



重庆银行

BANK OF CHONGQING

BANK OF CHONGQING CO., LTD.*

重慶銀行股份有限公司*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1963)

(Stock Code of Preference Shares: 4616)



2019 INTERIM REPORT

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

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Corporate Information

Legal Name and Abbreviation in Chinese

重慶銀行股份有限公司 (Abbreviation: 重慶銀行)

Name in English

Bank of Chongqing Co., Ltd.

Legal Representative

LIN Jun

Authorized Representatives

LIN Jun

WONG Wah Sing

Secretary to the Board

PENG Yanxi

Joint Company Secretaries

WONG Wah Sing

HO Wing Tsz Wendy

Registered Address and Postal Code

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Jiangbei District,
Chongqing, the PRC
400024

Principal Place of Business in Hong Kong

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Corporate Website

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E-mail

ir@cqcbank.com

H Shares

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

Offshore Preference Shares

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

Date and Registration Authority of Initial Incorporation

2 September 1996

Administration for Industry and
Commerce of Chongqing, the PRC

Unified Social Credit Code of Business License

91500000202869177Y

Financial License Registration Number

B0206H250000001

Auditors

International:

PricewaterhouseCoopers

Address: 22/F, Prince's Building, Central,
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Domestic:

PricewaterhouseCoopers Zhong Tian LLP

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Legal Advisor as to PRC Laws

Chongqing Jingsheng Law Firm

Legal Advisor as to Hong Kong Laws

Sullivan & Cromwell (Hong Kong) LLP

H Share Registrar

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

Domestic Share Registrar

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

Financial Highlights

The financial information set out in this Interim Report 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

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 |
| Calculated on a per share basis (RMB) | | | |
| Basic earnings per share ⁽¹⁾ | 0.77 | 0.73 | Change 0.04 |

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

Financial Highlights

2.2 Financial Indicators

| (All amounts expressed in percentage unless otherwise stated) | For the six months ended 30 June 2019 | For the six months ended 30 June 2018 | Change |
|--|---|---|--------|
| Profitability indicators (%) | | | |
| Average annualized return on total 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) |
| Asset quality indicators (%) | | | |
| Indicators of capital adequacy ratio (%) | | | |
| Other indicators (%) | | | |
| 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) |
| 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 |
| 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 guidance promulgated by China Banking and Insurance Regulatory Commission (the "CBIRC") (effective from 1 January 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.*

Management Discussions and Analysis

3.1 Environment and Outlook

In the first half of 2019, the weak global economic growth, profound changes in economic structure and uncertainties such as deglobalization and increasing geopolitical risks became major obstacles to the recovery of global economy. The degree of prosperity of major economies declined. The US economy slowed down and was below market expectations. The Eurozone was declining in economic growth and were faced with structural problems including excessive trade dependence as well as social welfare and the labor supply. The Japanese economy remained in low level with increasing downside risks. The growth of emerging market economy generally slowed down, and the downward pressure may be further affected by factors such as trade friction and economic restructuring.

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. China's GDP was RMB45.09 trillion in the first half of this year, up by 6.3% year on year. The consumer price index rose moderately, with a year-on-year increase of 2.2%. China's monetary credit and financial markets operated smoothly: M2 increased by 8.5% to RMB192.14 trillion; the balance of M1 amounted to RMB56.77 trillion with year-on-year growth of 4.4%; and the balance of M0 amounted to RMB7.26 trillion with year-on-year growth of 4.3%. As of 30 June 2019, the RMB loan balance was RMB145.97 trillion with year-on-year growth of 13.0%, among

which the incremental RMB loans were RMB9.67 trillion, representing year-on-year growth of RMB0.64 trillion; and the RMB deposit balance was RMB187.57 trillion with year-on-year growth of 8.4%, among which the incremental RMB deposits were RMB10.05 trillion, representing a year-on-year growth of RMB1.05 trillion. In the first half of this year, as the import and export growth rate increased slightly, total imports and exports amounted to RMB14.67 trillion, representing a year-on-year increase of 3.9%, among which total exports amounted to RMB7.95 trillion with a year-on-year increase of 6.1% and total imports amounted to RMB6.72 trillion with a year-on-year increase of 1.4%.

In the first half of 2019, Chongqing's economy continued to be stable as a whole and achieved steady progress. Its regional gross domestic product reached RMB1,033.48 billion, representing year-on-year growth of 6.2%. In particular, the primary, secondary and tertiary industries grew by 4.1%, 6.5% and 6.1% respectively year on year. The added value of strategic emerging industries recorded year-on-year increase of 12.8% due to increased contribution of emerging industry drivers; the revenue of service enterprises above designated size recorded year-on-year increase of 14.9% due to continuous improvement of the driver for the development of the service industry; the total wholesale and retail sales recorded year-on-year increase of 11.4% due to steady development in the commerce and trade economy and steady optimization in the consumption structure. In the first half of 2019, as foreign trade continued to grow, the total imports and exports amounted to RMB266.36 billion, representing a year-on-year increase of 16.5%, among which total exports amounted to RMB171.12 billion with a year-on-year increase of 16.5% and total imports amounted to RMB95.24 billion with a year-on-year increase of 16.5%.

Management Discussions and Analysis

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 second half of 2019, 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.

Management Discussions and Analysis

3.2 Financial Review

In the first half of 2019, 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 a slight 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.

3.2.1 Analysis of the Income Statement

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 a slight increase of RMB33.93 million or 3.0% as compared to the same period in the previous year; the assets 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. After deduction of the income tax, 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.

Management Discussions and Analysis

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 of the Group during the periods indicated.

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

Notes:

(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 volume and interest rate.

| (All amounts expressed in thousands of RMB unless otherwise stated) | Due to changes in volume | Due to changes in interest rate | Change in interest income and expense |
|---|--------------------------|---------------------------------|---------------------------------------|
| ASSETS | | | |
| Loans and advances to customers | 1,062,316 | (39,298) | 1,023,018 |
| Investment securities | 54,880 | 96,204 | 151,084 |
| Cash and 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 cash and 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 the same period in 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 the same period in the previous year.

(3) Interest income from cash and 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 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 the same period in the previous year.

Management Discussions and Analysis

(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:

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 | 27,464,423 | 380,332 | 2.79 | 26,692,250 | 465,582 | 3.52 |
| Total | 43,425,892 | 606,094 | 2.81 | 44,201,826 | 685,622 | 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 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 the same period in 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 the same period in 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 decrease of RMB79.53 million or 11.6% as compared to the same period in 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 annualized cost ratio for each component of the Group's customer deposits are set forth as follows:

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the 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 | 96,163,680 | 1,712,131 | 3.59 | 82,120,971 | 1,345,566 | 3.30 |
| Subtotal | 155,202,823 | 1,988,594 | 2.58 | 151,470,871 | 1,621,412 | 2.16 |
| Individual deposits | | | | | | |
| Demand | 11,932,211 | 23,213 | 0.39 | 10,938,870 | 21,139 | 0.39 |
| Time | 78,857,541 | 1,571,862 | 4.02 | 63,605,752 | 1,206,753 | 3.83 |
| Subtotal | 90,789,752 | 1,595,075 | 3.54 | 74,544,622 | 1,227,892 | 3.32 |
| Other deposits | 16,925,137 | 195,363 | 2.33 | 18,807,772 | 283,301 | 3.04 |
| Total | 262,917,712 | 3,779,032 | 2.90 | 244,823,265 | 3,132,605 | 2.58 |

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 the same period in the previous year.

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(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:

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 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 the same period in 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 set forth as follows:

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 an 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 the same period in the previous year.

3.2.1.3 Non-interest income

(1) Net fee and commission income

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

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(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 foreign currencies such as US dollars and Hong Kong dollars held by the Group. Fair value gains 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.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 | 104,134 | 215,238 | (111,104) | (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 arising from the investment gains of financial assets at FVPL.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 gains arising from de-recognition of financial assets at fair value through other comprehensive income | – | (9,425) | 9,425 | N/A |
| Total | 665,811 | 931,778 | (265,967) | (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%. Among such operating expenses, staff costs, tax and surcharges, depreciation and amortisation increased, while general and administrative expenses decreased.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 | 37,841 | 57,779 | (19,938) | (34.5) |
| Operating expenses | 1,171,262 | 1,137,331 | 33,931 | 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.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 | 707,515 | 675,906 | 31,609 | 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%.

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(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:

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 to customers 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 |
| Impairment losses | 1,153,489 | 1,177,533 | (24,044) | (2.0) |

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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.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 | 704,761 | 605,322 | 99,439 | 16.4 |

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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.

| (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 (%) |
| 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 impairment allowances for the expected credit | (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.

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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 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 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 |

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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 responds 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)" and "Wei E Dai (微E贷)", as a result of more efforts of the Group to market and promote 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.

| (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 (%) |
| 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.

| (All amounts expressed in thousands of RMB unless otherwise stated) | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---------------------------------|---------------------------------|---------------------------------|------------------|
| | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | |
| 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> | <i>(223,976)</i> | <i>223,976</i> | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | <i>(12,670)</i> | – | <i>12,670</i> | – |
| <i>Transfer from Stage 2 to Stage 1</i> | <i>16,951</i> | <i>(16,951)</i> | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | <i>(275,705)</i> | <i>275,705</i> | – |
| Recoveries of loans written-off in previous years | – | – | 65,506 | 65,506 |
| Unwind of discount | – | – | 43,500 | 43,500 |
| 30 June 2019 | 1,854,875 | 2,023,366 | 1,357,485 | 5,235,726 |
| 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> | <i>(18,561)</i> | <i>18,561</i> | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | <i>(9,044)</i> | – | <i>9,044</i> | – |
| <i>Transfer from Stage 2 to Stage 1</i> | <i>14,524</i> | <i>(14,524)</i> | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | <i>(69,478)</i> | <i>69,478</i> | – |
| <i>Transfer from Stage 3 to Stage 2</i> | – | <i>3,089</i> | <i>(3,089)</i> | – |
| <i>Transfer from Stage 3 to Stage 1</i> | <i>1,854</i> | – | <i>(1,854)</i> | – |
| Recoveries of loans written-off in previous years | – | – | 46,187 | 46,187 |
| Unwind of discount | – | – | 26,962 | 26,962 |
| 30 June 2019 | 414,569 | 314,837 | 516,959 | 1,246,365 |

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| (All amounts expressed in thousands of RMB unless otherwise stated) | Stage 1 | Stage 2 | Stage 3 | Total |
|--|---------------------------------------|---------------------------------------|---------------------------------------|------------------|
| | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | |
| 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> | <i>(78,964)</i> | <i>78,964</i> | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | <i>(69,221)</i> | – | <i>69,221</i> | – |
| <i>Transfer from Stage 2 to Stage 1</i> | <i>5,037</i> | <i>(5,037)</i> | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | <i>(466,676)</i> | <i>466,676</i> | – |
| <i>Transfer from Stage 3 to Stage 2</i> | – | <i>135,075</i> | <i>(135,075)</i> | – |
| 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> | <i>(16,092)</i> | <i>16,092</i> | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | <i>(28,784)</i> | – | <i>28,784</i> | – |
| <i>Transfer from Stage 2 to Stage 1</i> | <i>13,438</i> | <i>(13,438)</i> | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | <i>(51,261)</i> | <i>51,261</i> | – |
| <i>Transfer from Stage 3 to Stage 2</i> | – | <i>29,224</i> | <i>(29,224)</i> | – |
| <i>Transfer from Stage 3 to Stage 1</i> | <i>48,007</i> | – | <i>(48,007)</i> | – |
| 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. 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.

Management Discussions and Analysis

(2) Investment securities

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

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 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 |
| 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 | – | – | 514,521 | 0.4 |
| Interest due from debt securities measured at amortised cost | 1,636,584 | 1.4 | 1,595,712 | 1.4 |
| Less: expected credit loss allowances | (1,654,935) | (1.4) | (1,474,029) | (1.3) |
| Subtotal | 84,622,037 | 71.2 | 82,523,309 | 70.4 |
| Total | 118,813,893 | 100.0 | 117,210,476 | 100.0 |

Management Discussions and Analysis

As of 30 June 2019, the Group's balance of investment securities amounted to RMB118,813.89 million, representing a slight increase of RMB1,603.42 million or 1.4% over the end of the previous year. Of which, the balance of financial investments 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.

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 | 1,683,225 | 1,638,323 |

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.

