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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 INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 JUNE 2019**

The board of directors (the “**Board**”) of Bank of Chongqing Co., Ltd.* (the “**Bank**” or “**Bank of Chongqing**”) is pleased to announce the unaudited consolidated interim results (the “**Interim Results**”) of the Bank and its subsidiaries (the “**Group**”) for the six months ended 30 June 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 (the “**IFRSs**”). The Board and its audit committee have reviewed and confirmed the Interim 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:	The Stock Exchange of Hong Kong Limited
Stock Name and Stock Code:	Stock Name: BCQ Stock Code: 1963
Listing Exchange of Offshore Preference Shares:	The Stock Exchange of Hong Kong Limited
Stock Name and Stock Code:	Stock Name: BCQ 17USDPREF 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 Interim Results Announcement has been prepared according to the International Financial Reporting Standards 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 prepared under the IFRSs, the net profit attributable to shareholders of the Bank for the Reporting Period ended 30 June 2019 and the equity attributable to shareholders of the Bank as at the end of the Reporting Period do not differ between the two sets of statements.

2.1 Financial Data

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in percentage (%)
OPERATING RESULTS			
Interest income	10,533,980	9,485,347	11.1
Interest expense	(6,484,723)	(6,224,874)	4.2
Net interest income	4,049,257	3,260,473	24.2
Net fee and commission income	607,325	680,042	(10.7)
Net trading gains, net gains on investment securities and other operating income	816,950	1,178,858	(30.7)
Operating income	5,473,532	5,119,373	6.9
Operating expenses	(1,171,262)	(1,137,331)	3.0
Assets impairment losses	(1,153,489)	(1,177,533)	(2.0)
Operating profit	3,148,781	2,804,509	12.3
Share of profit of associates	44,902	94,978	(52.7)
Profit before income tax	3,193,683	2,899,487	10.1
Income tax	(704,761)	(605,322)	16.4
Net profit	2,488,922	2,294,165	8.5
Net profit attributable to shareholders of the Bank	2,421,889	2,272,274	6.6
Comprehensive income for the period	2,882,552	2,203,475	30.8
Calculated on a per share basis (RMB)			Change
Basic earnings per share ⁽¹⁾	0.77	0.73	0.04
	As at 30 June 2019	As at 31 December 2018	Change in percentage (%)
Major indicators of assets/liabilities			
Total assets	461,852,800	450,368,973	2.5
Of which: loans and advances to customers, net	221,936,764	205,923,212	7.8
Total liabilities	424,850,531	415,757,400	2.2
Of which: customer deposits	272,127,426	256,394,193	6.1
Share capital	3,127,055	3,127,055	0.0
Equity attributable to shareholders of the Bank	35,384,965	33,051,012	7.1
Total equity	37,002,269	34,611,573	6.9

2.2 Financial Indicators

<i>(All amounts expressed in percentage unless otherwise stated)</i>	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change
Profitability indicators (%)			
Average annualized return on assets ⁽²⁾	1.10	1.08	0.02
Average annualized return on equity attributable to shareholders of the Bank ⁽³⁾	16.66	17.48	(0.82)
Net interest spread ⁽⁴⁾	1.92	1.75	0.17
Net interest margin ⁽⁴⁾	1.99	1.73	0.26
Net fee and commission income to operating income	11.10	13.28	(2.18)
Cost-to-income ratio ⁽⁵⁾	20.08	20.95	(0.87)
	As at 30 June 2019	As at 31 December 2018	Change
Asset quality indicators (%)			
Non-performing loan ratio ⁽⁶⁾	1.34	1.36	(0.02)
Impairment allowances to non-performing loans ⁽⁷⁾	217.03	225.87	(8.84)
Impairment allowances to total loans ⁽⁸⁾	2.92	3.08	(0.16)
Indicators of capital adequacy ratio (%)			
Core Tier I capital adequacy ratio ⁽⁹⁾	8.72	8.47	0.25
Tier I capital adequacy ratio ⁽⁹⁾	10.13	9.94	0.19
Capital adequacy ratio ⁽⁹⁾	13.25	13.21	0.04
Total equity to total assets	8.01	7.69	0.32
Other indicators (%)			
Liquidity ratio ⁽¹⁰⁾	90.89	92.53	(1.64)
Percentage of loans to the single largest customer ⁽¹¹⁾	2.79	2.15	0.64
Percentage of loans to the top ten customers ⁽¹²⁾	19.87	18.79	1.08

Notes:

- (1) The ratio of net profit (net of dividends of preference shares distributed during the year) attributable to shareholders of the Bank to weighted average number of ordinary shares.
- (2) Calculated by dividing net profit by the average of total assets at the beginning and at the end of the period.
- (3) Net profit 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.
- (4) 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.
- (5) Calculated by dividing operating expense (less tax and surcharges) by operating income.
- (6) Calculated by dividing balance of non-performing loans by total principal of loans and advances to customers.
- (7) Calculated by dividing balance of impairment allowances on loans by balance of non-performing loans. The balance of impairment allowances on loans is the sum of loans and advances to customers carried at amortised cost and the impairment allowances on loans and advances to customers at fair value through other comprehensive income and the audited impairment allowances to non-performing loans of the Bank for 2018 based on the year-on-year calculation was 228.35%. Pursuant to regulatory requirements, the regulatory standard of such indicator of the Bank is 150%.
- (8) Calculated by dividing balance of impairment allowances on loans by balance of the principal of loans and advances to customers. The balance of impairment allowances on loans is the sum of loans and advances to customers carried at amortised cost and the impairment allowances on loans and advances to customers at fair value through other comprehensive income and the audited impairment allowances to total loans of the Bank for 2018 based on the year-on-year calculation was 3.11%. Pursuant to regulatory requirements, the regulatory standard of such indicator of the Bank is 2.5%.
- (9) Core Tier I capital adequacy ratio, Tier I capital adequacy ratio and capital adequacy ratio were calculated in accordance with the latest guidance promulgated by China Banking and Insurance Regulatory Commission (the “**CBIRC**”) (effective from January 1, 2013).
- (10) Liquidity ratio is calculated in accordance with the formula promulgated by the CBIRC.
- (11) Calculated by dividing total loans to the single largest customer by net capital.
- (12) Calculated by dividing total loans to the top ten customers by net capital.

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Financial Review

In the first half of 2019, China's macro economy was stable and showed its considerable resilience and development potential, in spite of greater economic slowdown pressure and higher difficulty in growth stabilization and risk prevention due to trade frictions between China and the United States, replacement of old drivers with new drivers, structural adjustment and other factors. Facing complicated and changeable external environment and increasingly fierce competition in the industry, the Group adhered to the general work guideline of making progress while maintaining stability, actively implemented various key tasks, and continuously improved the level of operation and management to promote the Group's high-quality development.

Solid growth in business size. As of 30 June 2019, the Group's total assets amounted to RMB461,852.80 million, representing an increase of RMB11,483.83 million or 2.5% over the end of the previous year; the net loans and advances to customers amounted to RMB221,936.76 million, representing an increase of RMB16,013.55 million or 7.8% over the end of the previous year; the total liabilities amounted to RMB424,850.53 million, representing an increase of RMB9,093.13 million or 2.2% over the end of the previous year; the total customer deposits amounted to RMB272,127.43 million, representing an increase of RMB15,733.23 million or 6.1%, over the end of the previous year.

Stable improvement in profitability. In the first half of 2019, the net profit of the Group amounted to RMB2,488.92 million, representing an increase of RMB194.76 million or 8.5% as compared to the same period in the previous year; the average annualized return on total assets was 1.10%, representing an increase of 0.02 percentage point as compared to the same period in the previous year; the net interest spread was 1.92%, representing an increase of 17 basis points as compared to the same period in the previous year; the net interest margin was 1.99%, representing an increase of 26 basis points as compared to the same period in the previous year.

Stable asset quality with movement in a positive direction. As of 30 June 2019, the non-performing loan ratio of the Group was 1.34%, representing a decrease of 0.02 percentage point over the end of the previous year; the amount of loans under special mention category accounted for 3.09%, representing a decrease of 0.24 percentage point over the end of the previous year.

Stable cost control with greater efficiency. In the first half of 2019, the operating expenses of the Group amounted to RMB1,171.26 million, representing an increase of RMB33.93 million or 3.0% as compared to the same period in the previous year; the cost-to-income ratio was 20.08%, representing a decrease of 0.87 percentage point as compared to the same period in the previous year, which showed the continuous improvement in the operation management efficiency.

Stability in meeting risk compensation requirements. As of 30 June 2019, the capital adequacy ratio, the tier I capital adequacy ratio and the core tier I capital adequacy ratio of the Group were 13.25%, 10.13% and 8.72% respectively, representing an increase of 0.04 percentage point, 0.19 percentage point and 0.25 percentage point over the end of the previous year respectively, which continuously satisfied the regulatory requirements.

3.2 Analysis of the Financial Statement

3.2.1 Analysis of the Income Statement

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Change in percentage (%)
Interest income	10,533,980	9,485,347	1,048,633	11.1
Interest expense	(6,484,723)	(6,224,874)	(259,849)	4.2
Net interest income	4,049,257	3,260,473	788,784	24.2
Net fee and commission income	607,325	680,042	(72,717)	(10.7)
Net trading gains	104,134	215,238	(111,104)	(51.6)
Net gains on investment securities	665,811	931,778	(265,967)	(28.5)
Other operating income	47,005	31,842	15,163	47.6
Operating income	5,473,532	5,119,373	354,159	6.9
Operating expenses	(1,171,262)	(1,137,331)	(33,931)	3.0
Assets impairment losses	(1,153,489)	(1,177,533)	24,044	(2.0)
Share of profit of associates	44,902	94,978	(50,076)	(52.7)
Profit before income tax	3,193,683	2,899,487	294,196	10.1
Income tax	(704,761)	(605,322)	(99,439)	16.4
Net profit	2,488,922	2,294,165	194,757	8.5

In the first half of 2019, the operating income of the Group amounted to RMB5,473.53 million, representing an increase of RMB354.16 million or 6.9% as compared to the same period in the previous year. The operating income was improved steadily. Among such operating income: the net interest income and other operating income increased by 24.2% and 47.6% respectively, as compared to the same period in the previous year; the net fee and commission income, the net trading gains and the net gains on investment securities decreased by 10.7%, 51.6% and 28.5% respectively, as compared to the same period in the previous year.

The operating expenses of the Group amounted to RMB1,171.26 million, representing an increase of RMB33.93 million or 3.0% as compared to the same period in the previous year; the impairment losses amounted to RMB1,153.49 million, representing a slight decrease of RMB24.04 million or 2.0% as compared to the same period in the previous year.

Due to the above factors, the Group's profit before income tax amounted to RMB3,193.68 million, representing an increase of RMB294.20 million or 10.1% as compared to the same period in the previous year. The Group's net profit amounted to RMB2,488.92 million, representing an increase of RMB194.76 million or 8.5% as compared to the same period in the previous year.

Interest-earning assets and interest-bearing liabilities

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019			For the six months ended 30 June 2018		
	Average balance	Interest income/expense	Average annualized yield/cost ratio (%)	Average balance	Interest income/expense	Average annualized yield/cost ratio (%)
ASSETS						
Loans and advances to customers	220,114,323	6,572,646	6.02	184,537,955	5,549,628	6.06
Investment securities	116,002,337	3,127,490	5.44	113,966,763	2,976,406	5.27
Balances with central bank	31,384,684	227,750	1.46	36,905,567	273,691	1.50
Due from other banks and financial institutions	43,425,892	606,094	2.81	44,201,826	685,622	3.13
Total interest-earning assets	410,927,236	10,533,980	5.17	379,612,111	9,485,347	5.04
LIABILITIES						
Customer deposits	262,917,712	3,779,032	2.90	244,823,265	3,132,605	2.58
Due to other banks and financial institutions and lease liabilities	42,133,283	879,280	4.21	47,046,744	1,055,096	4.52
Debt securities issued	96,926,961	1,826,411	3.80	89,140,663	2,037,173	4.61
Total interest-bearing liabilities	401,977,956	6,484,723	3.25	381,010,672	6,224,874	3.29
Net interest income		4,049,257			3,260,473	
Net interest spread⁽¹⁾			1.92			1.75
Net interest margin⁽²⁾			1.99			1.73

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

(2) the ratio of net interest income to the average balance of interest-earning assets.

In the first half of 2019, the net interest spread of the Group was 1.92%, representing an increase of 17 basis points as compared to the same period in the previous year, primarily due to the increase of 13 basis points in the average annualized yield on interest-earning assets as compared to the same period in the previous year, and the decrease of 4 basis points in the average annualized cost ratio of interest-bearing liabilities as compared to the same period in the previous year.

In the first half of 2019, the net interest income of the Group amounted to RMB4,049.26 million, representing an increase of RMB788.78 million or 24.2% as compared to the same period in the previous year; the average balance of interest-earning assets amounted to RMB410,927.24 million, representing an increase of RMB31,315.13 million or 8.2% as compared to the same period in the previous year. The net interest margin of the Group was 1.99%, representing an increase of 26 basis points, as compared to the same period in the previous year, as the net interest income grew more rapidly than the average balance of interest-earning assets.

Impact of volume and interest rate changes on interest income and expense

The following table sets forth the Group's changes in interest income and interest expense due to changes in the Group's volume and interest rate.

