,159	133,072
– Acquisition of IT system	99,422	166,256
	206,581	299,328
Authorised but not contracted for:		
– Capital expenditure commitments for buildings	–	69,321
	–	69,321

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

Operating lease commitments

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

	As at 31 December 2019	As at 31 December 2018
Within 1 year	N/A	42,079
Over 1 year but within 5 years	N/A	88,809
Over 5 years	N/A	17,191
	<u>N/A</u>	<u>148,079</u>

External investment commitment

As at 31 December 2019 and 31 December 2018, the Group had not made the payment yet.

Legal proceedings

Legal proceedings are initiated by third parties against the Group as defendant. The Group has 39 outstanding legal claims of RMB276,359 thousand in total as at 31 December 2019 (31 December 2018: 27 outstanding legal claims of RMB284,540 thousand in total). After consulting legal professionals, the management believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

17 DIVIDENDS

	2019	2018
Dividend declared during the year	<u>481,566</u>	<u>368,992</u>
Dividend per share (in RMB) (Based on prior year shares)	<u>0.154</u>	<u>0.118</u>
Preference shares dividends declared during the year	<u>310,592</u>	<u>310,161</u>

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

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

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

A dividend of RMB0.236 per share in respect of profit for the year ended 31 December 2019 (2018: RMB0.154 per share), amounting to a total dividend of RMB737,985 thousand based on the number of shares issued as at 31 December 2019, will be proposed for approval at the annual general meeting. These consolidated financial statements do not reflect this dividend payable in liabilities.

18 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.

18 SEGMENT ANALYSIS (CONTINUED)

	2019				Total
	Corporate Banking	Retail Banking	Treasury	Unallocated	
Net interest income from external customers	5,258,190	566,062	3,014,877	–	8,839,129
Inter-segment net interest income/(expense)	1,630,526	1,777,970	(3,408,496)	–	–
Net interest income/(expense)	6,888,716	2,344,032	(393,619)	–	8,839,129
Net fee and commission income	137,937	322,624	797,032	–	1,257,593
Net trading income	106,498	–	141,605	–	248,103
Net gains on investment securities	–	–	1,381,023	–	1,381,023
Share of profit of associates	–	–	163,250	–	163,250
Other operating income	–	2,025	1,200	61,964	65,189
Impairment losses	(3,321,733)	(346,319)	54,581	(110)	(3,613,581)
Operating expense	(1,395,051)	(976,262)	(348,053)	(49,053)	(2,768,419)
– Depreciation and amortisation	(137,819)	(96,447)	(34,385)	(4,846)	(273,497)
– Others	(1,257,232)	(879,815)	(313,668)	(44,207)	(2,494,922)
Profit before income tax	2,416,367	1,346,100	1,797,019	12,801	5,572,287
As at 31 December 2019					
Capital expenditure	132,720	64,001	172,783	1,888	371,392
Segment assets	179,118,971	86,376,445	233,188,183	2,548,265	501,231,864
Segment liabilities	(197,208,744)	(102,080,647)	(163,327,112)	(1,692)	(462,618,195)

18 SEGMENT ANALYSIS (CONTINUED)

	2018				Total
	Corporate Banking	Retail Banking	Treasury	Unallocated	
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)

19 SUBSEQUENT EVENTS

Evaluation of the impact of the Coronavirus Disease 2019 ('COVID-19')

Since the outbreak of COVID-19 across the country in January 2020, the Group has earnestly implemented the requirements of *Notice on Further Strengthening Financial Support for the Prevention and Control of COVID-19 (Yinfa [2020] No.29)*, and enhanced financial support for the epidemic prevention and control. COVID-19 may to some extent affect the quality or the yields of the credit assets and investment assets, and the degree of impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies. The Group has constantly paid close attention to the development of COVID-19, organised specialised risk investigations, assessed and reacted actively to its impacts on the financial position and operating results.

7. RELEASE OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement was published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.cqcbank.com). The 2019 annual report prepared in accordance with the IFRSs will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.cqcbank.com), and will be dispatched to the holders of H Shares in due course.

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

By order of the Board
Bank of Chongqing Co., Ltd.*
WONG Wah Sing
Executive Director

Chongqing, the PRC, March 27, 2020

As at the date of this announcement, the executive directors of the Bank are Ms. LIN Jun, Mr. RAN Hailing, Mr. LIU Jianhua and Mr. WONG Wah Sing; the non-executive directors of the Bank are Mr. WONG Hon Hing, Mr. DENG Yong, Mr. YANG Yusong, Mr. TANG Xiaodong, Mr. WU Heng and Ms. LIU Ying; and the independent non-executive directors of the Bank are Mr. LIU Xing, Mr. WANG Rong, Mr. KONG Xiangbin and Dr. JIN Jingyu.

* *The Bank holds the Financial License (institution number: B0206H250000001) with the approval of the banking regulatory authority of China and has received the Corporate Legal Person Business License (unified social credit code: 91500000202869177Y) with the approval of the Administration for Market Regulation of Chongqing (重慶市市場監督管理局). The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit taking business in Hong Kong.*