Management Discussions and Analysis

(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 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 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 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.

Management Discussions and Analysis

3.2.2.2 Liabilities

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

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 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.

Management Discussions and Analysis

(1) Customer deposits

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

Management Discussions and Analysis

(2) Debt securities issued

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

Management Discussions and Analysis

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 to Issue Green Financial Bonds 《關於重慶銀行發行綠色金融債券的批覆》(Yu Yin Jian Fu [2017] No. 157) by the CBRC Chongqing Bureau on 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 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 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 |

Management Discussions and Analysis

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 Group's shareholders' equity 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 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.

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|--------------------|----------------|------------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| 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 principal of 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.

Management Discussions and Analysis

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.

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2019 | | | | As at 31 December 2018 | | | |
|--|--------------------|----------------|-----------------------------|-------------------------------|------------------------|----------------|-----------------------------|-------------------------------|
| | Loan amount | Percentage (%) | Non-performing loans amount | Non-performing loan ratio (%) | Loan amount | Percentage (%) | Non-performing loans amount | Non-performing loan ratio (%) |
| Corporate loans – 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 |
| Corporate loans – 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.

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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.

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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.

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

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(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 Segment information

3.2.4.1 Summary of geographical segment

| (Expressed in percentage) | 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 |

| (Expressed in percentage) | 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.

3.2.4.2 Summary of business segment

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

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

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3.2.5 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.

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2019 | | | |
|---|--------------------|------------------|--------------|-------------------|
| | Within 1 year | 1 to 5 years | Over 5 years | Total |
| 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 |

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

3.3 Business Overview

3.3.1 Corporate Banking Business

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

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2019 | For the six months ended 30 June 2018 | Change (%) |
|---|--|--|------------|
| Net interest income from external customers | 2,342,249 | 2,202,429 | 6.3 |
| Inter-segment net interest income | 775,270 | 595,012 | 30.3 |
| Net interest income | 3,117,519 | 2,797,441 | 11.4 |
| Net fee and commission income | 77,246 | 145,755 | (47.0) |
| Net trading gains | 21,072 | 40,364 | (47.8) |
| Asset impairment losses | (902,329) | (759,599) | 18.8 |
| Operating expenses | (594,235) | (599,482) | (0.9) |
| – Depreciation and amortization | (68,607) | (53,977) | 27.1 |
| – Others | (525,628) | (545,505) | (3.6) |
| Profit before income tax | 1,719,273 | 1,624,479 | 5.8 |

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2019 | As at 31 December 2018 | Change (%) |
|---|--------------------------|------------------------------|------------|
| Capital expenditure | 57,183 | 151,731 | (62.3) |
| Segment assets | 177,941,720 | 166,206,234 | 7.1 |
| Segment liabilities | (185,208,798) | (182,012,244) | 1.8 |

3.3.1.1 Corporate Deposits

As at 30 June 2019, the balance of our corporate deposits amounted to RMB153.30 billion, representing an increase of RMB0.51 billion or 0.3% from the end of the previous year, accounting for 56.3% of the balance of all deposits.

According to Chongqing Administration of the PBOC, as at the end of June 2019, the balance of our RMB corporate deposits (including security deposits) in Chongqing amounted to RMB132.24 billion, ranking the fourth in Chongqing, following the Chongqing branch of Industrial and Commercial Bank of China, Chongqing Rural Commercial Bank Co., Ltd and the Chongqing branch of China Construction Bank. Our RMB corporate deposits in Chongqing accounted for a market share of 8.0%.

Management Discussions and Analysis

3.3.1.2 Corporate Loans

The Bank actively promoted credit lending and continued to increase lending pace. In line with policy orientation, the Bank proactively served private enterprises, effectively supported the real economy, and focused on supporting key projects in strategic emerging industries, green economy, rural revitalization, poverty alleviation and the Belt and Road Initiative.

With in-depth research on the economic characteristics of Chongqing, Sichuan, Guizhou and Shaanxi regions and capitalizing on regional industrial advantages, the Bank continued to carry out various financial services, and expanded the coverage of potential customers through optimizing customers and enhancing service levels. Meantime, the Bank has strengthened its capabilities in comprehensive financial services through coordinating channels such as credit, inter-bank, trade finance and financial leasing, so that the loan business has achieved sound results in the first half of 2019. As of 30 June 2019, the balance of our corporate loans (including discount of bills) amounted to RMB152.44 billion, representing growth of RMB10.01 billion or 7.0% as compared to the end of the previous year.

The Bank implemented the national strategy of targeted poverty alleviation, and created demonstration enterprises, projects and villages of financial poverty alleviation, with a view to promoting local economic development and fulfilling its social responsibilities.

3.3.1.3 Corporate Banking Products

In the first half of 2019, the Bank actively promoted innovation in corporate banking products and service models, and our products and service systems were further improved.

Firstly, to cater to our customers' needs for debt products, we gradually established an integrated debt product system that includes general deposits, large deposit certificates and structured deposits with reference to regional economic development and industry conditions.

Secondly, in line with policy requirements, we intensified support for the real economy through promoting products such as "You You Dai (優優貸)" and "Order Loan (訂單貸)", which led to good results. We built a model of credit loans for the real economy to provide financial services for regional high-quality entities to be listed, thus expanding our customer base, and enhancing cooperation stickiness.

Thirdly, we focused on building platforms and expanding channels. We connected to margin platforms to provide service transaction settlement; integrated with engineering fund platforms to connected to project capitals, construction funds and pre-sale funds throughout the process; optimized cooperation among banks, governments and enterprises to continuously obtain debt issuance funds; and proactively marketed settlement capital along the industry chain to strengthen positive interaction of assets and liabilities.

Fourthly, with the aim to assist high-quality enterprises in financing overseas, we promoted the Bank's first overseas bond issuance business through credit bond for SLC with bond issuance amount of over US\$80 million and over-subscription of more than 5 times. It achieved the record of the lowest coupon rate and the highest subscription among US dollar bonds of the same term issued through credit bond for SLC in the past two years, which has been highly recognized by foreign investors, and represented the Bank's expansion in cross-border financing channels and tools.

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

3.3.2 Small and Micro Enterprise Banking Business

3.3.2.1 Overview of Small and Micro Enterprise Banking Business as at 30 June 2019

As of 30 June 2019, according to the statistics of the four national ministries, the balance of our small and micro enterprise loans amounted to RMB78.90 billion, representing an increase of RMB3.96 billion or 5.3% as compared with the end of the previous year. The number of small and micro enterprise loan customers was 36,294, increasing by 2,870 as compared with the end of the previous year.

According to the statistics of “Two Increases” of China Banking and Insurance Regulatory Commission, our inclusive small and micro enterprise loans with an individual lending amount of below RMB10 million recorded a balance of RMB29.58 billion, representing an increase of RMB3.24 billion or 12.3% as compared with the end of the previous year. The number of loan customers was 22,807, increasing by 3,467 as compared with the end of the previous year. The weighted average interest rate of inclusive small and micro enterprise loans with an individual lending amount of below RMB10 million was 6.23% in the second quarter of 2019, representing a decrease by 15 basis points compared with the first quarter of 2019 and operating within a reasonable range.

3.3.2.2 Measures to Develop Small and Micro Enterprise Banking Business

(1) Implementing a special guarantee mechanism to create and develop policy system

Firstly, we implement the separate credit line program. We continued to adhere to the separate credit loan program for small and micro enterprises that meet the regulatory requirements, and insisted on no occupying, no diverting and withdrawing on demand. Secondly, we strengthened pricing discount for internal transfer. For small and micro enterprise loans with an individual lending amount of below RMB10 million, we provided a discount of 50 to 80 basis points on the basis of interest rates of internal funds and eliminated liquidity risk costs. Thirdly, we strengthened preferential treatment for economic capital-oriented loans. For inclusive small and micro enterprise loans with an individual lending amount of below RMB10 million, we reduced the economic capital adjustment coefficient to 0.2, among which that for loans of registered poor families, low-income families and farmers was reduced to 0.05. Fourthly, we enhanced the special expense budget. To improve the engagement of branches and frontline account managers, we developed special incentive plan including the incremental target of inclusive loans for small and micro enterprise. Fifthly, we improved human resources support. In accordance with the professional management requirements of “1+2” and “8+8”, we continued to build a professional and first-class financial service team for small and micro enterprises with reasonable hierarchy and excellent structure.

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(2) Consolidating the cost reduction and profit sharing to reduce the overall financing cost

Firstly, we implemented differentiated strategies for interest rate pricing. Through considering the Bank's capital costs, operation costs, service model, guarantee methods and location of small and micro enterprises, industry categories, credit and other factors, we determined pricing for small and micro enterprise loans in reasonable manner, for example, the Knowledge Value Credit Loan (知識價值信用貸款) and the Small Credit for Supporting the Poor and Poverty Alleviation (支困貸扶貧小額信貸) were subject to the benchmark interest rate of the People's Bank of China for the same period. Second, we applied for the re-loan funds for micro and small enterprises. We applied to the People's Bank of China for the re-loan funds of RMB1.48 billion for micro and small enterprises, and also allocated our own funds for the special action of financial institutions serving transformation and upgrading of the real economy, so as to reduce financing costs of small and micro enterprises through dividends. Thirdly, we reconstructed the professional loan process. We reconstructed financial service processes for small and micro enterprises to further simplify the application of loan data and shorten the loan process, and rebuilt the credit risk assessment system for small and micro enterprises through deep application of intelligent technologies such as the Internet and big data, thus improving the service capacity and efficiency for small and micro enterprises.

(3) Improving the development of internal mechanisms enhance the willingness to lending

Firstly, we improved internal assessment. We connected the completion of assessment indicators of financial business for small and micro enterprises and the implementation of regulatory policies with the performance assessment of employees, the ranking evaluation of branches and the evaluation system for advanced and excellent heads of branches. Secondly, we enhanced tolerance standards for non-performing loans. For branches with non-performing loan ratio of inclusive small and micro enterprise loans not exceeding 3 percentage points than other non-performing loan ratio, the non-performing loan ratio of inclusive small and micro enterprise loans was not considered as a deduction factor in internal assessment. Thirdly, we implemented the Due Diligence and Liability Exemption policy. We further refined the implementation of the Bank's Management Measures for Due Diligence and Liability Exemption for services to small and micro enterprises. For branches whose non-performing loan ratio did not exceed the tolerance standards, the heads, business departments and employees of those branches will be entitled to liability exemption provided no violation of laws and regulations and regulatory rules. Fourthly, we improved risk control capabilities. We strengthened the penetrating risk control of small and micro enterprise loans throughout the whole life cycle and enhanced the authenticity management of applications of credit funds, ensuring that credit funds are really used to support small and micro enterprises and the real economy.

(4) Accelerating the iterative upgrading of products to give full play to the advantages of our top products

Firstly, we amplified the role of the batch operation model, and further enhanced innovation and implementation of batch business through reconstructing design elements of standardized products and establishing distinctive survey and approval modules. Secondly, we promoted and included Knowledge Value Credit Loan into the "Future on Science" (科創未來) series product system to expand the application scope of product promotion. Thirdly, we promoted support loans for micro enterprises, and strengthened cooperation with Chongqing Administration for Industry and Commerce and Chongqing Small and Micro Enterprises Financing Guarantee Company to support the development of micro enterprises. Fourthly, we promoted refinancing products, such as "refinancing without repayment of the principal (無還本續貸)" and "refinancing emergency funds (轉貸應急周轉資金)", to support the "seamless transition" of small and micro enterprise financing and turnover. Fifthly, we raised the term of working capital loans for small and micro enterprises to a reasonable extent, and promoted "annual review loan (年審貸)", "growth loan (成長貸)" and other medium and long term products to meet the medium and long-term financing needs of small and micro enterprises.

(5) Implementing financial technology innovation to improve the efficiency of financial services

Firstly, we strengthened the function development of subsystems of online loan platforms, and promoted the expansion of the series of online products such as “Hao Qi Dai” (好企貸), “Hao Qi Shui Di Dai” (好企稅抵貸) and “Hao Qi Shang Chao Dai” (好企商超貸). Secondly, we promoted the offline lending and online transformation of “Home Mortgage Loan (房抵貸)”, “Agricultural Loan for Six New Industries” (新六產助農貸) and other standardized products. Thirdly, we put on line the Payment Platform 2.0 for the small and micro loans to provide online loan application and online credit for small and micro enterprises and improving customer experience. Fourthly, we developed a real estate online cloud assessment function to provide online evaluation service for ordinary commercial housing for small and micro enterprises, thus reducing the time and cost of small and micro enterprise for real estate evaluation.