<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	1,062,316	(39,298)	1,023,018
Investment securities	54,880	96,204	151,084
Balances with central bank	(40,064)	(5,877)	(45,941)
Due from other banks and financial institutions	(10,830)	(68,698)	(79,528)
Change in interest income	1,066,302	(17,669)	1,048,633
LIABILITIES			
Customer deposits	260,080	386,347	646,427
Due to other banks and financial institutions and lease liabilities	(102,539)	(73,277)	(175,816)
Debt securities issued	146,719	(357,481)	(210,762)
Change in interest expense	304,260	(44,411)	259,849

3.2.1.1 Interest income

In the first half of 2019, the interest income of the Group amounted to RMB10,533.98 million, representing a year-on-year increase of RMB1,048.63 million or 11.1%. Among such interest income: the interest income from loans and advances to customers and the interest income from investment securities increased as compared to the same period in the previous year, while the interest income from balances with central bank and the interest income from amounts due from other banks and financial institutions decreased as compared to the same period in the previous year.

(1) Interest income from loans and advances to customers

In the first half of 2019, the Group's interest income from loans and advances to customers amounted to RMB6,572.65 million, representing a year-on-year increase of RMB1,023.02 million or 18.4%, primarily due to the increase in average balance on loans and advances to customers by 19.3% offset by the decrease in average annualized yield by 4 basis points as compared to that of the previous year.

(2) Interest income from investment securities

In the first half of 2019, the Group's interest income from investment securities amounted to RMB3,127.49 million, representing a year-on-year increase of RMB151.08 million or 5.1%, primarily due to the increase of 1.8% in average balance and an increase of 17 basis points in average annualized yield on investment securities as compared to that of the previous year.

(3) Interest income from balances with central bank

In the first half of 2019, the Group's interest income from cash and balances with central bank amounted to RMB227.75 million, representing a year-on-year decrease of RMB45.94 million or 16.8%, primarily due to the year-on-year decrease of 15.0% in average balance and a decrease of 4 basis points in average annualized yield on cash and balances with central banks 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 annualized 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 six months ended 30 June 2019			For the six months ended 30 June 2018		
	Average balance	Interest income	Average annualized yield (%)	Average balance	Interest income	Average annualized yield (%)
Due from other banks and financial institutions	15,961,469	225,762	2.85	17,509,576	220,040	2.53
Financial assets held under resale agreements	<u>27,464,423</u>	<u>380,332</u>	2.79	<u>26,692,250</u>	<u>465,582</u>	3.52
Total	<u>43,425,892</u>	<u>606,094</u>	2.81	<u>44,201,826</u>	<u>685,622</u>	3.13

In the first half of 2019, the interest income from the Group's amounts due from other banks and financial institutions amounted to RMB225.76 million, representing a year-on-year increase of RMB5.72 million or 2.6%, primarily due to the year-on-year decrease of 8.8% in average balance offset by the increase of 32 basis points in average annualized yield on amounts due from other banks and financial institutions as compared to those of the previous year.

In the first half of 2019, the interest income from the Group's financial assets held under resale agreements amounted to RMB380.33 million, representing a year-on-year decrease of RMB85.25 million or 18.3%, primarily attributable to the slight increase of 2.9% in average balance offset by the decrease of 73 basis points in average annualized 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 interest income from amounts due from other banks and financial institutions in the first half of 2019 were RMB606.09 million, representing a year-on-year decrease of RMB79.53 million or 11.6% as compared to those of the previous year.

3.2.1.2 Interest expense

In the first half of 2019, the Group's interest expense amounted to RMB6,484.72 million, representing a year-on-year increase of RMB259.85 million or 4.2%. Among such interest expense: the interest expense on customer deposits increased as compared to the same period in the previous year, while the interest expense on amount due to other banks and financial institutions and the interest expense on issuance of debt securities decreased as compared to the same period in the previous year.

(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 six months ended 30 June 2019			For the six months ended 30 June 2018		
	Average balance	Interest expense	Average annualized cost ratio (%)	Average balance	Interest expense	Average annualized cost ratio (%)
Corporate deposits						
Demand	59,039,143	276,463	0.94	69,349,900	275,846	0.80
Time	<u>96,163,680</u>	<u>1,712,131</u>	<u>3.59</u>	<u>82,120,971</u>	<u>1,345,566</u>	<u>3.30</u>
Subtotal	<u>155,202,823</u>	<u>1,988,594</u>	<u>2.58</u>	<u>151,470,871</u>	<u>1,621,412</u>	<u>2.16</u>
Individual deposits						
Demand	11,932,211	23,213	0.39	10,938,870	21,139	0.39
Time	<u>78,857,541</u>	<u>1,571,862</u>	<u>4.02</u>	<u>63,605,752</u>	<u>1,206,753</u>	<u>3.83</u>
Subtotal	<u>90,789,752</u>	<u>1,595,075</u>	<u>3.54</u>	<u>74,544,622</u>	<u>1,227,892</u>	<u>3.32</u>
Other deposits	<u>16,925,137</u>	<u>195,363</u>	<u>2.33</u>	<u>18,807,772</u>	<u>283,301</u>	<u>3.04</u>
Total	<u><u>262,917,712</u></u>	<u><u>3,779,032</u></u>	<u><u>2.90</u></u>	<u><u>244,823,265</u></u>	<u><u>3,132,605</u></u>	<u><u>2.58</u></u>

In the first half of 2019, the Group's interest expense on customer deposits was RMB3,779.03 million, representing a year-on-year increase of RMB646.43 million or 20.6%, primarily due to a year-on-year increase in the average balance of customer deposits by 7.4%, and an increase in average annualized cost ratio of customer deposits by 32 basis points as compared to that of the previous year.

(2) Interest expense on amount due to other banks and financial institutions and lease liabilities

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019			For the six months ended 30 June 2018		
	Average balance	Interest expense	Average annualized cost ratio (%)	Average balance	Interest expense	Average annualized cost ratio (%)
Deposits and loans from other banks	34,370,795	767,546	4.50	36,491,345	897,315	4.96
Borrowings from central bank	4,468,970	67,249	3.03	1,855,069	27,005	2.94
Financial assets sold under repurchase agreements	3,174,015	42,371	2.69	8,700,330	130,776	3.03
Lease liabilities	119,503	2,114	3.57	N/A	N/A	N/A
Total	42,133,283	879,280	4.21	47,046,744	1,055,096	4.52

In the first half of 2019, the Group's interest expense on deposits and loans from other banks and financial institutions and lease liabilities was RMB879.28 million, representing a year-on-year decrease of RMB175.82 million or 16.7%, primarily due to a year-on-year decrease of 10.4% in average balance of deposits and loans from other banks and financial institutions, and a decrease in average annualized cost ratio by 31 basis points as compared to that of the previous year.

(3) Interest expense on issuance of debt securities

The average balance, interest expense and average annualized cost ratio of each component of debt securities issued by the Group are as follows:

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019			For the six months ended 30 June 2018		
	Average balance	Interest expense	Average annualized cost ratio (%)	Average balance	Interest expense	Average annualized cost ratio (%)
Subordinated debts	7,500,000	175,733	4.73	7,500,000	175,724	4.72
Financial bonds for small and micro enterprises	-	-	-	1,939,227	46,106	4.79
Inter-bank certificates of deposit	80,426,961	1,458,802	3.66	79,701,436	1,815,343	4.59
Financial debts	9,000,000	191,876	4.30	-	-	-
Total	96,926,961	1,826,411	3.80	89,140,663	2,037,173	4.61

In the first half of 2019, the Group's interest expense on issuance of debts securities amounted to RMB1,826.41 million, representing a year-on-year decrease of RMB210.76 million or 10.3%, primarily due to a year-on-year increase of 8.7% in average balance of issuance of debts securities, offset by the significant decrease in average annualized cost ratio by 81 basis points as compared to that of the previous year.

3.2.1.3 Non-interest income

(1) Net fee and commission income

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Change in percentage (%)
Fee and commission income	660,866	728,152	(67,286)	(9.2)
Financial advisory and consulting services	20,887	72,424	(51,537)	(71.2)
Wealth management agency services	296,506	278,763	17,743	6.4
Custodian services	80,816	137,243	(56,427)	(41.1)
Bank card services	168,247	150,186	18,061	12.0
Guarantees and Credit commitments	57,551	35,815	21,736	60.7
Settlement and agency services	36,859	53,721	(16,862)	(31.4)
Fee and commission expense	(53,541)	(48,110)	(5,431)	11.3
Net fee and commission income	607,325	680,042	(72,717)	(10.7)

In the first half of 2019, the Group's net fee and commission income amounted to RMB607.33 million, representing a decrease of RMB72.72 million or 10.7% as compared to the same period in the previous year and accounting for 11.10% of operating income, decrease by 2.18 percentage points as compared to the same period in the previous year, mainly due to a significant decrease in the commission income from financial advisory and consulting services, custodian services, settlement and agency services.

Commission income from financial advisory and consulting services amounted to RMB20.89 million, representing a year-on-year decrease of RMB51.54 million or 71.2%, primarily due to the decrease in the market demand for the business of Chongqing Xinyu Financial Leasing Co., Ltd., a subsidiary of the Bank.

Commission income from wealth management agency services amounted to RMB296.51 million, representing a year-on-year increase of RMB17.74 million or 6.4%, primarily due to the decrease in the issue prices of wealth management products as compared with the corresponding period of last year due to the market environment.

Commission income from custodian services amounted to RMB80.82 million, representing a year-on-year decrease of RMB56.43 million or 41.1%, primarily due to the decrease in the demand for the business.

Commission income from bank card services amounted to RMB168.25 million, representing a year-on-year increase of RMB18.06 million or 12.0%, primarily due to the steady increase in the number of bank cards issued and the transaction amount.

Commission income from guarantees and credit commitments amounted to RMB57.55 million, representing a year-on-year increase of RMB21.74 million or 60.7%, primarily due to the more rapid growth in the business as a result of expansion of the business scope by the Bank.

Commission income from settlement and agency services amounted to RMB36.86 million, representing a year-on-year decrease of RMB16.86 million or 31.4%, primarily due to the reduction or exemption by the Bank of certain payment and settlement commissions in response to the national call to reduce the burden of enterprises, as well as the decrease in the agency business size as compared with the corresponding period of last year.

(2) Net trading gains

The net trading gains mainly consist of foreign exchange gains and fair value gains. Foreign exchange gains mainly include gains and losses generated from foreign exchange spot transactions and gains and losses generated from the translation of foreign currency monetary assets and liabilities into Renminbi. In the first half of 2019, the Group's foreign exchange gains amounted to RMB21.07 million, mainly due to the appreciation of the major currencies such as US dollars and Hong Kong dollars held by the Group. Fair value gains held for trading mainly include profit and loss arising from changes in fair value of the trading securities. In the first half of 2019, the Group's fair value gains amounted to RMB83.06 million. As a result of the above factors, in the first half of 2019, the Group's net trading gains amounted to RMB104.13 million.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Change in percentage (%)
Foreign exchange gains	21,072	40,364	(19,292)	(47.8)
Fair value gains	83,062	174,874	(91,812)	(52.5)
Total	<u>104,134</u>	<u>215,238</u>	<u>(111,104)</u>	(51.6)

(3) Net gains on investment securities

The net gains on investment securities mainly include investment gains of financial assets at fair value through profit or loss and net gains arising from de-recognition of financial assets at fair value through other comprehensive income. In the first half of 2019, the net gains on investment securities of the Group amounted to RMB665.81 million, all of which were the net gains arising from investment of financial assets at FVPL.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Change in percentage (%)
Investment gains of financial assets at fair value through profit or loss	665,811	941,203	(275,392)	(29.3)
Net (losses)/gains arising from de-recognition of financial assets at fair value through other comprehensive income	<u>—</u>	<u>(9,425)</u>	<u>9,425</u>	N/A
Total	<u>665,811</u>	<u>931,778</u>	<u>(265,967)</u>	(28.5)

3.2.1.4 Operating expenses

In the first half of 2019, the Group's operating expenses were RMB1,171.26 million, representing a slight year-on-year increase of RMB33.93 million or 3.0%. Staff costs, tax and surcharges, depreciation and amortisation increased, while general and administrative expenses decreased.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Change in percentage (%)
Staff costs	707,515	675,906	31,609	4.7
Tax and surcharges	72,306	64,781	7,525	11.6
Depreciation and amortization	135,229	102,405	32,824	32.1
General and administrative expense	218,371	236,460	(18,089)	(7.6)
Others	<u>37,841</u>	<u>57,779</u>	<u>(19,938)</u>	<u>(34.5)</u>
Operating expenses	<u>1,171,262</u>	<u>1,137,331</u>	<u>33,931</u>	3.0

(1) Staff costs

Staff costs constitute the largest component of the Group's operating expenses, accounting for 60.41% and 59.43% of its operating expenses for the first half of 2019 and 2018 respectively.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Change in percentage (%)
Salaries and bonuses	498,282	498,168	114	0.0
Pension expenses	81,912	70,839	11,073	15.6
Housing benefits and subsidies	41,725	39,005	2,720	7.0
Labour union and staff education expenses	11,133	11,351	(218)	(1.9)
Other social security and benefit expenses	74,463	56,543	17,920	31.7
Staff costs	<u>707,515</u>	<u>675,906</u>	<u>31,609</u>	4.7

In the first half of 2019, the Group's staff costs amounted to RMB707.52 million, representing a year-on-year increase of RMB31.61 million or 4.7%, primarily because (1) the average remuneration and benefit per staff increased by 2.7% as compared to the same period in the previous year; (2) the slight increase in number of staff resulting from the expansion of business scale. As of 30 June 2019, the Group had 4,190 full-time employees, representing an increase of 105 employees or 2.6% as compared to the same period in 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 businesses. In the first half of 2019, tax and surcharges were RMB72.31 million, representing a year-on-year increase of RMB7.53 million or 11.6%.

(3) Depreciation and amortization

Depreciation and amortization in the first half of 2019 increased by RMB32.82 million or 32.1% to RMB135.23 million over the same period in the previous year as the growth of property and equipment of the Group was stable.

(4) General and administrative expense

The Group has always paid attention to the control of administrative expenses, resulting in a continuous decrease in relevant expenses. In the first half of 2019, the general and administrative expenses decreased by RMB18.09 million or 7.6% year on year to RMB218.37 million.

3.2.1.5 Impairment losses

In the first half of 2019, the impairment losses of the Group were RMB1,153.49 million, representing a year-on-year decrease of RMB24.04 million or 2.0%, primarily due to improvement in the asset quality of the Bank as compared to the same period in the previous year.

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Change in percentage (%)
Loans and advances to customers carried at amortised cost	768,664	851,015	(82,351)	(9.7)
Loans and advances at fair value through other comprehensive income	68,088	6,489	61,599	949.3
Investment securities-Financial investments carried at amortised cost	180,906	331,913	(151,007)	(45.5)
Investment securities-Financial investments at fair value through other comprehensive income	(2,188)	(60,782)	58,594	(96.4)
Loan commitments and financial guarantee contracts	98,566	33,904	64,662	190.7
Due from other banks and financial institutions	25,024	2,117	22,907	1,082.1
Others	14,429	12,877	1,552	12.1
Assets impairment losses	<u>1,153,489</u>	<u>1,177,533</u>	<u>(24,044)</u>	<u>(2.0)</u>

3.2.1.6 Income tax

The income tax rate applicable to the Group was 25%. The effective tax rates of the Group in the first half of 2019 and 2018 were 22.07% and 20.88% respectively.

The following table sets forth the profit before income tax and income tax for the first half of 2019 and 2018, respectively.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Change in percentage (%)
Profit before income tax	3,193,683	2,899,487	294,196	10.1
Tax calculated at a tax rate of 25%	798,421	724,872	73,549	10.1
Tax effect arising from non-taxable income	(98,979)	(84,779)	(14,200)	16.7
Tax effect of expenses that are not deductible for tax purposes	26,713	18,415	8,298	45.1
Income tax adjustment for prior years	(21,394)	(53,186)	31,792	(59.8)
Income tax	<u>704,761</u>	<u>605,322</u>	<u>99,439</u>	<u>16.4</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 30 June 2019		As at 31 December 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	228,418,855	49.5	212,430,769	47.1
Of which: Total principal of loans and advances to customers	227,135,643	49.2	211,209,051	46.9
Interests due from loans and advances to customers	1,283,212	0.3	1,221,718	0.2
Total losses on expected credit impairment	(6,482,091)	(1.4)	(6,507,557)	(1.4)
Net loans and advances to customers	221,936,764	48.1	205,923,212	45.7
Investment securities ⁽¹⁾	118,813,893	25.7	117,210,476	26.0
Investments in associates	1,683,225	0.4	1,638,323	0.4
Cash and balances with central bank	34,474,931	7.5	33,216,841	7.4
Due from other banks and financial institutions	44,552,658	9.6	57,915,079	12.8
Financial assets at fair value through profit or loss	32,755,814	7.1	27,421,858	6.1
Fixed assets	3,039,429	0.7	3,023,292	0.7
Deferred income tax assets	2,034,319	0.4	1,890,680	0.4
Other assets	2,561,767	0.5	2,129,212	0.5
Total assets	461,852,800	100.0	450,368,973	100.0

Note: (1) Investment securities consist of financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

As at 30 June 2019, the Group's total assets amounted to RMB461,852.80 million, representing an increase of RMB11,483.83 million or 2.5% over the end of the previous year, among which:

Total loans and advances to customers increased by RMB15,988.09 million or 7.5% to RMB228,418.86 million over the end of the previous year. This was primarily because the Group complied with the policy and stuck to its aspiration to proactively serve privately owned enterprises and the real economy, increased the credit supply for major projects related to emerging industries of strategic importance, green credit, rural revitalization, poverty alleviation and the "Belt and Road" Initiative.

The balance of investment securities amounted to RMB118,813.89 million, representing an increase of RMB1,603.42 million or 1.4% over the end of the previous year, mainly due to the increase in the level of investment gains as a result of an appropriate increase in investments by the Group in standardized products, such as corporate bonds and debt financing plans.

Cash and balances with central bank increased by RMB1,258.09 million or 3.8% to RMB34,474.93 million over the end of the previous year, primarily due to the increase in surplus deposit reserves as compared to the end of the previous year.

Total amount due from other banks and financial institutions decreased by RMB13,362.42 million or 23.1% to RMB44,552.66 million as compared to the end of the previous year, primarily due to the decrease of the balance of placement with other banks and financial institutions and the balance of financial assets held under resale agreements as compared to the end of the previous year.

(1) Loans and advances to customers

The following table sets forth the composition of the Group's loans and advances to corporate entities, and retail loans as of the dates indicated.

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

	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Loans and advances to corporate entities – measured at amortised cost				
– Corporate loans	136,629,680	59.8	128,932,758	60.7
Loans and advances to corporate entities – at fair value through other comprehensive income				
– Discounted bills	15,811,789	6.9	13,501,381	6.3
Subtotal	152,441,469	66.7	142,434,139	67.0
Retail loans- measured at amortised cost				
– Mortgage loans	23,066,627	10.1	20,606,735	9.7
– Personal consumer loans	33,236,089	14.6	31,199,939	14.7
– Credit card advances	4,818,540	2.1	4,724,758	2.2
– Personal business loans	13,572,918	5.9	12,243,480	5.8
Subtotal	74,694,174	32.7	68,774,912	32.4
Interests receivable from loans and advances to customers	1,283,212	0.6	1,221,718	0.6
Total loans and advances to Customers	228,418,855	100.0	212,430,769	100.0

As at 30 June 2019, the Group's total loans and advances to customers amounted to RMB228,418.86 million, representing an increase of RMB15,988.09 million or 7.5% as compared to the end of the previous year.

Loans to corporate entities (excluding discounted bills) amounted to RMB136,629.68 million, representing an increase of RMB7,696.92 million or 6.0% as compared to the end of the previous year, and accounting for 59.8% of total loans and advances to customers, decreased by 0.9 percentage point from the end of the previous year. During the Reporting Period, the Group actively adjusted the credit structure on the basis that the structure responses to the state's industrial policy and greater efforts were made to grant loans in key industries according to regional economic development orientation. Additional loans to the water conservancy, environment and public facility management industry, leasing and commercial services, construction and real estate sectors increased by RMB1,392.53 million, RMB1,260.46 million, RMB2,352.19 million and RMB2,402.49 million respectively, achieving a rapid increase.

Retail loans amounted to RMB74,694.17 million, representing an increase of RMB5,919.26 million or 8.6% as compared to the end of the previous year, and accounting for 32.7% of total loans and advances to customers, increased by 0.3 percentage point from the end of the previous year. Specifically, mortgage loans, mainly for financing residential home purchases, increased by RMB2,459.89 million or 11.9% as compared to the end of the previous year; personal consumer loans increased by RMB2,036.15 million or 6.5 % as compared to the end of the previous year, primarily because the Group continued to develop product innovation for promoting the steady growth of personal consumer loan balance by targeting on enhancing customer experience; credit card advances increased by RMB93.78 million or 2.0% as compared to the end of the previous year, mainly due to the increase in consuming business and asset business; and personal business loans increased by RMB1,329.44 million or 10.9% as compared to the end of the previous year, primarily due to more rapid growth in the balances of “Hao Qi Dai (好企贷)”, “Wei E Dai (微E贷)” and other characteristic products, as a result of more efforts of the Group to promote and market online individual business loans through financial technology empowerment based on maintenance of traditional advantages of offline individual business loans. During the Reporting Period, the Group innovated its products and services, carried out targeted marketing to customer groups, optimized risk control and business management modes, and strengthened basic management capabilities, thus achieving good development results in the retail business.

Distribution of loans and advances to customers by type of collateral

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateralised loans	74,949,134	32.8	69,774,637	32.8
Pledged loans	24,690,074	10.8	22,235,920	10.5
Guaranteed loans	101,218,079	44.3	97,113,789	45.7
Unsecured loans	26,278,356	11.5	22,084,705	10.4
Interest due from loans and advances to customers	1,283,212	0.6	1,221,718	0.6
Total loans and advances to customers	228,418,855	100.0	212,430,769	100.0

Impairment allowances for loans

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				
31 December 2018	2,093,609	1,901,480	1,356,750	5,351,839
Provision for impairment	717,209	824,494	621,295	2,162,998
Reversal of impairment allowances	(736,248)	(633,928)	(292,811)	(1,662,987)
Transfer out/Written-off	-	-	(725,130)	(725,130)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(223,976)	223,976	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(12,670)	-	12,670	-
<i>Transfer from Stage 2 to Stage 1</i>	16,951	(16,951)	-	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(275,705)	275,705	-
Recoveries of loans written-off in previous years	-	-	65,506	65,506
Unwind of discount	-	-	43,500	43,500
30 June 2019	<u>1,854,875</u>	<u>2,023,366</u>	<u>1,357,485</u>	<u>5,235,726</u>
Retail loans				
31 December 2018	310,372	303,429	541,917	1,155,718
Provision for impairment	268,800	251,325	202,394	722,519
Reversal of impairment allowances	(153,376)	(177,565)	(122,925)	(453,866)
Written-off	-	-	(251,155)	(251,155)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(18,561)	18,561	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(9,044)	-	9,044	-
<i>Transfer from Stage 2 to Stage 1</i>	14,524	(14,524)	-	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(69,478)	69,478	-
<i>Transfer from Stage 3 to Stage 2</i>	-	3,089	(3,089)	-
<i>Transfer from Stage 3 to Stage 1</i>	1,854	-	(1,854)	-
Recoveries of loans written-off in previous years	-	-	46,187	46,187
Unwind of discount	-	-	26,962	26,962
30 June 2019	<u>414,569</u>	<u>314,837</u>	<u>516,959</u>	<u>1,246,365</u>

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

In strict accordance with the relevant accounting and regulatory requirements, the Group took into account the external economic dynamics and macro monitoring policies and provided the impairment allowances for loans and advances to customers. As of 30 June 2019, the balance of impairment allowances for loans and advances to customers was RMB6,482.09 million, representing a slight decrease of RMB25.47 million or 0.4% as compared to the end of the previous year; and the impairment allowances to non-performing loans ratio decreased by 8.84 percentage points to 217.03% 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 30 June 2019		As at 31 December 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Investment securities – financial investments at FVOCI				
Debt securities – measured at fair value				
– Listed outside Hong Kong	4,751,270	4.0	5,243,620	4.5
– Listed in Hong Kong	3,465,504	2.9	4,176,011	3.5
– Unlisted	24,773,213	20.9	24,219,352	20.7
Of which: Corporations debt	21,944,395	18.5	20,527,463	17.5
Policy banks debt	1,592,730	1.3	2,090,419	1.8
Commercial banks debt	1,043,793	0.9	1,410,517	1.2
Governments debt	192,295	0.2	190,953	0.2
Interest due from financial investments at FVOCI	993,255	0.8	839,570	0.7
Equity securities – measured at fair value				
– Unlisted	208,600	0.2	208,600	0.2
Of which: equity investment	208,600	0.2	208,600	0.2
Others	14	0.0	14	0.0
Subtotal	34,191,856	28.8	34,687,167	29.6

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019		As at 31 December 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	9,747,706	8.2	12,754,742	10.9
– Unlisted	74,892,682	63.0	69,646,884	59.4
Of which: Debt securities	20,492,452	17.2	15,313,226	13.0
Trust investments	19,256,230	16.2	22,165,632	18.9
Directional asset management plans	28,746,000	24.2	26,918,000	23.0
Debt financing scheme	6,398,000	5.4	4,420,000	3.8
Wealth management products purchased from financial institutions	–	–	315,505	0.3
Others	<u>–</u>	<u>–</u>	<u>514,521</u>	<u>0.4</u>
Interest due from debt securities measured at amortised cost	1,636,584	1.4	1,595,712	1.4
Less: expected credit loss allowances	<u>(1,654,935)</u>	<u>(1.4)</u>	<u>(1,474,029)</u>	<u>(1.3)</u>
Subtotal	<u>84,622,037</u>	<u>71.2</u>	<u>82,523,309</u>	<u>70.4</u>
Total	<u><u>118,813,893</u></u>	<u><u>100.0</u></u>	<u><u>117,210,476</u></u>	<u><u>100.0</u></u>

As of 30 June 2019, the Group's balance of investment securities amounted to RMB118,813.89 million, representing an increase of RMB1,603.42 million or 1.4% over the end of the previous year. The balance of financial investments measured at FVOCI was RMB34,191.86 million, accounting for 28.8% of the balance of investment securities, representing a slight decrease of RMB495.31 million or 1.4% over the end of the previous year, mainly due to the reduction in low-yield policy bank debts and commercial bank debts held; the balance of financial investments measured at amortized cost amounted to RMB84,622.04 million, accounting for 71.2% of the balance of investment securities, representing an increase of RMB2,098.73 million or 2.5% over the end of the previous year, mainly due to the increase in the investment income as a result of the appropriate rise in investments in corporate bonds and bond financing plans.