(6) Making good use of external preferential policies to give full play to the synergy of policies

Firstly, we made full use of preferential financial and tax policies. For interest income from eligible small enterprise, micro enterprise and individual business loans with an individual lending amount of below RMB10 million, it can successfully applied for preferential policies for exemption from VAT. Secondly, we promoted the national financing fund project. Taking advantage of the policy opportunity from the launch of National Financing Guarantee Fund, we signed a business cooperation agreement with Chongqing Small and Micro Enterprises Financing Guarantee Company, the first trustee agency for financing guarantee fund in Chongqing.

(7) Acquisition of customers in rural areas and support for rural revitalization strategies

Firstly, we promoted Agricultural Loan for Six New Industries (新六產助農貸) to support the structural reform of the supply side of agriculture, and contribute to industrial integration. Secondly, we promoted Road Protection Loan (路保貸) to support rural infrastructure projects to help the development of beautiful villages. Thirdly, we promoted the Small Credit for Poverty Alleviation (扶貧小額信貸) to create the batch operation model of “Zhikun Loan (支困貸)”, to help registered low-income families get rid of poverty and increase income. Fourthly, we set up a financial service site for the convenience of people, and designated financial service volunteers to carry out a series of “finance in villages” publicity, and solved the “last mile” problem of financial services in rural areas through mobile and portable terminals, banking service vehicles and otherwise.

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3.3.3 Retail Banking Business

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

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2019 | For the six months ended 30 June 2018 | Change (%) |
|---|--|--|------------|
| Net interest income from external customers | 351,219 | 398,777 | (11.9) |
| Inter-segment net interest income | 864,491 | 937,082 | (7.7) |
| Net interest income | 1,215,710 | 1,335,859 | (9.0) |
| Net fee and commission income | 152,757 | 141,288 | 8.1 |
| Other operating income | – | 944 | N/A |
| Asset impairment losses | 13,428 | (91,417) | N/A |
| Operating expenses | (414,005) | (456,768) | (9.4) |
| – Depreciation and amortization | (47,799) | (41,127) | 16.2 |
| – Others | (366,206) | (415,641) | (11.9) |
| Profit before income tax | 967,890 | 929,906 | 4.1 |

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2019 | As at 31 December 2018 | Change (%) |
|---|--------------------------|------------------------------|------------|
| Capital expenditure | 23,543 | 71,256 | (67.0) |
| Segment assets | 73,262,285 | 78,053,909 | (6.1) |
| Segment liabilities | (95,101,243) | (81,570,116) | 16.6 |

3.3.3.1 Personal Deposits

Fully utilizing its advantage as a regional brand, the Bank constantly promoted and marketed its special time deposit products “Xing Fu Cun (幸福存)”, “Meng Xiang Cun (梦想存)” and large certificate of personal deposit and continuously improved the maintenance of key customers such as VIP customers and subsidized customers, while strengthening marketing on young customers, service capabilities achieving growth while maintaining stability. The balance of personal deposits continued to increase rapidly by RMB13.51 billion or 16.8% as compared with the end of the previous year to RMB93.99 billion, and the local market share of which has been gradually increased.

3.3.3.2 Personal Loans

Personal consumption loans continued to develop steadily. The balance of personal consumption loans (including personal consumption loans and mortgage loans) increased by RMB4.96 billion to RMB56.30 billion, representing an increase of 8.7%. As always taking enhancing the customer experience as the starting point, the Bank constantly optimized the functionality of traditional loan products, and actively promoted the intelligent development of online loan products. Through integration of “Jie e Dai (捷e贷)” series products, we built an online loan products system with unified products, unified entrance and intelligent split of decisions, thus laying a solid foundation for expanding customer base throughout China.

3.3.3.3 Bank Cards

Bank card issuance and transaction volume of our bank card business recorded continuous growths. As of 30 June 2019, we had issued a total of 3,857.99 thousand debit cards with accumulated transaction volume of RMB6.74 billion in the first half of 2019, and a total of 223.51 thousand credit cards with accumulated transaction volume of RMB2.17 billion. In the first half of 2019, the Bank improved its payment functions with Cloud Quick Pass APP, including access to featured service, agency collection and payment, quick payment and account verification, so as to enhance cardholders' binding with Cloud Quick Pass and increase the transaction volume of agency collection and payment. The Bank has been committed to promoting the expansion of application functions such as bank card consumption and settlement, and constantly improving channels and security to facilitate a healthy development of the bank card business.

3.3.4 Treasury Operations

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

| (All amounts expressed in thousands of RMB unless otherwise stated) | For the six months ended 30 June 2019 | For the six months ended 30 June 2018 | Change (%) |
|---|--|--|---------------|
| Net interest income from external customers | 1,355,789 | 659,267 | 105.7 |
| Inter-segment net interest expense | (1,639,761) | (1,532,094) | 7.0 |
| Net interest income | (283,972) | (872,827) | (67.5) |
| Net fee and commission income | 377,322 | 392,999 | (4.0) |
| Net trading gains | 83,062 | 174,874 | (52.5) |
| Net gains on investment securities | 665,811 | 931,778 | (28.5) |
| Share of profits of an associate | 44,902 | 94,978 | (52.7) |
| Other operating income | 1,200 | 880 | 36.4 |
| Asset impairment losses | (250,161) | (326,517) | (23.4) |
| Operating expense | (150,460) | (72,758) | 106.8 |
| – Depreciation and amortization | (17,371) | (6,552) | 165.1 |
| – Others | (133,089) | (66,206) | 101.0 |
| Profit before income tax | 487,704 | 323,407 | 50.8 |

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2019 | As at 31 December 2018 | Change (%) |
|---|--------------------------|------------------------------|------------|
| Capital expenditure | 67,030 | 186,402 | (64.0) |
| Segment assets | 208,585,351 | 204,185,736 | 2.2 |
| Segment liabilities | (144,538,703) | (152,173,991) | (5.0) |

In the first half of 2019, with the continuous implementation of various financial regulatory policies, the financial inter-bank business environment has been effectively improved. On that basis, the Bank actively promoted the expansion of capital operation business, while focusing on enhancing liquidity control and inter-bank capital cost control, to ensure the healthy and stable development of the Bank's capital operation business. In the first half of 2019, the Bank's profit before tax amounted to RMB0.49 billion, representing a year-on-year increase of RMB0.16 billion or 50.8%.

Management Discussions and Analysis

3.3.4.1 Breakdown of securities investment by holding purpose

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|--------------------|----------------|------------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Financial investment measured at amortized cost | 84,622,037 | 62.76 | 82,523,309 | 61.77 |
| Financial investment at fair value through other comprehensive income | 33,983,242 | 25.20 | 34,478,553 | 25.81 |
| Held for trading | 16,228,857 | 12.04 | 16,587,883 | 12.42 |
| Total | 134,834,136 | 100.00 | 133,589,745 | 100.00 |

As of 30 June 2019, the balance of financial investment measured at amortized cost amounted to RMB84.62 billion, accounting for 62.76%; the balance of financial investment at fair value through other comprehensive income amounted to RMB33.98 billion, accounting for 25.20%; the balance of held for trading amounted to RMB16.23 billion, accounting for 12.04%.

3.3.4.2 Breakdown of securities investment by credit rating

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|--------------------|----------------|------------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| AAA | 3,186,366 | 2.36 | 6,616,679 | 4.95 |
| AA- to AA+ | 13,795,480 | 10.23 | 14,450,387 | 10.82 |
| A+ | 52,394 | 0.04 | 50,370 | 0.04 |
| Unrated | 115,170,057 | 85.42 | 110,037,027 | 82.37 |
| Interest receivable | 2,629,839 | 1.95 | 2,435,282 | 1.82 |
| Total | 134,834,136 | 100.00 | 133,589,745 | 100.00 |

As of 30 June 2019, the balance of the Bank's unrated securities investment increased by RMB5.13 billion or 4.7% from the end of the previous year to RMB115.17 billion, with the proportion increasing by 3.05 percentage points.

3.3.4.3 Breakdown of securities investment by remaining maturity

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|--------------------|---------------|------------------------|--------|
| | Percentage | | Percentage | |
| | Amount | (%) | Amount | (%) |
| Up to 3 months | 8,044,986 | 5.97 | 6,126,573 | 4.59 |
| 3 to 12 months | 17,253,933 | 12.80 | 20,243,716 | 15.15 |
| 1 to 5 years | 77,612,733 | 57.56 | 71,316,979 | 53.38 |
| Over 5 years | 31,922,484 | 23.67 | 35,902,477 | 26.88 |
| Total | 134,834,136 | 100.00 | 133,589,745 | 100.00 |

As of 30 June 2019, the balance of the Bank's securities investment due in 12 months decreased by RMB1.07 billion or 4.1% from the end of the previous year to RMB25.30 billion, with the proportion decreasing by 0.97 percentage point.

3.3.4.4 Holdings of financial bonds

Set out below are the top 10 financial bonds in terms of nominal value held by the Bank as at the dates indicated.

| Name of bond | Par value (RMB) | Annual interest rate | Maturity date |
|---|--------------------|-------------------------|------------------|
| 2016 Policy Bank Financial Bond | 1,000,000 | 3.18% | 5 April 2026 |
| 2018 Commercial Bank Bonds | 800,000 | 4.50% | 29 May 2021 |
| 2012 Policy Bank Financial Bond | 500,000 | 4.21% | 29 June 2019 |
| 2016 Policy Bank Financial Bond | 500,000 | 3.18% | 5 September 2026 |
| 2013 Policy Bank Financial Bond | 460,000 | 5.04% | 24 October 2023 |
| 2006 Policy Bank Financial Bond | 380,000 | 3.79% | 28 June 2021 |
| 2005 Policy Bank Financial Bond | 200,000 | 4.10% | 30 August 2025 |
| 2018 Commercial Bank Tier II Capital Bond | 200,000 | 5.30% | 8 June 2028 |
| 2018 Commercial Bank Tier II Capital Bond | 200,000 | 4.86% | 5 September 2028 |
| 2019 Inter-bank Certificates of Deposits | 130,000 | 2.90% | 8 August 2019 |

Management Discussions and Analysis

3.3.5 Distribution Channels

3.3.5.1 Physical Outlets

As at 30 June 2019, we operated our business and marketed our retail banking products and services through 142 sub-units, including the business department of our Head Office, our small enterprise loan center, 4 primary branches, and 43 offsite self-service banking centers, and through our extensive distribution channels, such as mobile banking and online banking, which cover all 38 districts and counties of Chongqing as well as three provinces in western China, namely Sichuan Province, Shaanxi Province and Guizhou Province.

3.3.5.2 Self-Service Facilities

As at 30 June 2019 we had 43 offsite self-service banking centers, 141 onsite self-service banking centers and 527 self-service terminals, including 157 ATMs and 370 self-service deposit and withdrawal machines that offer withdrawal, account inquiry, bill payment, deposit, passcode changing and/or fund transfer services. In the first half of 2019, we processed approximately 2,424.50 thousand self-service banking transactions, with a total transaction volume of RMB6.41 billion. The self-service banking centers and self-service terminals of the Bank provided safe services to the customers of the Bank, and also enhanced service efficiency and convenience.

3.3.5.3 Electronic Banking

The Bank vigorously developed electronic banking business, and provided comprehensive and efficient banking products and services to customers through channels such as online banking, mobile banking and WeChat banking. In the first half of 2019, the number of customers of electronic banking business continued to grow with expanding transaction volume, and third party payment and online lending business also achieved good results.

(1) Personal Customers

As of 30 June 2019, the Bank had 1,705.70 thousand electronic banking personal customers in aggregate, including 817.20 thousand online banking customers, 813.80 thousand mobile banking customers and 74.70 thousand WeChat banking customers, representing an increase of 202.10 thousand electronic banking personal customers or 13.8% as compared with the end of the previous year. The total transaction volume of electronic banking personal customers amounted to 2,763.40 thousand, including 398.60 thousand transactions through online banking and 2,364.80 thousand through mobile phones. The total transaction volume amounted to RMB114.79 billion, including RMB21.10 billion through online banking and RMB93.69 billion through mobile banking.