(3) Investment in associates

The following table sets forth the Group's investment in associates for the dates indicated.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019	As at 31 December 2018
Balance at the beginning of the period	1,638,323	1,113,146
Additional investment in associates	–	316,796
Share of profit of associates	44,902	220,427
Cash dividends declared	–	(12,046)
Balance at the end of the period	<u>1,683,225</u>	<u>1,638,323</u>

As at 5 May 2011, the Group invested RMB22 million to establish Xingyi Wanfeng Village Bank Co., Ltd. (“**Xingyi Wanfeng**”) and held 20% of equity interest of RMB110 million registered capital.

As at 15 June 2015, the Group established Mashang Consumer Finance Co., Ltd. (“**Mashang Consumer Finance**”) with initial capital contribution of RMB54 million, and appointed a director to the board. As at 14 August 2016, the Group increased the investment to RMB205.27 million, accounting for 15.79% of equity interest of RMB1.3 billion registered capital of Mashang Consumer Finance. As at 13 July 2017, the Group increased the investment to RMB338.35 million, accounting for 15.31% of equity interest of RMB2,210.29 million registered capital of Mashang Consumer Finance. As at 9 August 2018, the Group increased the investment to RMB655.14 million, accounting for 15.53% of equity interest of RMB4 billion registered capital of Mashang Consumer Finance.

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

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

The following table sets forth the Group's financial assets at fair value through profit or loss as of the dates indicated.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss				
– Listed outside Hong Kong	526,745	1.6	574,746	2.1
– Unlisted	32,229,069	98.4	26,847,382	97.9
Of which: Trust investments	5,162,157	15.8	5,174,858	18.9
Directional asset management plans	10,325,402	31.5	10,266,659	37.4
Commercial banks debt	467,611	1.4	702,578	2.6
Corporations debt	–	–	106,052	0.4
Governments debt	201,288	0.6	201,783	0.7
Wealth management products purchased from financial institutions	11,062,821	33.8	2,357,023	8.6
Fund investments	5,009,790	15.3	8,038,429	29.3
Total	32,755,814	100.0	27,421,858	100.0

As at 30 June 2019, the Group's balance of financial assets at fair value through profit or loss amounted to RMB32,755.81 million, representing an increase of RMB5,333.69 million or 19.5% as compared to the end of the previous year, primarily due to purchase by the Group of more wealth management products of financial institutions in order to increase the investment income.

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 30 June 2019		As at 31 December 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Due to other banks and financial institutions	48,528,389	11.4	57,089,939	13.7
Financial liabilities at fair value through profit or loss	4,000	0.0	657	0.0
Customer deposits	272,127,426	64.1	256,394,193	61.7
Debt securities issued	98,170,642	23.1	96,982,613	23.3
Taxes payable	482,143	0.1	548,673	0.1
Other liabilities	5,537,931	1.3	4,741,325	1.2
Total liabilities	424,850,531	100.0	415,757,400	100.0

As at 30 June 2019, the total liabilities of the Group amounted to RMB424,850.53 million, representing an increase of RMB9,093.13 million or 2.2% as compared to the end of the previous year. Customer deposits were the Group's largest source of capital, which increased by RMB15,733.23 million or 6.1% to RMB272,127.43 million as compared to the end of the previous year; amounts due to other banks and financial institutions decreased by RMB8,561.55 million or 15.0% to RMB48,528.39 million as compared to the end of the previous year; debt securities issued increased by RMB1,188.03 million or 1.2% to RMB98,170.64 million as compared to the end of the previous year.

(1) Customer deposits

The following table sets forth the distribution of the Group's customer deposits as of the dates indicated.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate demand deposits	58,519,333	21.5	66,883,415	26.1
Corporate time deposits	94,783,397	34.8	85,905,724	33.5
Individual demand deposits	11,378,247	4.2	12,005,521	4.7
Individual time deposits	82,616,204	30.4	68,480,223	26.7
Other deposits	21,834,099	8.0	20,894,394	8.1
Interest payable on customer deposits	2,996,146	1.1	2,224,916	0.9
Total customer deposits	272,127,426	100.0	256,394,193	100.0
of which: Deposits held as collateral	14,436,745	5.3	13,284,371	5.2

In the first half of 2019, the Group actively innovated products and services, continuously enriched the deposit product system and optimized the deposit structure, thus achieving stable growth in total customer deposits. As at 30 June 2019, corporate deposits balance of the Group was RMB153,302.73 million, representing an increase of RMB513.59 million or 0.3% as compared to the end of the previous year; individual deposits balance was RMB93,994.45 million, representing an increase of RMB13,508.71 million or 16.8% as compared to the end of the previous year. Corporate and individual demand deposits balance amounted to RMB69,897.58 million, representing a decrease of RMB8,991.36 million or 11.4% as compared to the end of the previous year; corporate and individual time deposits balance amounted to RMB177,399.60 million, representing an increase of RMB23,013.65 million or 14.9% as compared to the end of the previous year.

(2) Debt securities issued

The following table sets forth the issuance of debt securities by the Group as of the dates indicated.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Subordinated debts				
Fixed rate Tier II capital debt – 2026	1,497,618	1.5	1,497,618	1.5
Fixed rate Tier II capital debt -2027	5,996,708	6.1	5,996,591	6.2
Financial debts				
Fixed rate financial debt – 2021	2,996,240	3.1	2,995,341	3.1
Fix-rate green financial bond – 2021	5,996,952	6.1	5,996,470	6.2
Inter-bank certificates of deposit	81,423,545	82.9	80,114,348	82.6
Interest payable on debt securities issued	259,579	0.3	382,245	0.4
Total	98,170,642	100.0	96,982,613	100.0

Pursuant to a resolution of the general meeting passed on 16 May 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 21 September 2015, the Bank issued the RMB1,500 million Tier II Capital bonds within the domestic inter-bank bond market of China on 19 February 2016. Such Tier II Capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.4% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on 22 February 2021.

Pursuant to a resolution of the general meeting passed on 17 June 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 30 November 2016, the Bank issued the RMB6,000 million Tier II Capital bonds within the domestic inter-bank bond market of China on 20 March 2017. Such Tier II Capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.8% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on 21 March 2022.

The 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 21 July 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 3 November 2017, the Group issued RMB3,000 million innovation-and-entrepreneurship themed bonds within the domestic inter-bank bond market of China on 8 June 2018. Such bonds have a maturity of 3 years, with a fixed coupon rate of 4.50% per annum before maturity, payable annually. All proceeds raised are used for loans to innovation-and-entrepreneurship themed enterprises.

Pursuant to a resolution at the general meeting passed on 21 July 2017 and the Approval for Bank of Chongqing Co.,Ltd. to Issue Green Financial Bonds (Yu Yin Jian Fu [2017] No. 157) by the CBRC Chongqing Bureau on 2 November 2017, the Bank issued the first tranches of Green Financial Bond with a principal amount of RMB3,000 million within the domestic inter-bank bond market of China on 5 November 2018, with a coupon rate of 4.05% per annum before maturity, and issued the second tranches of Green Financial Bond with a principal amount of RMB3,000 million within the domestic inter-bank bond market of China on 21 November 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.

For the six months ended 30 June 2019, the Group issued a total of 76 inter-bank certificates of deposit at discounts with maturities from one month to one year. As at 30 June 2019, 116 issued inter-bank certificates of deposit were outstanding with a total par value of RMB82.64 billion.

For the six months ended 30 June 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

The following table sets forth the composition of the Group's due to other banks and financial institutions as of the dates indicated.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Due to central bank	9,770,000	20.1	3,232,088	5.7
Deposits from other banks	17,903,538	36.9	28,482,610	49.9
Deposits from other financial institutions	421,765	0.9	358,010	0.6
Placements from other banks and financial institutions	11,392,355	23.5	14,029,645	24.6
Notes sold under repurchase agreements	3,502,232	7.2	3,023,414	5.3
Securities sold under repurchase agreements	5,185,900	10.7	7,550,700	13.2
Interest payable on due to other banks and financial institutions	352,599	0.7	413,472	0.7
Total	48,528,389	100.0	57,089,939	100.0

As at 30 June 2019, the Group's balance due to other banks and financial institutions decreased significantly over the end of the previous year, primarily due to the decrease in the balances of loans from other banks and financial institutions, securities sold under repurchase agreements, and deposits from other banks as compared to the end of the previous year. The balance of loans from other banks and financial institutions amounted to RMB11,392.36 million, representing a decrease of RMB2,637.29 million or 18.8% as compared to the end of the previous year; the balance of securities sold under repurchase agreements amounted to RMB5,185.90 million, representing a decrease of RMB2,364.80 million or 31.3% as compared to the end of the previous year; the balance of deposits from other banks amounted to RMB17,903.54 million, representing a decrease of RMB10,579.07 million or 37.1% as compared to the end of the previous year.

3.2.2.3 Shareholders' equity

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	3,127,055	8.4	3,127,055	9.0
Preferred shares	4,909,307	13.3	4,909,307	14.2
Capital reserve	4,680,638	12.6	4,680,638	13.5
Other reserves	8,759,612	23.7	8,289,192	24.0
Retained earnings	13,908,353	37.6	12,044,820	34.8
Total equity attributable to shareholders of the Bank	35,384,965	95.6	33,051,012	95.5
Non-controlling interests	1,617,304	4.4	1,560,561	4.5
Total equity	37,002,269	100.0	34,611,573	100.0

As at 30 June 2019, equity attributable to shareholders of the Bank amounted to RMB35,384.97 million, representing an increase of RMB2,333.95 million or 7.1% as compared to the end of the previous year, among which: share capital was RMB3,127.06 million, preferred shares was RMB4,909.31 million, capital reserve was RMB4,680.64 million, other reserves was RMB8,759.61 million, and retained earnings was RMB13,908.35 million. Among other reserves, general reserve increased by RMB76.79 million as compared to the end of the previous year, as an additional reserve was provided to ensure that the general reserve was not less than 1.5% of the balance of risk assets as at the end of the previous year.

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 loans 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 30 June 2019		As at 31 December 2018	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Pass	217,067,289	95.57	201,291,218	95.31
Special mention	7,017,343	3.09	7,036,669	3.33
Substandard	1,583,071	0.70	1,371,389	0.65
Doubtful	1,012,693	0.44	889,139	0.42
Loss	455,247	0.20	620,636	0.29
Total loans and advances to customers	227,135,643	100.00	211,209,051	100.00
Amount of non-performing loans	3,051,011	1.34	2,881,164	1.36

In the first half of 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 throughout risk review of credit assets, stepped up efforts in risk management, strengthened early risk warning, tracking and post-lending monitoring management. As a result of these efforts, the quality of the Group's credit assets was relatively good compared to other banks. As at 30 June 2019, the balance of non-performing loans was RMB3,051.01 million, representing an increase of RMB169.85 million as compared to the end of the previous year; non-performing loan ratio was 1.34%, representing a decrease of 0.02 percentage point as compared to the end of the previous year. The amount of loans under special mention category accounted for 3.09% of total loans, representing a decrease of 0.24 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 loans and non-performing loans by industry for the dates indicated.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019				As at 31 December 2018			
	Loan amount	Percentage of total (%)	Non-performing loans amount	Non-performing loan ratio (%)	Loan amount	Percentage of total (%)	Non-performing loans amount	Non-performing loan ratio (%)
Loans and advances to corporate entities – measured at amortised cost								
Water conservation, environment and public facility administration	36,875,251	16.2	248	0.00	35,482,723	16.8	3,248	0.01
Leasing and commercial services	21,706,962	9.6	72,542	0.33	20,446,505	9.7	122,988	0.60
Manufacturing	17,127,075	7.5	422,380	2.47	16,634,742	7.9	332,358	2.00
Wholesale and retail	14,164,712	6.2	743,122	5.25	13,462,906	6.4	671,628	4.99
Construction	14,534,274	6.4	122,772	0.84	12,182,083	5.8	114,003	0.94
Real estate	14,045,028	6.2	302,324	2.15	11,642,543	5.5	176,132	1.51
Electricity, gas and water production and supply	4,228,106	1.9	144,190	3.41	3,638,130	1.7	144,336	3.97
Transportation, warehousing and postal service	2,386,507	1.0	15,504	0.65	2,422,016	1.1	6,384	0.26
Mining	2,245,997	1.0	292,745	13.03	2,417,486	1.1	397,447	16.44
Agriculture, forestry, animal husbandry and fishery	2,043,553	0.9	20,180	0.99	1,998,964	0.9	37,141	1.86
Health and social welfare	1,992,648	0.9	2,508	0.13	2,135,471	1.0	2,808	0.13
Accommodation and catering	1,123,432	0.5	22,529	2.01	1,150,115	0.5	10,795	0.94
Scientific research and technology services	1,099,731	0.5	64	0.01	994,808	0.5	–	–
Financing	746,638	0.3	–	–	765,493	0.4	–	–
Information transmission, software and information technology services	692,843	0.3	–	–	788,231	0.4	–	–
Education	684,545	0.3	–	–	631,729	0.3	–	–
Culture, sports and entertainment	490,276	0.2	4,499	0.92	383,030	0.2	–	–
Household services, maintenance and other services	442,102	0.2	2,250	0.51	1,755,783	0.8	7,010	0.40
Loans and advances to corporate entities – measured at fair value through other comprehensive income								
Discounted bills	15,811,789	7.0	–	–	13,501,381	6.4	–	–
Retail loans – measured at amortised cost								
Retail loans	74,694,174	32.9	883,154	1.18	68,774,912	32.6	854,886	1.24
Total	227,135,643	100.0	3,051,011	1.34	211,209,051	100.0	2,881,164	1.36

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

In the first half of 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 June 2019 decreased by 0.02 percentage points as compared to the end of the previous year. Major industries experienced the following changes:

The amount of non-performing loans in the mining industry decreased by RMB104.70 million as compared to the end of the previous year, and the non-performing loan ratio decreased by 3.41 percentage points;

The amount of non-performing loans in the agriculture, forestry, animal husbandry and fishery decreased by RMB16.96 million as compared to the end of the previous year, and the non-performing loan ratio decreased by 0.87 percentage point;

The amount of non-performing loans in the leasing and commercial services industry decreased by RMB50.45 million as compared to the end of the previous year, and the non-performing loan ratio decreased by 0.27 percentage point.

(2) Concentration of borrowers

As at 30 June 2019, the Bank's total loans to its largest single borrower accounted for 2.79% of its net capital while total loans to its top ten customers accounted for 19.87% of its net capital, which were in compliance with regulatory requirements. As at 30 June 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 30 June 2019	As at 31 December 2018
Loan concentration ratio for the largest single customer (%)	<=10	2.79	2.15
Loan concentration ratio for the top ten customers (%)	<=50	19.87	18.79

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

b. Loans to top ten single borrowers

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

Industry		As at 30 June 2019 Amount	Percentage (%)
Customer A	Water conservation, environment and public facility administration	1,307,486	0.58
Customer B	Water conservation, environment and public facility administration	1,085,000	0.48
Customer C	Electricity, gas and water production and supply	1,000,000	0.44
Customer D	Real estate	955,000	0.42
Customer E	Leasing and commercial services	925,000	0.41
Customer F	Manufacturing	850,000	0.37
Customer G	Water conservation, environment and public facility administration	823,000	0.36
Customer H	Water conservation, environment and public facility administration	820,000	0.36
Customer I	Water conservation, environment and public facility administration	790,000	0.35
Customer J	Real estate	757,000	0.33

(3) Distribution of loans and non-performing loans by product type

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019			As at 31 December 2018		
	Loan amount	Non-performing loans amount	Non-performing loan ratio (%)	Loan amount	Non-performing loans amount	Non-performing loan ratio (%)
Loans and advances to corporate entities – measured at amortised cost	136,629,680	2,167,857	1.59	128,932,758	2,026,278	1.57
Short-term loans	26,863,944	1,510,224	5.62	28,078,682	1,363,546	4.86
Medium- and long-term loans	109,765,736	657,633	0.60	100,854,076	662,732	0.66
Loans and advances to corporate entities – at fair value through other comprehensive income						
Discounted bills	15,811,789	-	-	13,501,381	-	-
Retail loans – measured at amortised cost	74,694,174	883,154	1.18	68,774,912	854,886	1.24
Residential mortgage and personal commercial property loans ⁽¹⁾	23,063,171	99,732	0.43	20,602,122	120,509	0.58
Personal business and re-employment loans	13,572,918	438,924	3.23	12,243,480	422,500	3.45
Others ⁽²⁾	38,058,085	344,498	0.91	35,929,310	311,877	0.87
Total	227,135,643	3,051,011	1.34	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 Fenqile Co-Branded Loans (分期樂聯合貸款), personal consumer automobile mortgage loans (indirect type), personal consumer automobile mortgage loans (direct type), other personal loans for general consumption needs, Jie E Dai (捷e貸), Kuai E Dai (快E貸), Kuai I Dai (快I貸), Shun Di Dai (順抵貸), Wei Li Dai (微粒貸), new Kuai E Dai (新快E貸), Xin E Dai (薪e貸), Xin E Dai Online Renewal (薪e貸線上續貸), Xin Jin Dai (薪金貸), Xing Fu Dai (幸福貸), Xing Fu Dai (new) (幸福貸(新)), Yangtze Card revolving credit loans (長江卡循環貸款) and Yangtze Quick and Easy Loan (長江快易貸).

As at 30 June 2019, the balance of non-performing loans to corporate entities was RMB2,167.86 million, representing an increase of RMB141.58 million as compared to the end of the previous year. Non-performing loan ratio of loans to corporate entities increased by 0.02 percentage point to 1.59% as compared to the end of the previous year, and the balance of non-performing retail loans was RMB883.15 million, representing an increase of RMB28.27 million as compared to the end of the previous year. Non-performing loan ratio of retail loans decreased by 0.06 percentage point to 1.18% 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.

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

	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Past due within 90 days	3,714,174	56.46	4,474,879	62.39
Past due 90 days to 1 year	1,403,825	21.34	1,488,638	20.76
Past due over 1 year and within 3 years	1,404,857	21.36	989,045	13.79
Past due over 3 years	55,081	0.84	219,704	3.06
Total overdue loans and advances to customers	6,577,937	100.00	7,172,266	100.00

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

As at 30 June 2019, the total overdue loans and advances amounted to RMB6,577.94 million, representing a decrease of RMB594.33 million as compared to the end of the previous year. Total overdue loans and advances accounted for 2.90% of total principal of loans and advances to customers, representing a decrease of 0.50 percentage points 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.

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-cyclical 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.

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

	As at 30 June 2019		As at 31 December 2018	
	The Group	The Bank	The Group	The Bank
Net capital:				
Core Tier I Capital, net	30,845,505	28,484,849	28,552,917	26,317,273
Tier I Capital, net	35,840,296	33,392,561	33,541,222	31,226,580
Net capital	46,864,226	43,795,320	44,558,427	41,704,166
Capital adequacy ratio:				
Core Tier I Capital adequacy ratio (Expressed in percentage)	8.72	8.43	8.47	8.15
Tier I Capital adequacy ratio (Expressed in percentage)	10.13	9.88	9.94	9.67
Capital adequacy ratio (Expressed in percentage)	13.25	12.96	13.21	12.92

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

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019	As at 31 December 2018
Core capital:		
Share capital	3,127,055	3,127,055
Counted part of capital surplus	5,211,761	4,898,704
Surplus reserve and general risk reserves	8,093,505	8,016,715
Counted part of retained earnings	13,908,353	12,044,820
Eligible portion of minority interests	641,130	592,485
Core Tier I Capital deductibles items:		
Full deductibles items	(136,299)	(126,862)
Threshold deduction items	—	—
Core Tier I Capital, net	30,845,505	28,552,917
Other Tier I Capital, net	4,994,791	4,988,305
Tier II Capital, net	11,023,930	11,017,205
Net capital	46,864,226	44,558,427
On-balance sheet risk-weighted assets	320,991,466	307,153,940
Off-balance sheet risk-weighted assets	13,074,632	10,518,068
Risk-weighted assets for exposure to counterparty credit risk	256	345
Total credit risk-weighted assets	334,066,354	317,672,353
Total market risk-weighted assets	570,759	555,006
Total operational risk-weighted assets	19,064,920	19,064,920
Total risk-weighted assets before applying capital base	353,702,033	337,292,279
Total risk-weighted assets after applying capital base	353,702,033	337,292,279
Core Tier I Capital adequacy ratio (Expressed in percentage)	8.72	8.47
Tier I Capital adequacy ratio (Expressed in percentage)	10.13	9.94
Capital adequacy ratio (Expressed in percentage)	13.25	13.21

As at the end of the Reporting Period, the Group's capital adequacy ratio was 13.25%, representing an increase of 0.04 percentage point as compared to the end of the previous year. Tier I Capital adequacy ratio was 10.13%, representing an increase of 0.19 percentage point as compared to the end of the previous year. Core Tier I Capital adequacy ratio was 8.72%, representing an increase of 0.25 percentage point as compared to the end of the previous year. The change in capital adequacy ratio was mainly due to: (1) The accumulation of endogenous capital has increased. In the first half of 2019, the total capital increased by RMB2.31 billion, of which the core tier 1 capital increased by RMB2.29 billion or 8.0%; (2) a decline in capital adequacy ratio to certain extent as a result of sound development of various operations and growth of total on- and off-balance sheet risk-weighted assets.

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

3.2.5 Segment information

3.2.5.1 Summary of geographical segment

<i>(Expressed in percentage)</i>	As at 30 June 2019		As at 31 December 2018	
	Chongqing	Other areas ⁽¹⁾	Chongqing	Other areas ⁽¹⁾
Deposits	88.25	11.75	86.09	13.91
Loans	77.43	22.57	75.66	24.34
Assets	89.22	10.78	88.40	11.60
Loan-to-deposit ratio	66.50	145.62	62.34	124.10
Non-performing loan ratio	1.12	2.78	1.06	3.43
Impairment allowances to non-performing loans	242.17	171.43	244.68	181.86
<i>(Expressed in percentage)</i>	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Chongqing	Other areas ⁽¹⁾	Chongqing	Other areas ⁽¹⁾
Annualized return on average total assets	0.83	3.15	0.93	2.19
Net fee and commission income to operating income	8.45	4.61	10.81	8.23
Cost-to-income ratio	20.36	19.22	19.79	30.39

Note:

- (1) Other areas refer to the Bank's operations outside Chongqing, which include the Sichuan Province, Guizhou Province and Shaanxi Province.

3.2.5.2 Summary of business segment

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2019				
	Corporate banking	Retail banking	Treasury	Unallocated	Total
Net interest income from external customers	2,342,249	351,219	1,355,789	–	4,049,257
Inter-segment net interest income/(expense)	775,270	864,491	(1,639,761)	–	–
Net interest income	3,117,519	1,215,710	(283,972)	–	4,049,257
Net fee and commission income	77,246	152,757	377,322	–	607,325
Net trading gains	21,072	–	83,062	–	104,134
Net gains on investment securities	–	–	665,811	–	665,811
<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	For the six months ended 30 June 2018				
	Corporate banking	Retail banking	Treasury	Unallocated	Total
Net interest income from external customers	2,202,429	398,777	659,267	–	3,260,473
Inter-segment net interest income/(expense)	595,012	937,082	(1,532,094)	–	–
Net interest income	2,797,441	1,335,859	(872,827)	–	3,260,473
Net fee and commission income	145,755	141,288	392,999	–	680,042
Net trading gains	40,364	–	174,874	–	215,238
Net gains on investment securities	–	–	931,778	–	931,778

3.2.6 Analysis of off-balance sheet items

Off-balance-sheet items of the Group mainly include bank acceptance bill, issuance of letters of credit, issuance of letters of guarantee, unused credit card limits, irrevocable loan commitments, operating lease commitments and capital expenditure commitments. As at 30 June 2019, the balance of bank acceptance bill was RMB23,586.48 million, representing an increase of RMB5,574.22 million or 30.9% as compared to the end of the previous year; the balance of issuance of letters of credit was RMB11,848.83 million, representing an increase of RMB1,390.38 million or 13.3% as compared to the end of the previous year; the balance of issuance of letters of guarantee was RMB7,290.22 million, representing an increase of RMB3,349.59 million or 85.0% as compared to the end of the previous year; the balance of unused credit card limits was RMB4,104.59 million, representing an increase of RMB935.14 million or 29.5% as compared to the end of the previous year; the balance of irrevocable loan commitments was RMB78.09 million, representing a decrease of RMB1.84 million or 2.3% as compared to the end of the previous year; the balance of capital expenditure commitments was RMB301.98 million, representing a decrease of RMB66.67 million or 18.1% as compared to the end of the previous year.

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019			Total
	Within 1 year	1 to 5 years	Over 5 years	
Bank acceptance bill	23,586,481	–	–	23,586,481
Issuance of letters of credit	11,811,994	36,840	–	11,848,834
Issuance of letters of guarantee	5,970,575	1,318,668	980	7,290,223
Unused credit card limits	4,104,589	–	–	4,104,589
Irrevocable loan commitments	44,502	33,588	–	78,090
Capital expenditure commitments	108,090	193,894	–	301,984
Total	45,626,231	1,582,990	980	47,210,201

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

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.

Accurate market positioning and customers selection. In response to the call of the government, it grants more credits in industries including high and new technology, advanced manufacturing, medical care, environmental protection, education and culture; continues to maintain credit support for small and micro enterprises and private enterprises which are active and credible, and develop a market for their products and have technologies; strengthens financial services in the field of “agriculture, rural areas, and rural residents”, according to the strategy of rural revitalization.

Strengthening of business risk monitoring, prevention and control. It strengthens the monitoring of portfolio risks, forming a comprehensive risk monitoring system; carries out risk identification in key areas and businesses; analyzes risks to implement risk control strategies as early as possible; establishes a mechanism for regular credit inspection and thoroughly analyzes reasons of problem to effectively promote corrective measures, by taking as an opportunity, warning and education on cases and handling of the instability of the market.

Improving in the management of credit concentration risk. It establishes a large risk exposure management system, and a management mechanism which allows interconnection and provides effective checks and balances; carries out the construction of a large risk exposure management system, and conducts credit risk exposure measurement covering ultimate debtors; sets internal limits for large risk exposures, and carries out continuous monitoring, early warning and prevention of concentration risks of non-peer customers, peer customers and cross-market financial products.