(2) Corporate Entities

As of 30 June 2019, the Bank had 24,936 corporate online banking customers in aggregate, representing an increase of 2,897 customers or 13.1% as compared with the end of the previous year. The total number of transactions amounted to 1,101.20 thousand, and the total transaction volume amounted to RMB154.52 billion.

(3) Third Party Payment

As of 30 June 2019, 9 merchants in aggregate accessed to third party payment. The total number of transactions amounted to 21,446.5 thousand, and the total transaction volume amounted to RMB15.6 billion.

(4) Online Lending Business

As of 30 June 2019, a total of 11,328 loans were granted under “Hao Qi Dai (好企贷)”, representing an increase of 3,104 loans as compared with the end of the previous year. The accumulated amount of loans granted reached RMB6.58 billion, representing an increase of RMB2.04 billion as compared with the end of the previous year. There were 5,514 managed accounts with a balance of RMB3.55 billion.

3.3.5.4 Information Technology

In the first half of 2019, the Bank continued to optimize key business systems with focus on new core businesses and new credit businesses to timely respond to the demand of businesses and decision-making, while continuously strengthening the development of information security systems to improve security prevention and control capabilities and implement information technology work in an orderly manner.

We continued to strengthen internal control on information technology to enhance risk prevention and control capability based on information technology. Firstly, we continued our works on establishment of IT internal control system, and completed the modification of 2 IT internal control systems in the first half of 2019. Secondly, we proactively carried out information technology risk investigation and the security assessment of e-banking system as well as rectification work. Thirdly, we strengthened the construction of information security system, developed the network data leakage prevention system and mobile application security management system, thus enhancing the Bank's capability to prevent data leakage. We improved the monitoring model of the network security operation management platform and carried out centralized correlation analysis of the system log, so as to enhance the Bank's capability to identify threats within the network.

We actively ensured the stable operation of the Bank's information system, and enhanced the construction of key projects under the basic production environment. Firstly, we fully engaged in the project construction of "Two Sites and Three Centers, and Intra-city Dual-active Data Centers", and promoted the transformation of "Dual-active Data Centers" for all applications in an orderly way. Secondly, we promoted the construction of integrated operation and maintenance projects. Thirdly, we conducted the switching exercise between core systems of Intra-city Dual-active Data Centers, and verified the capacities of intra-city disaster backup centers in taking over main production centers.

We accelerated the innovation and integration of technology and business, facilitated the application of new technologies and promoted the upgrading and updating of information system. Firstly, through capitalizing on the new generation of core systems, new credit systems and big data platforms, we increased product innovation, completed the launch of personal structured deposit products, significantly optimized public structured deposit products, and launched "Wei e Dai" (微E贷), "Sichuan Shang Chao Dai" (四川商超贷), Knowledge Value Credit Loan, Support Loan for Micro Enterprises and other loan products. Secondly, we carried out key projects construction. We put into production the remote centralized authorization project, which provided solid technical support and assurance for promoting intelligent operation and construction and assisting the transformation of network; adopted paperless transmission of credit files, and realized the paperless online transmission and approval of some key credit files, laying foundation for further promoting the paperless transformation for all online credit. Thirdly, we launched the Payment Platform for Small and Micro Loans, and the system for adopting International Financial Reporting Standards 9 (IFRS 9), the data mart system for assets and liabilities IFRS 9, exposure system of large credit Phase I, intelligent risk control decision-making management system for online credit, mobile statistical analysis system, the new T+1 core report system, the third generation anti-money laundering system and the second generation anti-counterfeit currency system.

Management Discussions and Analysis

3.4 Employees and Human Resources Management

3.4.1 Details of the employees

3.4.1.1 *Composition of employees*

As at 30 June 2019, there were 4,190 employees on-duty, of which 762 or 18.19% were management personnel while 133 or 3.17% were marketing personnel, both worked at the Head Office, and 2,353 or 56.16% worked at branch outlets in Chongqing while 942 or 22.48% worked at branches in other cities.

3.4.1.2 *Range of their ages*

The average age of the employees of the Bank was 35 years old, of which 172 or 4.11% of them were aged 25 or under, while 1,068 or 25.49% of them were aged between 26 to 30 years old. 1,383 or 33.01% of them were aged between 31 to 35 years old while 573 or 13.68% of them were aged between 36 to 40 years old. 440 or 10.50% of them were aged between 41 to 45 years old while 420 or 10.01% of them were aged between 46 to 50 years old and 134 or 3.20% of them were aged above 50 years old.

3.4.1.3 *Educational background*

498 or 11.89% of the employees of the Bank possessed a post-graduate qualification or above, and 7 of which held Doctoral degrees. 3,091 or 73.77% of them held Bachelor degrees while 601 or 14.34% of them received junior college degrees or below.

3.4.1.4 *Composition of gender*

The Bank had 1,834 male employees and 2,356 female employees, with the proportion of 43.77% and 56.23% respectively.

3.4.2 Overall management of human resources

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

3.4.3 Training and development of the employees

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

3.5 Risk Management

3.5.1 Credit risk management

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

Accurate market positioning and customers selection. In response to the call of the government, it grants more credits in industries with better prospects 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 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.

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3.5.2 Management on operational risk

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

During the Reporting Period, the Bank 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.

3.5.3 Market risk management

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

3.5.3.1 Interest rate risk

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

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

| (All amounts expressed in thousands of RMB unless otherwise stated) | Within 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|--|----------------------|---------------------|----------------------|----------------------|--------------------|----------------------|----------------------|
| 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 |

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| (All amounts expressed in thousands of RMB unless otherwise stated) | Within 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|--|----------------------|---------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| 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 | 101,944,054 | 24,940,454 | 168,762,543 | 107,414,335 | 25,711,722 | 14,690,290 | 443,463,398 |
| Liabilities | | | | | | | |
| Due to other banks and financial institutions | (17,565,634) | (7,265,568) | (31,792,939) | - | (52,326) | (413,472) | (57,089,939) |
| Financial liabilities at fair value through profit or loss | - | - | - | - | - | (657) | (657) |
| Customer deposits | (92,336,786) | (11,850,779) | (60,111,322) | (87,159,126) | (2,711,264) | (2,224,916) | (256,394,193) |
| Debt securities issued | (4,262,108) | (22,482,064) | (53,273,604) | (9,088,383) | (7,494,209) | (382,245) | (96,982,613) |
| Other financial liabilities | - | - | - | - | - | (3,417,537) | (3,417,537) |
| Total financial liabilities | (114,164,528) | (41,598,411) | (145,177,865) | (96,247,509) | (10,257,799) | (6,438,827) | (413,884,939) |
| Total interest rate sensitivity gap | (12,220,474) | (16,657,957) | 23,584,678 | 11,166,826 | 15,453,923 | 8,251,463 | 29,578,459 |

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.

3.5.3.2 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.

3.5.4 Liquidity risk management

The liquidity risk management of the Group aims to fully identify, effectively measure, constantly monitor and properly control the overall liquidity risk of the Group and the liquidity risks within its products, business lines, business links, and branches, keep 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 revising the liquidity risk management measures, 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.

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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:

| (All amounts expressed in thousands of RMB unless otherwise stated) | On demand | Within 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | In perpetuity | Overdue | Total |
|---|--------------|----------------|---------------|----------------|--------------|--------------|---------------|-----------|------------|
| 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 |

| (All amounts expressed in thousands of RMB unless otherwise stated) | On demand | Within 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | In perpetuity | Overdue | Total |
|---|--------------|----------------|---------------|----------------|--------------|--------------|---------------|-----------|------------|
| 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

| (All amounts expressed in thousands of RMB unless otherwise stated) | 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 is introduced to ensure that commercial banks have sufficient and stable funding to meet the requirements of various assets and off-balance sheet risk exposures for stable funding. According to the Administrative Measures for Liquidity Risk Management of Commercial Banks, which was implemented on 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%.

3.6 Capital Management

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

In order to facilitate the Group's sustainable development, transformation of growth modes, coordination of its capital operations and capital preservation, and to further enhance capital preservation awareness among operating institutions, in recent years, the Group has paid attention to the capital consumption and earnings of various institutions in performance appraisal, and further improved its risk adjustment methods and performance appraisal plan, and provided guidance to branches and management to focus on capital preservation operations and high capital yield operations. At the same time, 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-cyclicality capital during the transition period.

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

| (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 |

Management Discussions and Analysis

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

| | As at 30 June 2019 | As at 31 December 2018 |
|--|--------------------------|------------------------------|
| (All amounts expressed in thousands of RMB unless otherwise stated) | | |
| 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 |

Management Discussions and Analysis

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).

Change in Share Capital and Shareholders

4.1 Changes in the Ordinary Shares

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

| | As at 31 December 2018 | | Changes during the Reporting Period | | | As at 30 June 2019 ⁽¹⁾ | |
|---|------------------------|----------------|-------------------------------------|----------|-----------|-----------------------------------|----------------|
| | Number | Percentage | Issue of new shares | Others | Sub-total | Number | Percentage |
| 1. Shareholding of Domestic Shares legal persons | 1,490,785,032 | 47.67% | - | N/A | N/A | 1,488,207,305 | 47.59% |
| Of which: Shareholding of state-owned legal persons | 1,034,153,537 | 33.07% | - | N/A | N/A | 1,024,466,664 | 32.76% |
| Shareholding of private legal persons | 456,631,495 | 14.60% | - | N/A | N/A | 463,740,641 | 14.83% |
| 2. Shareholding of Domestic Shares natural persons | 57,248,961 | 1.83% | - | N/A | N/A | 56,548,385 | 1.81% |
| Of which: Shareholding of employee natural persons | 35,271,593 | 1.13% | - | N/A | N/A | 35,210,499 | 1.13% |
| Shareholding of natural persons other than employees | 21,977,368 | 0.70% | - | N/A | N/A | 21,337,886 | 0.68% |
| 3. Shareholding of shareholders for Domestic Shares without affirmed ownership ⁽²⁾ | - | - | - | N/A | N/A | 3,278,303 | 0.10% |
| 4. H Shares | 1,579,020,812 | 50.50% | - | - | - | 1,579,020,812 | 50.50% |
| Total | 3,127,054,805 | 100.00% | - | - | - | 3,127,054,805 | 100.00% |

Notes:

- (1) The Bank has used the register of members provided by the China Securities Depository and Clearing Co., Ltd., the custody institution for Domestic Shares, to calculate and present the shareholding structure table since this Interim Report, and the number of shares held by the shareholders for Domestic Shares in all kinds of the Bank and the percentage of shareholding during the Reporting Period have not changed when calculated on the same basis as previous period.
- (2) Shareholding of shareholders for Domestic Shares without affirmed ownership refers to the shares held by shareholders for Domestic Shares who are unable to confirm the identity of shareholders due to reasons such as inability to be contacted or inability to provide information for ownership affirmation.

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

Unit: share

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

Notes:

- (1) Chongqing Yufu Assets Management Group Co., Ltd. directly holds 407,929,748 non-overseas listed shares of the Bank and holds 54,250,000 H shares of the Bank through its subsidiary Chongqing Yufu (HongKong) Limited, while Southwest Securities Company, Ltd. and Chongqing Hotel Co., Ltd. acting in concert with it hold and jointly hold 5,486,112 non-overseas listed shares of the Bank and 467,665,860 shares of the Bank, representing 14.96% of the Bank's total shares.
- (2) Chongqing International Trust Co., Ltd., acting in concert with Chongqing Road & Bridge Co., Ltd., holds and jointly holds non-overseas listed shares of the Bank 195,102 shares and 171,534,800 shares, representing 5.49% of the Bank's total shares.