Facilitation of the intelligentization process of risk management and control. Based on big data and intelligent application and with focus on solving the problems including “when and how to carry out post-loan work, and how to carry out post-loan work in a convenient and efficient manner”, it promotes post-loan management efficiency of the Bank, through credit-related paperless enhancement projects including comprehensive optimization and renovation of risk early warning systems, and optimization of post-loan management process.

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.

During the Reporting Period, the Bank continuously improved its operational risk management system and promoted the in-depth application of operational risk management tools. Through continuous improvement in rules and policies, optimization of business processes, facilitation of system transformation, establishment of a mechanism for regular risk identification, and strengthening of employee management and other measures, the Bank strengthened risk prevention and control awareness, standardized business management and operation, enhanced risk control in key areas including seal, employee behavior and office area, so as to continuously improve the level of operational risk management. It continuously improved the awareness and capacity of business continuity management and built a multi-level and multi-channel business continuity management system; thoroughly carried out business continuity emergency drills to improve the quality and efficiency of drills; continuously promoted the construction for the backup for disaster recovery in the same city and in different places to ensure the continuous and stable operation of the Bank's important information systems.

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).

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 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.

In the first half of 2019, the People's Bank of China continued to implement a stable monetary policy, while keeping the interest rate in the currency market centrally stable with fluctuation in a narrow range. Facing the interest rate liberalization and intensified competition in the financial market, the Group constantly improved the management of interest pricing and the interest rate risk management of bank accounts, adjusted the pricing strategies and the interest rate risk management strategies of bank accounts in due time and effectively guided the structure adjustment on re-pricing term and enhanced the perspective in interest rate risk management through the implementation of interest pricing and assessment policies, as well as the rational use of FTP, internal fund transfer pricing and other tools, to ensure that revenue and market value were maintained at a relatively stable level.

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

<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
30 June 2019							
Assets							
Cash and balances with central bank	33,873,580	–	–	–	–	601,351	34,474,931
Due from other banks and financial institutions	38,756,549	2,976,734	2,667,681	–	–	151,694	44,552,658
Financial assets at fair value through profit or loss	–	13,356,400	8,677,231	2,055,162	3,025,289	5,641,732	32,755,814
Loans and advances to customers	54,102,918	18,759,904	65,590,908	71,948,388	5,795,274	5,739,372	221,936,764
Investment securities							
– Financial investments at fair value through other comprehensive income	1,471,684	309,073	5,471,616	18,756,620	6,980,993	1,201,870	34,191,856
– Financial investments measured at amortised cost	3,048,190	1,675,251	12,679,584	56,044,420	9,538,008	1,636,584	84,622,037
Other financial assets	–	–	–	–	–	2,045,909	2,045,909
Total financial assets	131,252,921	37,077,362	95,087,020	148,804,590	25,339,564	17,018,512	454,579,969
Liabilities							
Due to other banks and financial institutions	(10,969,998)	(9,730,000)	(27,220,000)	(212,356)	(43,436)	(352,599)	(48,528,389)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(4,000)	(4,000)
Customer deposits	(94,703,893)	(18,972,344)	(61,346,280)	(92,470,949)	(1,637,814)	(2,996,146)	(272,127,426)
Debt securities issued	(2,813,229)	(30,193,037)	(48,417,279)	(8,993,122)	(7,494,396)	(259,579)	(98,170,642)
Other financial liabilities	–	–	(5,970)	(56,261)	(52,518)	(4,142,262)	(4,257,011)
Total financial liabilities	(108,487,120)	(58,895,381)	(136,989,529)	(101,732,688)	(9,228,164)	(7,754,586)	(423,087,468)
Total interest rate sensitivity gap	22,765,801	(21,818,019)	(41,902,509)	47,071,902	16,111,400	9,263,926	31,492,501

<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
31 December 2018							
Assets							
Cash and balances with central bank	32,621,825	–	–	–	–	595,016	33,216,841
Due from other banks and financial institutions	42,926,826	7,100,008	7,706,052	–	–	182,193	57,915,079
Financial assets at 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 investments at fair value through other comprehensive income	1,014,611	908,605	8,121,411	16,411,573	7,182,783	1,048,184	34,687,167
– Financial investments 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	<u>101,944,054</u>	<u>24,940,454</u>	<u>168,762,543</u>	<u>107,414,335</u>	<u>25,711,722</u>	<u>14,690,290</u>	<u>443,463,398</u>
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	<u>(114,164,528)</u>	<u>(41,598,411)</u>	<u>(145,177,865)</u>	<u>(96,247,509)</u>	<u>(10,257,799)</u>	<u>(6,438,827)</u>	<u>(413,884,939)</u>
Total interest rate sensitivity gap	<u>(12,220,474)</u>	<u>(16,657,957)</u>	<u>23,584,678</u>	<u>11,166,826</u>	<u>15,453,923</u>	<u>8,251,463</u>	<u>29,578,459</u>

At the end of June 2019, the Group's accumulated gap for all maturities amounted to RMB31,492.50 million, representing an increase of RMB1,914.04 million or 6.5% as compared to the end of the previous year.

3.3.3.2 Exchange rate risk

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

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 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 of the Bank reviews and approves policies, strategies and procedures related to overall management of liquidity risk in line with its risk preference. The senior management or its Assets and Liabilities Management Committee takes charge of implementing the liquidity risk preference, strategies, policies and procedures for liquidity risk management. The Assets and Liabilities Management Department takes charge of the day-to-day management of liquidity risk. Other 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 the Group's liquidity risk management capability by continuously implementing the coordination meeting mechanism for assets and liabilities, position management, quota management for liquidity indexes, duration mismatch management, management of liquidity reserves, financing management, dynamic estimation of liquidity risk and improving our capability in liquidity risk measurement and forecast. Meanwhile, the Group also promotes the accuracy and automation in liquidity risk monitoring and measurement by continuously improving the ability to apply information system of liquidity risk management through information 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 Bank's overall money-market balance, liquidity reserves, liquidity exposure and related supervisory indicators. At the same time, the entire Bank's assets and liabilities are managed in accordance with factors such as liquidity exposure, liquidity reserves, money market balances, market conditions, and relevant monitoring targets. By means of quota management, internal funds transfer pricing and other management methods, proactive adjustments to the assets and liabilities maturity structure can be achieved, which provide security against liquidity risk.

In addition, the Group continuously carried out liquidity risk stress tests (at least once a quarter) so that it can discover the weak links in liquidity risk management in advance through such stress tests and adopt relevant measures to constantly improve its liquidity risk management and control capability. The results of the quarterly stress tests in the first half of 2019 indicated that the liquidity risks remained within a controllable range even under stressful conditions. Meanwhile, the Group established contingency plan for liquidity risk and standardized the contingency measures in emergency circumstances so as to improve the efficiency of reaction in emergency circumstances.

As at the end of the first half 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. As at the end of the first half of 2019, the liquidity gap of the Group calculated from our net assets and liabilities and classified according to relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date was as follows:

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	In perpetuity	Overdue	Total
30 June 2019									
Net liquidity gap	(57,062,534)	14,592,715	(36,503,798)	(57,977,752)	71,681,747	66,223,141	24,576,751	5,962,231	31,492,501

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

As of the end of June 2019, the Group's cumulative gap for all maturities was RMB31,492.50 million. Although there was a shortfall in on-demand repayment of RMB57,062.53 million, which will mature on the date immediately after payment and includes demand deposits, the Group had an extensive and solid deposit customer basis. Current deposit settlement rates were higher and funding sources were stable, so the impact of the shortfall on the Group's real liquidity was not significant.

Liquidity coverage ratio

<i>(All amounts expressed in thousands of RMB unless otherwise stated)</i>	As at 30 June 2019	As at 31 December 2018
Qualified high-quality liquid assets	48,744,103	43,812,705
Net cash outflow in the next 30 days	15,847,430	17,383,563
Liquidity coverage ratio (%)	307.58	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 was issued on 23 May 2018. As of 30 June 2019, the Group's liquidity coverage ratio was 307.58%, representing an increase of 55.54 percentage points as compared to the end of the previous year, which was in compliance with the regulatory requirements of the CBIRC.

Net stable funding ratio

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

As at 30 June 2019, available and stable funds and required stable funds of the Group amounted to RMB283,968.17 million and RMB249,796.41 million, which meet the regulatory requirement with the net stable funding ratio standing at 113.68%.

3.4 Outlook

In the second half of 2019, there will be more severe challenges for the world's economic recovery, as the development of the global economy is significantly affected and hindered by uncertainties including the spread of trade frictions, the resurgence of geopolitical conflicts and the extension of the extremist trend.

In the face of the economic downward pressure, the PRC government has continuously deepened the capital market reform, published a number of fiscal and monetary policies, and enhanced countercyclical regulation to achieve the goals of stabilizing employment, the financial sector, foreign trade, investment and expectations. In the second half of the year, the fiscal policy will continue to allow greater tax and fee reduction and more fiscal spending; the monetary policy will be maintained to an appropriate degree to keep reasonable and sufficient liquidity. Meanwhile, the role of the capital market as a hub will be further strengthened to guide financial institutions to enhance credit support for key areas and weaknesses in economic and social development.

In the first half of 2019, driven by the rapid development of the new-generation information technology industry, new materials and biological industries, etc., the regional economy of Chongqing was generally stable with progress. In the second half of the year, Chongqing will make effort to stabilize the industrial economy, increase effective investments, promote foreign trade growth, and create new sources of economic growth in existing fields of real enterprises, digital economy, the modern service industry and the field of "agriculture, rural areas, and rural residents", so as to continuously promote high-quality development of the regional economy.

In the second half of 2019, the Group will develop a problem-oriented and task-oriented philosophy, and will continuously promote the implementation of key tasks and spare no effort to achieve its business development goals, under the guidance of intelligent development, based on differentiated development and with the support of high-quality development. In terms of corporate business, it will develop new businesses, have high-quality project reserves and increase asset investments, with focus on real enterprises in strategic emerging industries and the field of intelligentization of big data. In terms of small and micro businesses, it will actively participate in targeted poverty alleviation and rural revitalization strategies, and comprehensively optimize the business mode and the cooperation mode, based on ensuring continuous compliance with the requirements of “two increases and two controls”. In terms of retail business, it will further identify its own characteristics to build a distinctive brand image; endeavor to secure high-quality customer resources and spare no effort to expand its customer base; improve the value-added service system to raise the level of high-quality civilized service. In terms of interbank business, it will properly carry out business development and improvement, and increase investments in standardized products; and continuously strengthen risk control to consolidate liquidity risk barriers.

The Group will, according to high-quality development objectives, persist in the expansion and implementation of business strategies and measures including comprehensively deepening the reform, supporting the real economy, strengthening risk prevention and control, promoting scientific and technological empowerment, and intensifying internal management, and continuously improve the level of business management and the development quality and efficiency, so as to deliver better results, products and services, thus providing return to shareholders, customers and investors.

4. OTHER INFORMATION

4.1 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, and experienced senior management. The members of the Board and board of supervisors (“**Board of Supervisors**”) of the Bank, except for employee supervisors, are all elected by shareholders at the shareholders’ general meeting.

Unless otherwise disclosed in the section headed “4.3 Changes in Directors, Supervisors and Senior Management”, during the Reporting Period, the Bank had 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 Listing Rules in respect of the management of inside information.

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

4.2 Directors, Supervisors and Senior Management of the Bank

As of the end of the Reporting Period, 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 of the Board), Mr. RAN Hailing (President), Mr. LIU Jianhua and Mr. WONG Wah Sing; six non-executive directors, namely Mr. WONG Hon Hing (Vice Chairman), Mr. DENG Yong, Ms. LV Wei, Mr. TANG Xiaodong, Mr. YANG Yusong and Mr. WU Heng; and four independent non-executive directors, namely Mr. LI He, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu.

The Board of Supervisors of the Bank comprised a total of eight supervisors, including four employee supervisors, namely Mr. YANG Xiaotao, Mr. HUANG Changsheng, Mr. ZHOU Xiaohong and Mr. YIN Jun; one shareholder supervisor, namely Mr. WU Bing; and three external supervisors, namely Mr. PENG Daihui, Mr. CHEN Zhong and Mr. YIN Xianglong.

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 and Mr. WONG Wah Sing.

4.3 Changes in Directors, Supervisors and Senior Management

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

On 23 May 2019, the Bank convened the meeting of employees’ representatives, at which Mr. YIN Jun was elected as an employee supervisor of the fifth session of the Board of Supervisors of the Bank. The term of office of Mr. YIN Jun is from 23 May 2019 to the expiry date of the term of office for the fifth session of the Board of Supervisors of the Bank.

On 20 June 2019, the Board has considered and approved the proposed appointment of Dr. ZOU Hong as an independent non-executive director of the Bank. On 30 August 2019, the first extraordinary general meeting of 2019 of the Bank approved the proposed appointment of Dr. ZOU Hong as an independent non-executive director and such appointment is subject to the approval by the CBIRC Chongqing Bureau. The Bank was not in full compliance with Rule 3.10A of the Listing Rules which requires that independent non-executive directors must comprise at least one-third of the Board prior to such appointment. After the appointment of Dr. ZOU Hong becomes effective, the Bank will comply with the requirement of Rule 19A.18(1) of the Listing Rules that at least one of the independent non-executive directors must be ordinarily resident in Hong Kong, and the requirement of Rule 3.10A of the Listing Rules that an issuer must appoint independent non-executive directors representing at least one-third of the board.