Change in Share Capital and Shareholders

Particulars of Domestic Shares Pledged of the Bank

Unit: share

| Name of shareholder | Total number of shares held | Total number of shares held Shareholding percentage (%) | Number of shares pledged ⁽¹⁾ | Number of shares pledged Percentage of total shares held (%) |
|--|-----------------------------|---|---|--|
| Lifan Industry (Group) Co., Ltd. | 129,564,932 | 4.14 | 129,564,932 | 100.00 |
| Chongqing South Group Limited | 68,602,362 | 2.19 | 68600000 | 99.99 |
| Chongqing Shengwang Machinery & Electric Equipment Import & Export Co., Ltd. | 5,000,000 | 0.16 | 5,000,000 | 100.00 |
| Chongqing Sincere Holding(Group) Co., Ltd. | 4,877,587 | 0.16 | 4,877,587 | 100.00 |
| Chongqing Zungui Construction Engineering Co., Ltd. | 4,500,000 | 0.14 | 4,500,000 | 100.00 |
| Chongqing Hubang Industry (Group) Co., Ltd. | 4,052,290 | 0.13 | 4,052,290 | 100.00 |
| Haikou Xinyuan Industrial Development Co., Ltd. | 2,281,734 | 0.07 | 2,281,734 | 100.00 |
| Hainan Venture Capital Management Co., Ltd. | 1,488,054 | 0.05 | 1,488,054 | 100.00 |
| Zhang Jialun | 595,064 | 0.02 | 595,064 | 100.00 |
| Total | 220,962,023 | 7.06 | 220,959,661 | – |

Note: (1) As of 30 June 2019, the total number of shares pledged in the non-overseas listed shares of the Bank amounted to 220,959,661 shares, of which 129,564,932 pledged shares were involved in the judicial freeze, representing 4.14% of the Bank's total shares.

Change in Share Capital and Shareholders

Interests and Short Positions of Substantial Shareholders and Other Persons

As at 30 June 2019, the interests of substantial shareholders (as defined under the SFO), other than Directors and Supervisors of the Bank, in H Shares and the underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO and to the best knowledge of the Bank were as follows:

Unit: share

| Name of shareholder | Capacity | Number of H Shares held | Percentage of the total number of H Shares of the Bank (%) | Percentage of the total share capital of the Bank (%) |
|--|---|---------------------------------|--|---|
| Dah Sing Bank, Limited ⁽¹⁾ | Beneficial owner | 458,574,853 (long position) | 29.04 | 14.66 |
| Dah Sing Banking Group Limited ⁽¹⁾ | Interest of a controlled corporation | 458,574,853 (long position) | 29.04 | 14.66 |
| Dah Sing Financial Holdings Limited ⁽¹⁾ | Interest of a controlled corporation | 458,574,853 (long position) | 29.04 | 14.66 |
| HSBC International Trustee Limited ⁽⁵⁾ | Interest of a trustee | 458,574,853 (long position) | 29.04 | 14.66 |
| David Shou-Yeh WONG ⁽¹⁾ | Settlor of a discretionary trust/interest of the beneficiary of a trust | 458,574,853 (long position) | 29.04 | 14.66 |
| Christine Yen WONG ⁽¹⁾ | Interest of spouse | 458,574,853 (long position) | 29.04 | 14.66 |
| Harold Tsu-Hing WONG ⁽¹⁾ | Deemed interest | 458,574,853 (long position) | 29.04 | 14.66 |
| SAIC Motor HK Investment Limited ⁽²⁾ | Beneficial owner | 240,463,650 (long position) | 15.23 | 7.69 |
| SAIC Motor Corporation Limited ⁽²⁾ | Interest of a controlled corporation | 240,463,650 (long position) | 15.23 | 7.69 |
| Lifan International (Holdings) Limited (力帆國際(控股)有限公司) ⁽³⁾ | Beneficial owner | 165,254,000 (long position) | 10.46 | 5.28 |
| | | 122,500,000 (short position) | 7.75 | 3.91 |
| Chongqing Lifan Industry (Group) Import and Export Co., Ltd. (重慶力帆實業(集團)進出口有限公司) ⁽³⁾ | Interest of a controlled corporation | 165,254,000 (long position) | 10.46 | 5.28 |
| | | 122,500,000 (short position) | 7.75 | 3.91 |
| Lifan Industry (Group) Co., Ltd. ⁽³⁾ | Interest of a controlled corporation | 165,254,000 (long position) | 10.46 | 5.28 |
| | | 122,500,000 (short position) | 7.75 | 3.91 |

Change in Share Capital and Shareholders

| Name of shareholder | Capacity | Number of H Shares held | Percentage of the total number of H Shares of the Bank (%) | Percentage of the total share capital of the Bank (%) |
|--|--------------------------------------|---------------------------------|--|---|
| Chongqing Lifan Holdings Co., Ltd. ⁽³⁾ | Interest of a controlled corporation | 165,254,000 (long position) | 10.46 | 5.28 |
| | | 122,500,000 (short position) | 7.75 | 3.91 |
| Chongqing Huiyang Holdings Co., Ltd. ⁽³⁾ | Interest of a controlled corporation | 165,254,000 (long position) | 10.46 | 5.28 |
| | | 122,500,000 (short position) | 7.75 | 3.91 |
| YIN Mingshan ⁽³⁾ | Interest of a controlled corporation | 165,254,000 (long position) | 10.46 | 5.28 |
| | | 122,500,000 (short position) | 7.75 | 3.91 |
| CHEN Qiaofeng ⁽³⁾ | Interest of spouse | 165,254,000 (long position) | 10.46 | 5.28 |
| | | 122,500,000 (short position) | 7.75 | 3.91 |
| Funde Sino Life Insurance Co., Ltd. ⁽⁴⁾ | Beneficial owner | 150,000,000 (long position) | 9.50 | 4.80 |
| | | 67,570,150 (long position) | 4.28 | 2.16 |
| Chongqing Beiheng Investment & Development Limited | Beneficial owner | 84,823,500 (long position) | 5.37 | 2.71 |
| Fund Resources Investment Holding Group Company Limited ⁽⁴⁾ | Beneficial owner | 67,570,150 (long position) | 4.28 | 2.16 |

Change in Share Capital and Shareholders

Notes:

- (1) *Dah Sing Bank, Limited held 458,574,853 H Shares of the Bank. Dah Sing Bank, Limited is wholly owned by Dah Sing Banking Group Limited, which is in turn owned as to approximately 74.37% by Dah Sing Financial Holdings Limited. Mr. David Shou-Yeh WONG is the beneficial owner of approximately 42.96% of the issued share capital of Dah Sing Financial Holdings Limited and Ms. Christine Yen WONG is the spouse of Mr. David Shou-Yeh WONG. For the purpose of the SFO, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Mr. David Shou-Yeh WONG, Ms. Christine Yen WONG and Mr. Harold Tsu-Hing WONG are deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited.*
- (2) *SAIC Motor HK Investment Limited held 240,463,650 H Shares of the Bank. SAIC Motor HK Investment Limited is wholly owned by SAIC Motor Corporation Limited. For the purpose of the SFO, SAIC Motor Corporation Limited is deemed to be interested in the Shares of the Bank held by SAIC Motor HK Investment Limited.*
- (3) *As confirmed by Chongqing Lifan Industry (Group) Import and Export Co., Ltd., Lifan Industry (Group) Co., Ltd., Chongqing Lifan Holdings Co., Ltd., Chongqing Huiyang Holdings Co., Ltd., Mr. YIN Mingshan and Ms. CHEN Qiaofeng, as at 30 June 2019, Lifan International (Holdings) Limited held 165,254,000 H Shares of the Bank. Lifan International (Holdings) Limited is wholly owned by Chongqing Lifan Industry (Group) Import and Export Co., Ltd. which is wholly owned by Lifan Industry (Group) Co., Ltd. Lifan Industry (Group) Co., Ltd. is owned as to 49.40% by Chongqing Lifan Holdings Co., Ltd., which is in turn owned as to 72% by Chongqing Huiyang Holdings Co., Ltd. Mr. YIN Mingshan is the beneficial owner of approximately 51% of the interests of Chongqing Huiyang Holdings Co., Ltd. and Ms. CHEN Qiaofeng is the spouse of Mr. YIN Mingshan. For the purpose of the SFO, Chongqing Lifan Industry (Group) Import and Export Co., Ltd., Lifan Industry (Group) Co., Ltd., Chongqing Lifan Holdings Co., Ltd., Chongqing Huiyang Holdings Co., Ltd., Mr. YIN Mingshan and Ms. CHEN Qiaofeng are deemed to be interested in the Shares of the Bank held by Lifan International (Holdings) Limited.*
- (4) *Funde Sino Life Insurance Co., Ltd. held 150,000,000 H Shares of the Bank and Fund Resources Investment Holding Group Company Limited held 67,570,150 H Shares of the Bank. Fund Resources Investment Holding Group Company Limited is wholly owned by Funde Sino Life Insurance Co., Ltd. For the purpose of the SFO, Funde Sino Life Insurance Co., Ltd. is deemed to be interested in the Shares of the Bank held by Fund Resources Investment Holding Group Company Limited.*
- (5) *HSBC International Trustee Limited, the trustee of a discretionary trust established for the benefit of the family members of Mr. David Shou-Yeh Wong (the grantor), held 39.49% interests in Dah Sing Financial Holdings Limited indirectly. For the purpose of the SFO, HSBC International Trustee Limited is deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited (see note (1) above).*

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

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

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

Change in Share Capital and Shareholders

4.2 Preference Shares

Issuance and Listing of Preference Shares in the Last Three Years

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

The Offshore Preference Shares will have a par value of RMB100 each and will be issued as fully paid-up capital in US dollars so that the total issuance price of the Offshore Preference Shares will be US\$20 each. The Offshore Preference Shares will be issued in registered form and issued and transferable only in

minimum amounts of US\$200,000 (or 10,000 Offshore Preference Shares) and integral multiples of US\$1,000 (or 50 Offshore Preference Shares) in excess thereof. The Offshore preference shares shall have no less than 6 qualified places and are offered to professional investors and not retail investors.

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

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

Number of Holders and Shareholding of the Preference Shares

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

Unit: share

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

Notes:

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

Change in Share Capital and Shareholders

Dividend Distribution of Preference Shares

As at the end of the Reporting Period, the Offshore Preference Shares issued by the Bank had not reached the dividend payment date during the year and there was no distribution of dividend for the Offshore Preference Shares during the year.

Redemption or Conversion of Preference Shares

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

Restoration of Voting Rights of Preference Shares

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

Accounting Policy Adopted for Preference Shares and its Reasons

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

Directors, Supervisors and Senior Management

5.1 Directors, Supervisors and Senior Management of the Bank

As at the date of publication of this report, 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 nine supervisors, including four employee supervisors, namely Mr. YANG Xiaotao, Mr. HUANG Changsheng, Mr. ZHOU Xiaohong and Mr. YIN Jun; two shareholder supervisors, namely Mr. WU Bing and Mr. ZENG Xiangming; 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.

As at 30 June 2019, the interests of the Directors, the Supervisors and the chief executives of the Bank and their associates in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules are as follows:

| Name | Capacity | Number of shares held | Percentage of the total share capital of the Bank (%) |
|------------------|--------------------|-----------------------|---|
| RAN Hailing | Beneficial owner | 45,374 | 0.001% |
| LIU Jianhua | Beneficial owner | 167,975 | 0.005% |
| YANG Yusong | Beneficial owner | 1,033 | 0.00003% |
| HUANG Changsheng | Beneficial owner | 123,451 | 0.004% |
| | Interest of spouse | 60,647 | 0.002% |
| ZHOU Xiaohong | Beneficial owner | 144,585 | 0.005% |

Save as disclosed above, none of the Directors, the Supervisors or the chief executives of the Bank or their associates held any interests or short positions in any Shares, underlying Shares and debentures of the Bank or its associated corporations as at 30 June 2019.

Directors, Supervisors and Senior Management

5.2 Changes in Directors, Supervisors and Senior Management

On 17 April 2019, the Bank received the Approval of the Qualification of WU Heng (Yu Yin Bao Jian Fu [2019] No.139) printed and distributed by the 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.

5.3 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.

Significant Events

6.1 Corporate Governance Code

During the Reporting Period, the Bank is dedicated to improving the transparency of the 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 of the Bank, except for employee supervisors, are all elected at the Shareholders' general meeting.

Unless otherwise disclosed in the section headed "5.2 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 meeting expectations from the Shareholders and potential investors.

6.2 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 "Interim Condensed Consolidated Financial Statements and Notes" of this report.

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.

6.3 Related Party Transactions

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

6.4 Material Litigation and Arbitration

As at 30 June 2019, the Group had 33 outstanding legal claims of RMB41 million in total (31 December 2018: 27 outstanding legal claims of RMB285 million in total) arising from the ordinary course of business. 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.

Significant Events

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

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

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

During the Reporting Period, the Bank or its shareholders holding over 5% of the total issued shares of the Bank were not involved in any undertaking.

6.7 Material Contracts and their Performance

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

6.8 Major Asset Purchases, Sales and Mergers

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

6.9 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 Board of the Bank have reviewed and approved this interim report.

6.10 Publication of Interim Report

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

6.11 Others

According to paragraph 40 of Appendix 16 Disclosure of Financial Information of the Listing Rules, save as disclosed herein, the Bank confirms that the current company information in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Bank's 2018 annual report.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF BANK OF CHONGQING CO., LTD.

(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 74 to 146, which comprises the interim condensed consolidated statement of financial position of Bank of Chongqing Co., Ltd. (the 'Bank') and its subsidiary (together, the 'Group') as at 30 June 2019 and the interim condensed consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 'Interim Financial Reporting'. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 August 2019

Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statement of Comprehensive Income

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

| | Note | 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 | 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 | 5 | 607,325 | 680,042 |
| Net trading gains | 6 | 104,134 | 215,238 |
| Net gains on investment securities | 7 | 665,811 | 931,778 |
| Other operating income | 8 | 47,005 | 31,842 |
| Operating income | | 5,473,532 | 5,119,373 |
| Operating expenses | 9 | (1,171,262) | (1,137,331) |
| Impairment losses | 11 | (1,153,489) | (1,177,533) |
| Operating profit | | 3,148,781 | 2,804,509 |
| Share of profit of associates | 20 | 44,902 | 94,978 |
| Profit before income tax | | 3,193,683 | 2,899,487 |
| Income tax | 12 | (704,761) | (605,322) |
| Net profit for the period | | 2,488,922 | 2,294,165 |
| 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 | 37 | 393,630 | (90,690) |
| Comprehensive income for the period | | 2,882,552 | 2,203,475 |

Interim Condensed Consolidated Statement of Comprehensive Income (Continued)

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

| | Note | For the six months ended 30 June | |
|---|------|----------------------------------|---------------------|
| | | 2019 (Unaudited) | 2018 (Unaudited) |
| 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 | 13 | 0.77 | 0.73 |

The accompanying notes form an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Financial Position

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

| | Note | 30 June 2019 (Unaudited) | 31 December 2018 (Audited) |
|--|------|--------------------------------|----------------------------------|
| ASSETS | | | |
| Cash and balances with central bank | 14 | 34,474,931 | 33,216,841 |
| Due from other banks and financial institutions | 15 | 44,552,658 | 57,915,079 |
| Financial assets at fair value through profit or loss ('FVPL') | 16 | 32,755,814 | 27,421,858 |
| Loans and advances to customers | 18 | 221,936,764 | 205,923,212 |
| Investment securities | 19 | | |
| – Fair value through other comprehensive income ('FVOCI') | | 34,191,856 | 34,687,167 |
| – Amortised cost | | 84,622,037 | 82,523,309 |
| Investment in associates | 20 | 1,683,225 | 1,638,323 |
| Property, plant and equipment | 21 | 3,039,429 | 3,023,292 |
| Deferred income tax assets | 27 | 2,034,319 | 1,890,680 |
| Other assets | 22 | 2,561,767 | 2,129,212 |
| Total assets | | 461,852,800 | 450,368,973 |
| LIABILITIES | | | |
| Due to other banks and financial institutions | 23 | 48,528,389 | 57,089,939 |
| Financial liabilities at fair value through profit or loss | 17 | 4,000 | 657 |
| Customer deposits | 24 | 272,127,426 | 256,394,193 |
| Debt securities issued | 25 | 98,170,642 | 96,982,613 |
| Current tax liabilities | | 482,143 | 548,673 |
| Other liabilities | 26 | 5,537,931 | 4,741,325 |
| Total liabilities | | 424,850,531 | 415,757,400 |
| EQUITY | | | |
| Share capital | 29 | 3,127,055 | 3,127,055 |
| Preference shares | 30 | 4,909,307 | 4,909,307 |
| Capital surplus | 31 | 4,680,638 | 4,680,638 |
| Other reserves | 32 | 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 |

The accompanying notes form an integral part of this condensed consolidated interim financial information.

Chairman of the Board:
Lin Jun

President:
Ran Hailing

Vice President:
Yang Shiyin

Head of Financial Department:
Yang Kun

Interim Condensed Consolidated Statement of Changes in Equity

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

| | Share capital Note 29 | Preference shares Note 30 | Capital surplus Note 31 | Other reserves | | | | Retained earnings | Non-controlling interests | Total |
|---|--------------------------|------------------------------|----------------------------|----------------------------|----------------------------|--|---|-------------------|---------------------------|-------------------|
| | | | | Surplus reserve Note 32 | General reserve Note 32 | Revaluation reserve for FVOCI Note 32 | Remeasurement of retirement benefits Note 32 | | | |
| Balance at 31 December 2018 | 3,127,055 | 4,909,307 | 4,680,638 | 2,616,566 | 5,400,150 | 276,973 | (4,497) | 12,044,820 | 1,560,561 | 34,611,573 |
| Net profit for the period | - | - | - | - | - | - | - | 2,421,889 | 67,033 | 2,488,922 |
| Other comprehensive income (Note 37) | - | - | - | - | - | 393,275 | 355 | - | - | 393,630 |
| Total comprehensive income | - | - | - | - | - | 393,275 | 355 | 2,421,889 | 67,033 | 2,882,552 |
| Dividends (Note 33) | - | - | - | - | - | - | - | (481,566) | (10,290) | (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) | 13,908,353 | 1,617,304 | 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) | 11,596,948 | 1,508,316 | 32,459,912 |
| Changes on initial application of IFRS 9 | - | - | - | - | - | 144,764 | - | (1,618,490) | (3) | (1,473,729) |
| Restated balance at 1 January 2018 | 3,127,055 | 4,909,307 | 4,680,638 | 2,245,019 | 4,747,365 | (208,558) | (1,414) | 9,978,458 | 1,508,313 | 30,986,183 |
| Net profit for the period | - | - | - | - | - | - | - | 2,272,274 | 21,891 | 2,294,165 |
| Other comprehensive income (Note 37) | - | - | - | - | - | (88,819) | (1,871) | - | - | (90,690) |
| Total comprehensive income | - | - | - | - | - | (88,819) | (1,871) | 2,272,274 | 21,891 | 2,203,475 |
| Dividends (Note 33) | - | - | - | - | - | - | - | (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) | 11,262,362 | 1,530,204 | 32,820,666 |

The accompanying notes form an integral part of this condensed consolidated interim financial information.

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 | (83,062) | (174,874) |
| Net gains arising from financial investments | (627,747) | (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 financing activities | 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 (decrease)/increase 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 | 4,336,940 | (13,830,687) |

Interim Condensed Consolidated Statements of Cash Flows (Continued)

(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 | 32,750,615 | 139,910,082 |
| Purchase of securities investments | (35,704,910) | (120,708,956) |
| Net cash (outflows)/inflows from investing activities | (3,065,469) | 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 (Note 38) | 14,832,559 | 23,723,382 |

The accompanying notes form an integral part of this condensed consolidated interim financial information.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

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

1 GENERAL INFORMATION

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

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

As at 30 June 2019, the Bank operates its business through 142 sub-branches including Head Office Business Department, a small enterprise credit centre, and 4 primary branches covering all 38 districts and counties of Chongqing as well as three provinces in western China, namely Sichuan province, Shaanxi province and Guizhou province.

The principal activities of the Bank and its subsidiary (together, 'the Group') include deposit taking, loan lending, settlement services, financial leasing and other services as approved by the respective regulators.

This condensed consolidated interim financial information were approved by the Board of Directors of the Bank on 30 August 2019.

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

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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

2 BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(b) Significant accounting policies

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

Standards and amendments effective since 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 reporting period except IFRS 16.

Changes in significant accounting policies

IFRS 16

IFRS 16 was officially issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The new standards improve the identification, breakdown and merger of leases and require lessees to recognise leases in balance sheets. For lessees, the new leasing standards will recognise substantially 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 applied 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 treatment 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

2 BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(b) Significant accounting policies (Continued)

Changes in significant accounting policies (Continued)

IFRS 16 (Continued)

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 | 4,741,325 | 124,257 | 4,865,582 |

The restated amount of other assets was RMB124,457 thousand, including RMB137,275 thousand of right-of-use assets and RMB13,018 thousand of prepaid rental expenses.

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

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

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

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

2 BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(b) Significant accounting policies (Continued)

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 profit or loss on the straight-line basis for each period of the lease term or in the related assets costs.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

2 BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(b) Significant accounting policies (Continued)

The Group's leasing activities and accounting treatment (Continued)

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. |

The group anticipates that the adoption of the amendments will not have any significant impact on the Group's consolidated financial statements.

(c) Major accounting estimates and judgements adopted in the implementation of 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

3 SUBSIDIARY

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. | 16,809,978 | 13,509,359 | 280,465 | 136,802 |

4 NET INTEREST INCOME

| | 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 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

5 NET FEE AND COMMISSION INCOME

| | 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 NET TRADING GAINS

| | 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 RMB12,600 thousand for the six months ended 30 June 2019 (for the six months ended June 30 2018: amounting to RMB32,406 thousand).

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

7 NET GAINS ON INVESTMENT SECURITIES

| | 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) |
| | 665,811 | 931,778 |

8 OTHER OPERATING INCOME

| | 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 |
| | 47,005 | 31,842 |

(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 rental income of the Group is generated from leasing its buildings and transportation facilities.

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

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

9 OPERATING EXPENSES

| | Note | For the six months ended 30 June | |
|---|-------|----------------------------------|------------------|
| | | 2019 | 2018 |
| Staff costs (including directors and supervisors' emoluments) | 10 | 707,515 | 675,906 |
| General and administrative expenses | | 218,371 | 236,460 |
| Depreciation of property, plant and equipment | 21 | 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 | 22(b) | 20,522 | 16,369 |
| Amortisation of long-term prepaid expenses | | 4,987 | 10,826 |
| Amortisation of land use rights | 22(a) | 2,336 | 2,348 |
| Donations | | 7,280 | 2,405 |
| Depreciation of investment properties | 22(c) | 58 | 70 |
| Depreciation of right-of-use assets | 22(d) | 19,387 | N/A |
| Others | | 127 | 1,575 |
| | | 1,171,262 | 1,137,331 |

10 STAFF COSTS (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS)

| | Note | For the six months ended 30 June | |
|--|------|----------------------------------|----------------|
| | | 2019 | 2018 |
| Salaries and bonuses | | 498,282 | 498,168 |
| Pension expenses | 28 | 81,912 | 70,839 |
| Housing benefits and subsidies | | 41,725 | 39,005 |
| Labour union and staff education expenses | | 11,133 | 11,351 |
| Other social security and benefit expenses | | 74,463 | 56,543 |
| | | 707,515 | 675,906 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

11 IMPAIRMENT LOSSES

| | Note | For the six months ended 30 June | |
|---|-------|----------------------------------|-----------|
| | | 2019 | 2018 |
| Loans and advances to customers carried at amortised cost | 18(b) | 768,664 | 851,015 |
| Loans and advances at FVOCI | 18(b) | 68,088 | 6,489 |
| Investment securities – amortised cost | 19 | 180,906 | 331,913 |
| Investment securities – FVOCI | 19 | (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 |
| | | 1,153,489 | 1,177,533 |

12 INCOME TAX

| | Note | For the six months ended 30 June | |
|---------------------|------|----------------------------------|---------|
| | | 2019 | 2018 |
| Current income tax | | 979,492 | 444,830 |
| Deferred income tax | 27 | (274,731) | 160,492 |
| | | 704,761 | 605,322 |

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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

12 INCOME TAX (Continued)

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 | 704,761 | 605,322 |

(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.

13 BASIC AND DILUTED EARNINGS PER SHARE

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 | – | – |
| Net profit attributable to ordinary shareholders of the Bank | 2,421,889 | 2,272,274 |
| Weighted average number of ordinary shares (expressed in thousands) | 3,127,055 | 3,127,055 |
| Basic and diluted earnings per share (expressed in RMB Yuan) | 0.77 | 0.73 |

The Bank issued non-cumulative preference shares on 20 December 2017 under the terms and conditions as detailed in Note 30. 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

14 CASH AND BALANCES WITH CENTRAL BANK

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| Cash | 588,151 | 579,093 |
| Mandatory reserve deposits | 26,524,208 | 27,281,612 |
| Surplus reserve deposits with central bank | 7,334,281 | 5,236,640 |
| Fiscal deposits | 15,091 | 103,573 |
| Total | 34,461,731 | 33,200,918 |
| Interest receivable on balances with central bank | 13,200 | 15,923 |
| | 34,474,931 | 33,216,841 |

The Group is required to place statutory reserve deposits with central bank. The deposits are calculated based on the amount of customer deposits.