On 5 July 2019, the Board of Supervisors of the Bank received the written resignation notice signed by Mr. CHEN Yan dated 18 June 2019, and he tendered his resignation as a shareholder supervisor of the Bank with effect from the signature date of the resignation notice, due to personal health reason.

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

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

4.4 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, all directors and supervisors of the Bank have confirmed that they have complied with such code of conduct and the Administrative Measures during the six months ended 30 June 2019.

4.5 Profits and Dividends

The Bank’s revenue for the six months ended 30 June 2019 and the Bank’s financial position as at the same date are set out in the section headed “5. Interim Condensed Consolidated Financial Statements” of this announcement.

A final dividend of RMB0.154 per share (tax inclusive) for the year ended 31 December 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 31 December 2018, was distributed by the Bank to all shareholders of the Bank upon consideration and approval at the 2018 annual general meeting held on 24 May 2019. The 2018 Final Dividend was distributed to holders of H Shares and domestic shares on 19 July 2019.

The Group will not distribute any interim dividend for 2019 or convert any capital reserve into share capital.

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

During the Reporting Period, the Bank had not purchased, sold or redeemed any listed securities of the Bank.

4.7 Major Asset Purchases, Sales and Mergers

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

4.8 Review of the Interim Financial Statements

The interim financial statements for 2019 prepared by the Bank in accordance with the IFRSs have been reviewed by PricewaterhouseCoopers in accordance with the International Standard on Review Engagements.

The Board and the audit committee of the Bank have reviewed and approved the interim results of the Bank.

5. INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Interest income	10,533,980	9,485,347
Interest expense	(6,484,723)	(6,224,874)
Net interest income	4,049,257	3,260,473
Fee and commission income	660,866	728,152
Fee and commission expense	(53,541)	(48,110)
Net fee and commission income	607,325	680,042
Net trading gains	104,134	215,238
Net gains on investment securities	665,811	931,778
Other operating income	47,005	31,842
Operating income	5,473,532	5,119,373
Operating expenses	(1,171,262)	(1,137,331)
Impairment losses	(1,153,489)	(1,177,533)
Operating profit	3,148,781	2,804,509
Share of profit of associates	44,902	94,978
Profit before income tax	3,193,683	2,899,487
Income tax	(704,761)	(605,322)
Net profit for the period	2,488,922	2,294,165

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

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

	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net gains/(losses) on debt investments at fair value through other comprehensive income	524,367	(318,426)
Less: Relevant income tax effect	(131,092)	79,607
Subtotal	393,275	(238,819)
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Net gains on equity investments designated at fair value through other comprehensive income	–	200,000
Less: Relevant income tax effect	–	(50,000)
Subtotal	–	150,000
Remeasurement of retirement benefits/(losses)	474	(2,495)
Less: Relevant income tax effect	(119)	624
Subtotal	355	(1,871)
Other comprehensive income, net of tax	393,630	(90,690)
Comprehensive income for the period	2,882,552	2,203,475
Net profit attributable to:		
Shareholders of the Bank	2,421,889	2,272,274
Non-controlling interests	67,033	21,891
	2,488,922	2,294,165
Net comprehensive income attributable to:		
Shareholders of the Bank	2,815,519	2,181,584
Non-controlling interests	67,033	21,891
	2,882,552	2,203,475
Earnings per share attributable to the shareholders of the Bank (expressed in RMB per share)		
Basic and diluted	0.77	0.73

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS		
Cash and balances with central bank	34,474,931	33,216,841
Due from other banks and financial institutions	44,552,658	57,915,079
Financial assets at fair value through profit or loss ('FVPL')	32,755,814	27,421,858
Loans and advances to customers	221,936,764	205,923,212
Investment securities		
– Fair value through other comprehensive income ('FVOCI')	34,191,856	34,687,167
– Amortised cost	84,622,037	82,523,309
Investment in associates	1,683,225	1,638,323
Property, plant and equipment	3,039,429	3,023,292
Deferred income tax assets	2,034,319	1,890,680
Other assets	2,561,767	2,129,212
Total assets	461,852,800	450,368,973
LIABILITIES		
Due to other banks and financial institutions	48,528,389	57,089,939
Financial liabilities at fair value through profit or loss	4,000	657
Customer deposits	272,127,426	256,394,193
Debt securities issued	98,170,642	96,982,613
Current tax liabilities	482,143	548,673
Other liabilities	5,537,931	4,741,325
Total liabilities	424,850,531	415,757,400
EQUITY		
Share capital	3,127,055	3,127,055
Preference shares	4,909,307	4,909,307
Capital surplus	4,680,638	4,680,638
Other reserves	8,759,612	8,289,192
Retained earnings	13,908,353	12,044,820
Equity attributable to shareholders of the Bank	35,384,965	33,051,012
Non-controlling interests	1,617,304	1,560,561
Total equity	37,002,269	34,611,573
Total liabilities and equity	461,852,800	450,368,973

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Other reserves							Non-controlling interests	Retained earnings	Total
	Share capital	Preference shares	Capital surplus	Surplus reserve	General reserve	Revaluation reserve for FVOCI	Remeasurement of retirement benefits			
Balance at 31 December 2018	3,127,055	4,909,307	4,680,638	2,616,566	5,400,150	276,973	(4,497)	1,560,561	12,044,820	34,611,573
Net profit for the period	-	-	-	-	-	-	-	67,033	2,421,889	2,488,922
Other comprehensive income	-	-	-	-	-	393,275	355	-	-	393,630
Total comprehensive income	-	-	-	-	-	393,275	355	67,033	2,421,889	2,882,552
Dividends	-	-	-	-	-	-	-	(10,290)	(481,566)	(491,856)
Transfer to other reserves	-	-	-	-	76,790	-	-	-	(76,790)	-
Balance at 30 June 2019 (Unaudited)	3,127,055	4,909,307	4,680,638	2,616,566	5,476,940	670,248	(4,142)	1,617,304	13,908,353	37,002,269
Balance at 31 December 2017	3,127,055	4,909,307	4,680,638	2,245,019	4,747,365	(353,322)	(1,414)	1,508,316	11,596,948	32,459,912
Changes on initial application of IFRS 9	-	-	-	-	-	144,764	-	(3)	(1,618,490)	(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)	1,508,313	9,978,458	30,986,183
Net profit for the period	-	-	-	-	-	-	-	21,891	2,272,274	2,294,165
Other comprehensive income	-	-	-	-	-	(88,819)	(1,871)	-	-	(90,690)
Total comprehensive income	-	-	-	-	-	(88,819)	(1,871)	21,891	2,272,274	2,203,475
Dividends	-	-	-	-	-	-	-	-	(368,992)	(368,992)
Transfer to other reserves	-	-	-	-	619,378	-	-	-	(619,378)	-
Balance at 30 June 2018 (Unaudited)	3,127,055	4,909,307	4,680,638	2,245,019	5,366,743	(297,377)	(3,285)	1,530,204	11,262,362	32,820,666

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Cash flows from operating activities:		
Profit before income tax	3,193,683	2,899,487
Adjustments:		
Depreciation and amortisation	135,229	102,405
Credit impairment losses on loans	836,752	857,504
Impairment losses on other assets	316,737	320,029
Net gains on disposal of property, plant and equipment and foreclosed assets	(15,779)	(5,056)
Fair value gains	(115,614)	(174,874)
Net gains arising from financial investments	–	(932,658)
Share of profit of associates	(44,902)	(94,978)
Interest income arising from investment securities	(3,127,490)	(2,976,406)
Interest expense arising from debt securities issued	1,828,525	2,037,173
Net increase/(decrease) in operating assets:		
Net decrease in restricted deposits with central bank	848,609	3,793,058
Net decrease in due from and placements with banks and other financial institutions	1,670,028	1,041,406
Net (decrease)/increase in financial assets held under resale agreement	10,126,156	(14,585,216)
Net increase in loans and advances to customers	(16,573,283)	(17,240,472)
Net increase in other operating assets	(546,274)	(117,579)
Net increase/(decrease) in operating liabilities:		
Net increase in borrowings from central bank	6,576,714	1,200,908
Net decrease in due to and loans from banks and other financial institutions	(13,246,984)	(10,824,278)
Net increase/(decrease) in financial assets sold under repurchase agreement	(1,891,280)	8,057,979
Net increase in customer deposits	15,733,232	12,609,712
Net increase in other operating liabilities	274,098	658,463
Income tax paid	(1,046,022)	(457,294)
Net cash inflows/(outflows) from operating activities	4,932,135	(13,830,687)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

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

	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Cash flows from investing activities:		
Dividends received	1,200	880
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	36,045	19,861
Purchase of property, plant and equipment, intangible assets and other long-term assets	(148,419)	(213,872)
Proceeds from sale and redemption of investments	32,155,420	139,910,082
Purchase of securities investments	(35,704,910)	(120,708,956)
Net cash (outflows)/inflows from investing activities	(3,660,664)	19,007,995
Cash flows from financing activities:		
Proceeds from issuance of debt securities and inter-bank certificates of deposit	45,760,394	76,007,092
Cash paid to redeem debt securities and inter-bank certificates of deposit issued	(45,910,000)	(77,520,000)
Principal elements of lease payments	(24,200)	N/A
Interest paid in relation to financing activities	(490,890)	(497,400)
Dividends paid to shareholders	(32,866)	(325)
Net cash outflows from financing activities	(697,562)	(2,010,633)
Impact from exchange rate changes on cash and cash equivalents	(8,422)	131,730
Net increase in cash and cash equivalents	565,487	3,298,405
Cash and cash equivalents at the beginning of the period	14,267,072	20,424,977
Cash and cash equivalents at the end of the period	14,832,559	23,723,382

6. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

6.1 BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

The significant accounting policies adopted in the preparation of the condensed consolidated financial interim information are set out as below. These policies have been consistently applied to relevant periods presented unless otherwise stated.

(a) Basis of presentation

The condensed consolidated interim financial information of the Group has been prepared in accordance with the International Accounting Standard 34 ‘Interim Financial Reporting’ and disclosure requirements of ‘the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited’. The condensed consolidated interim financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

The Group adopted the going concern basis in preparing its condensed consolidated interim financial statements.

(b) Significant accounting policies

Except as described below, the Group’s accounting policies applied in preparing this condensed consolidated interim financial information is consistent with those policies applied in preparing the financial statements for the year ended 31 December 2018.

Standards and amendments effective by 1 January 2019 adopted by the Group

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

For amendments to IFRSs that have been adopted, the whole Group is not significantly impacted for the period ended 30 June 2019 except IFRS 16.

Changes in significant accounting policies

IFRS 16 was officially issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The new standards improve the identification, breakdown and merger of leases and require lessees to recognise leases in balance sheets. For lessees, the new leasing standards will recognise all the leases in balance sheets as the classification of operating leases and financial leases has been removed. According to new standards, the entity is required to recognise the right-of-use assets and lease liabilities, and exemptions apply only to short-term and low-value leases. Meanwhile, the new standards also improve the accounting treatment of the lessee on subsequent measurement and leasing changes. The new standards have not undergone substantial changes in the accounting of lessors.

The Group adopted the standards for annual periods beginning on or after 1 January 2019 and used the simple transition methods stated in the standards, and did not restate the comparative amount for the previous year impacted by 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 the recognition exemptions.

The major impact of adopting IFRS 16 by the Group is summarized below:

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	<u>4,741,325</u>	<u>124,257</u>	<u>4,865,582</u>

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

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

	The Group
Operating future minimum lease payments disclosed as at 31 December 2018	148,079
Less: the commitment of short-term leases	(572)
the commitment of low-value leases	(156)
	<hr/>
The minimum operating lease payments to discount at the lessor's incremental borrowing rate	147,351
The present value of the minimum operating lease payments discounted at the lessor's 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/>

The Group's leasing activities and accounting treatment

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

The Group as Lessee

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

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

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

The Group as Lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) Operating lease

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

(ii) Finance lease

When the Group is the lessor in a finance lease, an amount representing the minimum lease payment receivables and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the 'net lease investment') is recorded in the consolidated statement of financial position as 'Loans and advances to customers'. The difference between the net lease investment and the undiscounted amount is recorded as unearned finance income, which is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return. Impairment losses on lease receivables are accounted for in accordance with the accounting policies as financial instruments impairment.

Standards and amendments that are not yet effective and have not been adopted by the Group

		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.

(c) *Changes in accounting policies*

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2018. Please refer to the financial statements for the year ended 31 December 2018 for details.