As at the end of the reporting period, the statutory reserve deposits rates of the Group were set out below:

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| Mandatory reserve rate for deposits denominated in RMB | 10.0% | 11.0% |
| Mandatory reserve rate for deposits denominated in foreign currencies | 5.0% | 5.0% |

Mandatory reserve deposits with central bank are not available for use by the Group in its daily business. Deposits with central bank other than mandatory reserve maintained are mainly for liquidity purpose.

15 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

| | 30 June 2019 | 31 December 2018 |
|--|-------------------------|---------------------|
| Deposits with other banks and financial institutions | 8,540,655 | 7,432,476 |
| Notes held under resale agreements | 20,026,002 | 32,894,298 |
| Securities held under resale agreements | 10,132,153 | 7,390,900 |
| Placements with other banks and financial institutions | 5,730,312 | 10,021,166 |
| Total | 44,429,122 | 57,738,840 |
| Interest receivable on amounts due from other banks and financial institutions | 154,512 | 182,193 |
| Less: Losses on expected credit impairment ('ECL allowance') | (30,976) | (5,954) |
| | 44,552,658 | 57,915,079 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2019 | 31 December 2018 |
|--|-------------------------|---------------------|
| Financial Assets at FVPL | | |
| – Listed outside Hong Kong | 526,745 | 574,476 |
| – Unlisted | 32,229,069 | 26,847,382 |
| | 32,755,814 | 27,421,858 |
| Derivative financial instruments (Note 17) | – | – |
| | 32,755,814 | 27,421,858 |

Unlisted financial assets measured at FVPL are set out below:

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| Unlisted financial assets measured at FVPL | | |
| – Trust investments ^(a) | 5,162,157 | 5,174,858 |
| – Directional asset management plans ^(b) | 10,325,402 | 10,266,659 |
| – Wealth management products purchased from financial institutions | 11,062,821 | 2,357,023 |
| – Fund investments | 5,009,790 | 8,038,429 |
| – Commercial banks | 467,611 | 702,578 |
| – Corporations | – | 106,052 |
| – Governments | 201,288 | 201,783 |
| | 32,229,069 | 26,847,382 |

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

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

As at 30 June 2019, there were no the trading securities of the Group pledged to third parties under repurchase agreements (as at 31 December 2018: Nil).

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

| | 30 June 2019 | 31 December 2018 |
|--------------------------|-------------------------|---------------------|
| Financial assets at FVPL | | |
| – Commercial banks | 1,476,373 | 2,058,258 |
| – Securities companies | 10,325,402 | 10,266,659 |
| – Fund companies | 5,009,790 | 8,038,429 |
| – Trust companies | 5,162,157 | 5,174,858 |
| – Corporations | 72,399 | 242,005 |
| – Governments | 201,288 | 201,783 |
| – Policy banks | 10,054,059 | 1,001,343 |
| – Equity investment | 454,346 | 438,523 |
| | 32,755,814 | 27,421,858 |

(a) Trust investment

| | 30 June 2019 | 31 December 2018 |
|--|-------------------------|---------------------|
| Trust investments purchased from trust companies | | |
| – Guaranteed by third-party company | 5,157,157 | 5,169,956 |
| – Unsecured | 5,000 | 4,902 |
| | 5,162,157 | 5,174,858 |

(b) Directional asset management plans

| | 30 June 2019 | 31 December 2018 |
|--|-------------------------|---------------------|
| Asset management plans purchased from securities companies | | |
| – Guaranteed by third-party companies | 10,325,402 | 10,266,659 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

17 DERIVATIVE FINANCIAL INSTRUMENTS

| As at 30 June 2019 | Nominal amount | Fair value | |
|--------------------|----------------|------------|-------------|
| | | Assets | Liabilities |
| Swap contract | 2,807,494 | – | (4,000) |

| As at 31 December 2018 | Nominal amount | Fair value | |
|------------------------|----------------|------------|-------------|
| | | Assets | Liabilities |
| Swap contract | 137,264 | – | (657) |

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

18 LOANS AND ADVANCES TO CUSTOMERS

| | 30 June 2019 | 31 December 2018 |
|--|-----------------|---------------------|
| Loans and advances to customers | | |
| – Amortised cost: | 211,323,854 | 197,707,670 |
| – FVOCI | 15,811,789 | 13,501,381 |
| Total | 227,135,643 | 211,209,051 |
| Interest receivable on loans and advances to customers | 1,283,212 | 1,221,718 |
| Less: ECL allowance | (6,482,091) | (6,507,557) |
| | 221,936,764 | 205,923,212 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(a) Loans and advances to customers

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| Loans and advances to corporate entities – amortised cost | | |
| – Corporate loans | 136,629,680 | 128,932,758 |
| Loans and advances to corporate entities – FVOCI | | |
| – Discounted bills | 15,811,789 | 13,501,381 |
| Subtotal | 152,441,469 | 142,434,139 |
| Loans and advances to individuals – amortised cost | | |
| – Individual consumption loans | 33,236,089 | 31,199,939 |
| – Mortgage loans | 23,066,627 | 20,606,735 |
| – Individual business loans | 13,572,918 | 12,243,480 |
| – Credit card advances | 4,818,540 | 4,724,758 |
| Subtotal | 74,694,174 | 68,774,912 |
| Total | 227,135,643 | 211,209,051 |
| Interest receivable on loans and advances to customers | 1,283,212 | 1,221,718 |
| Gross amount of loans and advances to customers | 228,418,855 | 212,430,769 |
| Less: ECL allowance | (6,482,091) | (6,507,557) |
| Carrying amount of loans and advances to customers | 221,936,764 | 205,923,212 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Movements on impairment allowance for loans and advances to customers

(1) Movements on impairment allowance for loans and advances to customers at amortised cost

| Loans and advances to corporate entities | Stage 1 | Stage 2 | Stage 3 | Total |
|---|------------------|------------------|------------------|------------------|
| | 12M ECL | Lifetime ECL | Lifetime ECL | |
| 31 December 2018 | 2,093,609 | 1,901,480 | 1,356,750 | 5,351,839 |
| Provision for impairment ⁽ⁱ⁾ | 717,209 | 824,494 | 621,295 | 2,162,998 |
| Reversal of impairment allowances ⁽ⁱⁱ⁾ | (736,248) | (633,928) | (292,811) | (1,662,987) |
| Transfer out/Write-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 | 1,854,875 | 2,023,366 | 1,357,485 | 5,235,726 |

| Retail loans | Stage 1 | Stage 2 | Stage 3 | Total |
|---|----------------|----------------|----------------|------------------|
| | 12M ECL | Lifetime ECL | Lifetime ECL | |
| 31 December 2018 | 310,372 | 303,429 | 541,917 | 1,155,718 |
| Provision for impairment ⁽ⁱ⁾ | 268,800 | 251,325 | 202,394 | 722,519 |
| Reversal of impairment allowances ⁽ⁱⁱ⁾ | (153,376) | (177,565) | (122,925) | (453,866) |
| Write-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 | 414,569 | 314,837 | 516,959 | 1,246,365 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Movements on impairment allowance for loans and advances to customers (Continued)

(1) Movements on impairment allowance for loans and advances to customers at amortised cost (Continued)

| Loans and advances to corporate entities | Stage 1 | | Stage 2 | | Stage 3 | |
|---|-----------|--------------|--------------|--------------|-------------|--|
| | 12M ECL | Lifetime ECL | Lifetime ECL | Lifetime ECL | Total | |
| As at 1 January 2018 (Restated) | 1,633,763 | 1,899,933 | 1,312,599 | | 4,846,295 | |
| Provision for impairment ⁽ⁱ⁾ | 1,300,754 | 1,101,636 | 3,047,745 | | 5,450,135 | |
| Reversal of impairment allowances ⁽ⁱⁱ⁾ | (697,760) | (842,415) | (316,300) | | (1,856,475) | |
| Transfer out/Write-off | – | – | (3,412,771) | | (3,412,771) | |
| Transfers: | | | | | | |
| <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 | |
| As at 31 December 2018 | 2,093,609 | 1,901,480 | 1,356,750 | | 5,351,839 | |
| Retail loans | Stage 1 | | Stage 2 | | Stage 3 | |
| | 12M ECL | Lifetime ECL | Lifetime ECL | Lifetime ECL | Total | |
| As at 1 January 2018 (Restated) | 368,525 | 264,887 | 828,629 | | 1,462,041 | |
| Provision for impairment ⁽ⁱ⁾ | 215,553 | 258,630 | 353,874 | | 828,057 | |
| Reversal of impairment allowances ⁽ⁱⁱ⁾ | (290,275) | (200,705) | (398,855) | | (889,835) | |
| Transfer out/Write-off | – | – | (437,959) | | (437,959) | |
| Transfers: | | | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (16,092) | 16,092 | – | | – | |
| <i>Transfer from Stage 1 to Stage 3</i> | (28,784) | – | 28,784 | | – | |
| <i>Transfer from Stage 2 to Stage 1</i> | 13,438 | (13,438) | – | | – | |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (51,261) | 51,261 | | – | |
| <i>Transfer from Stage 3 to Stage 2</i> | – | 29,224 | (29,224) | | – | |
| <i>Transfer from Stage 3 to Stage 1</i> | 48,007 | – | (48,007) | | – | |
| Recoveries of loans written-off in previous years | – | – | 140,290 | | 140,290 | |
| Unwind of discount | – | – | 53,124 | | 53,124 | |
| As at 31 December 2018 | 310,372 | 303,429 | 541,917 | | 1,155,718 | |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Movements on impairment allowance for loans and advances to customers (Continued)

(1) *Movements on impairment allowance for loans and advances to customers at amortised cost (Continued)*

(i) *The ECL movement was caused by origination or purchase as well as changes in PDs/EADs/LGDs and stages as a result of regular update of parameters.*

(ii) *The ECL movement was caused by derecognition other than write-offs as well as changes in PDs/EADs/LGDs and stages as a result of regular update of parameters.*

(2) *Movements on impairment allowance for loans and advances to customers at FVOCI*

| Discounted bills | Stage 1 | Stage 2 | Stage 3 | Total |
|---|----------|--------------|--------------|----------|
| | 12M ECL | Lifetime ECL | Lifetime ECL | |
| As at 31 December 2018 | 71,549 | – | – | 71,549 |
| Provision for impairment | 40,702 | – | 78,984 | 119,686 |
| Reversal of impairment allowances | (51,309) | – | (289) | (51,598) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (7) | 7 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (4,403) | – | 4,403 | – |
| As at 30 June 2019 | 56,532 | 7 | 83,098 | 139,637 |

| Discounted bills | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------|--------------|--------------|----------|
| | 12M ECL | Lifetime ECL | Lifetime ECL | |
| As at 1 January 2018 (Restated) | 21,383 | – | – | 21,383 |
| Provision for impairment | 71,549 | – | – | 71,549 |
| Reversal of impairment allowances | (21,383) | – | – | (21,383) |
| As at 31 December 2018 | 71,549 | – | – | 71,549 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on gross amount (excluding interest receivable) of loans and advances to customers