6.2 SUBSIDIARY

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

As at 30 June 2019, details of the Bank's subsidiary are set out below:

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital	Proportion of equity Interest	Proportion of voting power	Principal activities
Chongqing Xinyu Financial Leasing Co., Ltd.	23 March 2017	Chongqing	3,000,000	51%	51%	Financial leasing
			Assets	Liabilities	Revenue	Profit
Chongqing Xinyu Financial Leasing Co., Ltd.			<u>16,809,978</u>	<u>13,509,359</u>	<u>280,465</u>	<u>136,802</u>

6.3 NET INTEREST INCOME

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

	For the six months ended 30 June	
	2019	2018
Interest income		
Loans and advances to customers	6,572,646	5,549,628
Investment securities	3,127,490	2,976,406
Due from other banks and financial institutions	606,094	685,622
Balances with central bank	227,750	273,691
	10,533,980	9,485,347
Interest expense		
Customer deposits	(3,779,032)	(3,132,605)
Debt securities issued	(1,826,411)	(2,037,173)
Due to other banks and financial institutions	(877,166)	(1,055,096)
Lease liabilities	(2,114)	—
	(6,484,723)	(6,224,874)
Net interest income	4,049,257	3,260,473

6.4 NET FEE AND COMMISSION INCOME

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

	For the six months ended 30 June	
	2019	2018
Fee and commission income		
Wealth management agency services	296,506	278,763
Bank card services	168,247	150,186
Custodian services	80,816	137,243
Credit commitments	57,551	35,815
Settlement and agency services	36,859	53,721
Financial advisory and consulting services	20,887	72,424
	660,866	728,152
Fee and commission expense		
Settlement and agency services	(31,892)	(28,562)
Bank card services	(15,055)	(11,963)
Others	(6,594)	(7,585)
	(53,541)	(48,110)
Net fee and commission income	607,325	680,042

6.5 NET TRADING GAINS

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

	For the six months ended 30 June	
	2019	2018
Foreign exchange gains	21,072	40,364
Fair value gains	83,062	174,874
	104,134	215,238

Net gains on foreign exchange mainly include gains 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 RMB2,600 thousand for the six months ended 30 June 2019 (for the six months ended June 30 2018: amounting to RMB32,406 thousand).

6.6 NET GAINS ON INVESTMENT SECURITIES

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

	For the six months ended 30 June	
	2019	2018
Net gains arising from investment of financial assets at FVPL	665,811	941,203
Net losses arising from de-recognition of FVOCI	—	(9,425)
	<u>665,811</u>	<u>931,778</u>

6.7 OTHER OPERATING INCOME

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

	For the six months ended 30 June	
	2019	2018
Government grants ^(a)	25,481	21,408
Gains on sale of property, plant and equipment	9,952	—
Gains on sale of held-for-sale assets	5,866	5,293
Rental income ^(b)	1,310	394
Dividend income of unlisted FVOCI securities	1,200	880
Default income	961	749
Income from dormant accounts	1	489
Other miscellaneous income ^(c)	2,234	2,629
	<u>47,005</u>	<u>31,842</u>

- (a) The government grants mainly include 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 rent income of the Group is generated from leasing its buildings and transportation facilities.
- (c) Other miscellaneous income mainly comprises cashier surplus, penalty and confiscatory income and incomes from writing off other payables that cannot be settled.

6.8 OPERATING EXPENSES

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

	For the six months ended 30 June	
	2019	2018
Staff costs (including emoluments of directors and supervisors)	707,515	675,906
General and administrative expenses	218,371	236,460
Depreciation of property, plant and equipment	87,939	72,792
Tax and surcharges	72,306	64,781
Operating lease cost	2,886	31,544
Professional fees	27,548	22,255
Amortisation of intangible assets	20,522	16,369
Amortisation of long-term prepaid expenses	4,987	10,826
Amortisation of land use rights	2,336	2,348
Donations	7,280	2,405
Depreciation of investment properties	58	70
Depreciation of right-of-use assets	19,387	N/A
Others	127	1,575
	<u>1,171,262</u>	<u>1,137,331</u>

6.9 IMPAIRMENT LOSSES

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

	For the six months ended 30 June	
	2019	2018
Loans and advances to customers carried at amortised cost	768,664	851,015
Loans and advances at FVOCI	68,088	6,489
Investment securities – amortised cost	180,906	331,913
Investment securities – FVOCI	(2,188)	(60,782)
Loan commitments and financial guarantee contracts	98,566	33,904
Due from other banks and financial institutions	25,024	2,117
Others	14,429	12,877
	<u>1,153,489</u>	<u>1,177,533</u>

6.10 INCOME TAX

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

	For the six months ended 30 June	
	2019	2018
Current income tax	979,492	444,830
Deferred income tax	(274,731)	160,492
	<u>704,761</u>	<u>605,322</u>

Income tax is calculated at the statutory rate of 25% of taxable income according to the PRC Tax Law for the relevant year/period on the estimated taxable income of the Group.

The difference between the actual income tax charge in the condensed consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate 25% (for the six months ended 30 June 2018: 25%) to profit before income tax can be reconciled set out below:

	For the six months ended 30 June	
	2019	2018
Profit before income tax	3,193,683	2,899,487
Tax calculated at a tax rate of 25%	798,421	724,872
Tax effect arising from non-taxable income ^(a)	(98,979)	(84,779)
Tax effect of expenses that are not deductible for tax purposes ^(b)	26,713	18,415
Income tax adjustment for prior years	(21,394)	(53,186)
Income tax	<u>704,761</u>	<u>605,322</u>

- (a) The non-taxable income mainly represents interest income arising from treasury bonds, which is tax free in accordance with the PRC tax regulation.
- (b) The expenses that are not deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses, etc., which exceed the deductible tax limits pursuant to PRC Law on corporate income tax.

6.11 BASIC AND DILUTED EARNINGS PER SHARE

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

Earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares during the year/period.

	For the six months ended 30 June	
	2019	2018
Net profit attributable to shareholders of the Bank	2,421,889	2,272,274
Less: Net profit attributable to other equity holders of the Bank	<u>—</u>	<u>—</u>
Net profit attributable to ordinary shareholders of the Bank	2,421,889	2,272,274
Weighted average number of ordinary shares <i>(expressed in thousands)</i>	3,127,055	3,127,055
Basic and diluted earnings per share <i>(expressed in RMB Yuan)</i>	<u>0.77</u>	<u>0.73</u>

The Bank issued non-cumulative preference shares on 20 December 2017 under the terms and conditions. When calculating the basic earnings per share of the ordinary shares, the preference share dividends declared for the current period shall be deducted from the net profit attributable to the ordinary shareholders. For the six months ended 30 June 2019, no preference share dividends were declared by 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 before 30 June 2019 and therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

6.12 DERIVATIVE FINANCIAL INSTRUMENTS

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

		Fair value	
30 June 2019	Nominal amount	Assets	Liabilities
Swap contract	<u>2,807,494</u>	<u>—</u>	<u>(4,000)</u>
		Fair value	
31 December 2018	Nominal amount	Assets	Liabilities
Swap contract	<u>137,264</u>	<u>—</u>	<u>(657)</u>

As at 30 June 2019 and 31 December 2018, all financial liabilities at FVPL were generated from derivative financial instruments.

6.13 INVESTMENT SECURITIES

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

	30 June 2019	31 December 2018
Investment securities – FVOCI		
Debt securities – measured at fair value		
– Listed outside Hong Kong	4,751,270	5,243,620
– Listed in Hong Kong	3,465,504	4,176,011
– Unlisted	24,773,213	24,219,352
Total	32,989,987	33,638,983
Interest receivable on FVOCI	993,255	839,570
	33,983,242	34,478,553
Equity securities – measured at fair value		
– Unlisted	208,600	208,600
Others	14	14
	34,191,856	34,687,167
Investment securities – amortised cost		
Debt securities – measured at amortised cost		
– Listed outside Hong Kong	9,747,706	12,754,742
– Unlisted	74,892,682	69,646,884
Total	84,640,388	82,401,626
Interest receivable on debt securities at amortised cost	1,636,584	1,595,712
Less: ECL allowance	(1,654,935)	(1,474,029)
	84,622,037	82,523,309

Investment securities analysed by issuer are set out below:

	30 June 2019	31 December 2018
Investment securities – FVOCI		
– Corporations	30,140,516	29,926,526
– Policy banks	1,592,730	2,090,419
– Commercial bank	1,064,446	1,431,085
– Governments	192,295	190,953
– Others	14	14
Total	32,990,001	33,638,997
Equity investments measured at fair value	208,600	208,600
Interest receivable on FVOCI	993,255	839,570
	34,191,856	34,687,167
Investment securities – amortised cost		
– Trust companies	19,256,230	22,165,632
– Governments	28,415,399	26,183,390
– Securities companies	7,272,000	8,773,521
– Assets management companies	21,474,000	18,659,000
– Corporations	6,428,000	4,450,000
– Policy banks	1,674,759	1,734,578
– Commercial bank	120,000	435,505
Total	84,640,388	82,401,626
Interest receivable on Investment securities at amortised cost	1,636,584	1,595,712
Less: ECL allowance	(1,654,935)	(1,474,029)
	84,622,037	82,523,309

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

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

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 customers:

	30 June 2019	31 December 2018
Acceptances	23,586,481	18,012,260
Letters of credit	11,848,834	10,458,452
Guarantees	7,290,223	3,940,630
Other commitments with an original maturity of		
– Within 1 year	4,149,091	3,198,978
– Over 1 year	33,588	50,402
	<u>46,908,217</u>	<u>35,660,722</u>

Capital expenditure commitments

	30 June 2019	31 December 2018
Contracted but not provided for:		
– Capital expenditure commitments for buildings	122,616	133,072
– Acquisition of IT system	124,347	166,256
	<u>246,963</u>	<u>299,328</u>

External investment commitment

As at 30 June 2019, the Group had no external investment commitments (as at 31 December 2018: Nil).

Legal proceedings

Legal proceedings are initiated by third parties against the Group as defendant. As at 30 June 2019, the Group had 33 outstanding legal claim amounting to RMB41,290 thousand (as at 31 December 2018: the Group had 27 outstanding legal claim amounting to RMB284,540 thousand). After consulting legal professionals, management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operation results of the Group.

6.15 SEGMENT ANALYSIS

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

The Group's operating segments are business units which provide different financial products and service 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. The Group has four operating segments. They are corporate banking, retail banking, treasury business and unallocated classes of business.

Corporate banking segment provides financial products and services to corporates and government agencies, etc. The products and services include corporate loans, trade financing, deposit, financial leasing and other types of corporate intermediary services.

Retail banking segment provides financial products and services to individual customers. The products and services include retail loans, deposit products, bank card business, personal wealth management services and other types of personal intermediary services.

Treasury business mainly performs inter-bank lending and borrowing, securities 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 with appropriate basis.

	For the six months ended 30 June 2019				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income from external customers	2,342,249	351,219	1,355,789	–	4,049,257
Intersegment net interest income/(expense)	775,270	864,491	(1,639,761)	–	–
Net interest income/(expense)	3,117,519	1,215,710	(283,972)	–	4,049,257
Net fee and commission income	77,246	152,757	377,322	–	607,325
Net trading gains	21,072	–	83,062	–	104,134
Net gains on investment securities	–	–	665,811	–	665,811
Share of profit of associates	–	–	44,902	–	44,902
Other operating income	–	–	1,200	45,805	47,005
Asset impairment losses	(902,329)	13,428	(250,161)	(14,427)	(1,153,489)
Operating expenses	(594,235)	(414,005)	(150,460)	(12,562)	(1,171,262)
– Depreciation and amortisation	(68,607)	(47,799)	(17,371)	(1,452)	(135,229)
– Others	(525,628)	(366,206)	(133,089)	(11,110)	(1,036,033)
Profit before income tax	1,719,273	967,890	487,704	18,816	3,193,683
As at 30 June 2019					
Capital expenditure	57,183	23,543	67,030	663	148,419
Segment assets	177,941,720	73,262,285	208,585,351	2,063,444	461,852,800
Segment liabilities	185,208,798	95,101,243	144,538,703	1,787	424,850,531

	For the six months ended 30 June 2018				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income from external customers	2,202,429	398,777	659,267	–	3,260,473
Intersegment net interest income/(expense)	<u>595,012</u>	<u>937,082</u>	<u>(1,532,094)</u>	<u>–</u>	<u>–</u>
Net interest income/(expense)	2,797,441	1,335,859	(872,827)	–	3,260,473
Net fee and commission income	145,755	141,288	392,999	–	680,042
Net trading gains	40,364	–	174,874	–	215,238
Net gains on investment securities	–	–	931,778	–	931,778
Share of profit of associates	–	–	94,978	–	94,978
Other operating income	–	944	880	30,018	31,842
Asset impairment losses	(759,599)	(91,417)	(326,517)	–	(1,177,533)
Operating expenses	(599,482)	(456,768)	(72,758)	(8,323)	(1,137,331)
– Depreciation and amortisation	(53,977)	(41,127)	(6,552)	(749)	(102,405)
– Others	<u>(545,505)</u>	<u>(415,641)</u>	<u>(66,206)</u>	<u>(7,574)</u>	<u>(1,034,926)</u>
Profit before income tax	<u>1,624,479</u>	<u>929,906</u>	<u>323,407</u>	<u>21,695</u>	<u>2,899,487</u>

As at 30 June 2018

Capital expenditure	<u>78,691</u>	<u>36,629</u>	<u>97,697</u>	<u>855</u>	<u>213,872</u>
Segment assets	<u>160,354,052</u>	<u>74,640,284</u>	<u>199,081,889</u>	<u>1,743,173</u>	<u>435,819,398</u>
Segment liabilities	<u>184,874,760</u>	<u>76,409,529</u>	<u>141,711,814</u>	<u>2,629</u>	<u>402,998,732</u>

7. RELEASE OF RESULTS ANNOUNCEMENT AND INTERIM 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 interim 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
Joint Company Secretary

Chongqing, the PRC, 30 August 2019

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 are Mr. WONG Hon Hing, Mr. DENG Yong, Ms. LV Wei, Mr. TANG Xiaodong, Mr. YANG Yusong and Mr. WU Heng; and the independent non-executive directors are Mr. LI He, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu.

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