(1) *Movements on gross amount (excluding interest receivable) of loans and advances to customers at amortised cost*

| Loans and advances to corporate entities | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------------|-------------------|------------------|--------------------|
| | 12M ECL | Lifetime ECL | Lifetime ECL | |
| As at 31 December 2018 | 115,912,202 | 10,994,279 | 2,026,277 | 128,932,758 |
| New financial assets originated or purchased | 32,415,047 | – | – | 32,415,047 |
| Proceeds received | (22,081,032) | (1,972,529) | (64,755) | (21,118,316) |
| Financial assets derecognised other than write-offs | – | – | (55,600) | (55,600) |
| Write-off | – | – | (544,209) | (544,209) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | <i>(6,635,716)</i> | <i>6,635,716</i> | <i>–</i> | <i>–</i> |
| <i>Transfer from Stage 1 to Stage 3</i> | <i>(541,160)</i> | <i>–</i> | <i>541,160</i> | <i>–</i> |
| <i>Transfer from Stage 2 to Stage 1</i> | <i>296,326</i> | <i>(296,326)</i> | <i>–</i> | <i>–</i> |
| <i>Transfer from Stage 2 to Stage 3</i> | <i>–</i> | <i>(729,984)</i> | <i>729,984</i> | <i>–</i> |
| As at 30 June 2019 | 119,365,667 | 14,631,156 | 2,632,857 | 136,629,680 |

| Retail loans | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--------------------|------------------|-----------------|-------------------|
| | 12M ECL | Lifetime ECL | Lifetime ECL | |
| As at 31 December 2018 | 66,694,768 | 1,225,257 | 854,887 | 68,774,912 |
| New financial assets originated or purchased | 35,246,566 | – | – | 35,246,566 |
| Proceeds received | (28,349,305) | (643,852) | (138,263) | (29,131,420) |
| Write-off | – | – | (195,884) | (195,884) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | <i>(1,023,191)</i> | <i>1,023,191</i> | <i>–</i> | <i>–</i> |
| <i>Transfer from Stage 1 to Stage 3</i> | <i>(174,989)</i> | <i>–</i> | <i>174,989</i> | <i>–</i> |
| <i>Transfer from Stage 2 to Stage 1</i> | <i>110,310</i> | <i>(110,310)</i> | <i>–</i> | <i>–</i> |
| <i>Transfer from Stage 2 to Stage 3</i> | <i>–</i> | <i>(207,463)</i> | <i>207,463</i> | <i>–</i> |
| <i>Transfer from Stage 3 to Stage 2</i> | <i>–</i> | <i>10,807</i> | <i>(10,807)</i> | <i>–</i> |
| <i>Transfer from Stage 3 to Stage 1</i> | <i>6,284</i> | <i>–</i> | <i>(6,284)</i> | <i>–</i> |
| As at 30 June 2019 | 72,510,443 | 1,297,630 | 886,101 | 74,694,174 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on gross amount (excluding interest receivable) of loans and advances to customers (Continued)

(1) *Movements on gross amount (excluding interest receivable) of loans and advances to customers at amortised cost (Continued)*

| Loans and advances to corporate entities | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------|--------------|--------------|--------------|
| | 12M ECL | Lifetime ECL | Lifetime ECL | |
| As at 1 January 2018 (Restated) | 97,965,237 | 8,679,607 | 3,135,289 | 109,780,133 |
| New financial assets originated or purchased | 65,418,323 | – | – | 65,418,323 |
| Proceeds received | (37,919,167) | (3,480,321) | (1,453,439) | (42,852,927) |
| Financial assets derecognised other than write-offs | – | – | (1,458,060) | (1,458,060) |
| Write-off | – | – | (1,954,711) | (1,954,711) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (7,266,511) | 7,266,511 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (2,376,680) | – | 2,376,680 | – |
| <i>Transfer from Stage 2 to Stage 1</i> | 91,000 | (91,000) | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (1,713,018) | 1,713,018 | – |
| <i>Transfer from Stage 3 to Stage 2</i> | – | 332,500 | (332,500) | – |
| As at 31 December 2018 | 115,912,202 | 10,994,279 | 2,026,277 | 128,932,758 |

| Retail loans | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--------------|--------------|--------------|--------------|
| | 12M ECL | Lifetime ECL | Lifetime ECL | |
| As at 1 January 2018 (Restated) | 60,180,359 | 1,007,050 | 1,436,996 | 62,624,405 |
| New financial assets originated or purchased | 41,237,138 | – | – | 41,237,138 |
| Proceeds received | (33,010,457) | (863,861) | (774,354) | (34,648,672) |
| Financial assets derecognised other than write-offs | – | – | (170,246) | (170,246) |
| Write-off | – | – | (267,713) | (267,713) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (1,352,502) | 1,352,502 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (504,862) | – | 504,862 | – |
| <i>Transfer from Stage 2 to Stage 1</i> | 75,323 | (75,323) | – | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (240,112) | 240,112 | – |
| <i>Transfer from Stage 3 to Stage 2</i> | – | 45,001 | (45,001) | – |
| <i>Transfer from Stage 3 to Stage 1</i> | 69,769 | – | (69,769) | – |
| As at 31 December 2018 | 66,694,768 | 1,225,257 | 854,887 | 68,774,912 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements on gross amount (excluding interest receivable) of loans and advances to customers (Continued)

(2) *Movements on impairment allowance for loans and advances to customers at FVOCI*

| Discounted bills | Stage 1 | Stage 2 | Stage 3 | Total |
|--|-------------------|--------------|----------------|-------------------|
| | 12M ECL | Lifetime ECL | Lifetime ECL | |
| As at 31 December 2018 | 13,501,381 | – | – | 13,501,381 |
| New financial assets originated or purchased | 9,642,825 | – | – | 9,642,825 |
| Proceeds received | (7,412,936) | – | – | (7,412,936) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (3,982) | 3,982 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (907,738) | – | 907,738 | – |
| Fair value measurement | 54,861 | 46 | 25,612 | 80,519 |
| As at 30 June 2019 | 14,874,411 | 4,028 | 933,350 | 15,811,789 |

| Discounted bills | Stage 1 | Stage 2 | Stage 3 | Total |
|--|-------------------|--------------|--------------|-------------------|
| | 12M ECL | Lifetime ECL | Lifetime ECL | |
| As at 31 December 2017 | 4,802,366 | – | – | 4,802,366 |
| New financial assets originated or purchased | 13,404,806 | – | – | 13,404,806 |
| Proceeds received | (4,802,366) | – | – | (4,802,366) |
| Fair value measurement | 96,575 | – | – | 96,575 |
| As at 31 December 2018 | 13,501,381 | – | – | 13,501,381 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) The composition of loans and advances to customers by industry or nature is analysed set out below

| | 30 June 2019 | | 31 December 2018 | |
|--|--------------|--------|------------------|--------|
| | Amount | % | Amount | % |
| Corporate loans – amortised cost | | | | |
| Water conservation, environment and public facility administration | 36,875,251 | 24.19 | 35,482,723 | 24.91 |
| Leasing and commercial services | 21,706,962 | 14.24 | 20,446,505 | 14.36 |
| Manufacturing | 17,127,075 | 11.24 | 16,634,742 | 11.68 |
| Construction | 14,534,274 | 9.53 | 12,182,083 | 8.55 |
| Wholesale and retail | 14,164,712 | 9.29 | 13,462,906 | 9.45 |
| Real estate | 14,045,028 | 9.21 | 11,642,543 | 8.17 |
| Electricity, gas and water production and supply | 4,228,106 | 2.77 | 3,638,130 | 2.56 |
| Transportation, storage and postal service | 2,386,507 | 1.57 | 2,422,016 | 1.70 |
| Mining | 2,245,997 | 1.47 | 2,417,486 | 1.70 |
| Agriculture, forestry, animal husbandry and fishery | 2,043,553 | 1.34 | 1,998,964 | 1.40 |
| Health and social welfare | 1,992,648 | 1.31 | 2,135,471 | 1.50 |
| Accommodation and catering | 1,123,432 | 0.74 | 1,150,115 | 0.81 |
| Scientific research and technology services | 1,099,731 | 0.72 | 994,808 | 0.70 |
| Financing | 746,638 | 0.49 | 765,493 | 0.54 |
| Information transmission, software and information technology services | 692,843 | 0.46 | 788,231 | 0.55 |
| Education | 684,545 | 0.45 | 631,729 | 0.44 |
| Culture, sports and entertainment | 490,276 | 0.32 | 383,030 | 0.27 |
| Household services and other services | 442,102 | 0.29 | 1,755,783 | 1.23 |
| Corporate loans – FVOCI | | | | |
| Discounted bills | 15,811,789 | 10.37 | 13,501,381 | 9.48 |
| Total corporate loans | 152,441,469 | 100.00 | 142,434,139 | 100.00 |
| Retail loans | | | | |
| Personal consumption loans | 33,236,089 | 44.50 | 31,199,939 | 45.37 |
| Mortgage loans | 23,066,627 | 30.88 | 20,606,735 | 29.96 |
| Personal business loans | 13,572,918 | 18.17 | 12,243,480 | 17.80 |
| Credit card advances | 4,818,540 | 6.45 | 4,724,758 | 6.87 |
| Total retail loans | 74,694,174 | 100.00 | 68,774,912 | 100.00 |
| Interest receivable on loans and advances to customers | 1,283,212 | | 1,221,718 | |
| Gross amount of loans and advances to customers | 228,418,855 | | 212,430,769 | |

The economic sector risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Analysis of loans and advances to customers (gross) by type of collateral

| | 30 June 2019 | 31 December 2018 |
|--|-------------------------|---------------------|
| Collateralised loans | 74,949,134 | 69,774,637 |
| Guaranteed loans | 101,218,079 | 97,113,789 |
| Pledged loans | 24,690,074 | 22,235,920 |
| Unsecured loans | 26,278,356 | 22,084,705 |
| Interest receivable on loans and advances to customers | 1,283,212 | 1,221,718 |
| Total | 228,418,855 | 212,430,769 |

(f) Credit quality of loans and advances to customers

| | 30 June 2019 | | | | |
|----------------------|---|---|--|--|------------------|
| | Overdue within 90 days (inclusive) | Overdue for 90 days - 1 year (inclusive) | Overdue for 1-3 years (inclusive) | Overdue for more than 3 years | Total |
| Unsecured loans | 239,465 | 288,267 | 50,435 | 13,877 | 592,044 |
| Guaranteed loans | 1,842,821 | 459,639 | 263,912 | 4,036 | 2,570,408 |
| Collateralised loans | 1,503,987 | 643,519 | 945,930 | 37,168 | 3,130,604 |
| Pledged loans | 127,901 | 12,400 | 144,580 | – | 284,881 |
| Total | 3,714,174 | 1,403,825 | 1,404,857 | 55,081 | 6,577,937 |
| | 31 December 2018 | | | | |
| | Overdue within 90 days (inclusive) | Overdue for 90 days - 1 year (inclusive) | Overdue for 1-3 years (inclusive) | Overdue for more than 3 years | Total |
| Unsecured loans | 278,797 | 163,017 | 50,172 | 8,898 | 500,884 |
| Guaranteed loans | 2,193,873 | 270,950 | 284,650 | 12,445 | 2,761,918 |
| Collateralised loans | 1,707,901 | 1,004,686 | 507,102 | 198,361 | 3,418,050 |
| Pledged loans | 294,308 | 49,985 | 147,121 | – | 491,414 |
| Total | 4,474,879 | 1,488,638 | 989,045 | 219,704 | 7,172,266 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

19 INVESTMENT SECURITIES

| | 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 |

Unlisted financial assets measured at FVOCI are set out below:

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| Debt securities – measured at fair value (unlisted) | | |
| – Corporations debt | 21,944,395 | 20,527,463 |
| – Policy banks debt | 1,592,730 | 2,090,419 |
| – Commercial banks debt | 1,043,793 | 1,410,517 |
| – Governments debt | 192,295 | 190,953 |
| | 24,773,213 | 24,219,352 |
| Equity securities – measured at fair value (unlisted) | | |
| – Equity investments | 208,600 | 208,600 |
| | 24,981,813 | 24,427,952 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

19 INVESTMENT SECURITIES (Continued)

| | 30 June 2019 | 31 December 2018 |
|--|-----------------|---------------------|
| 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 |

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

| | 30 June 2019 | 31 December 2018 |
|--|-----------------|---------------------|
| Debt securities – measured at amortised cost (unlisted) | | |
| – Trust investments ^(a) | 19,256,230 | 22,165,632 |
| – Directional asset management plans ^(b) | 28,746,000 | 26,918,000 |
| – Bonds | 20,492,452 | 15,313,226 |
| – Debt financing plans | 6,398,000 | 4,420,000 |
| – Others | – | 514,521 |
| | 74,892,682 | 69,331,379 |
| Debt securities – measured at amortised cost (unlisted) | | |
| – Wealth management products purchased from financial institutions | – | 315,505 |
| | 74,892,682 | 69,646,884 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

19 INVESTMENT SECURITIES (Continued)

Movement of impairment allowance for investment securities are summarised set out below:

| | Investment securities – | | | | Total |
|---|-------------------------|--|----------------------------|----------------------------|------------------|
| | FVOCI | Investment securities – amortised cost | | | |
| | Stage 1 12M ECL | Stage 1 12M ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | |
| As at 31 December 2018 | 88,492 | 1,049,184 | 198,538 | 226,307 | 1,562,521 |
| Provision for impairment | 26,800 | 207,755 | 165,490 | 113,091 | 513,136 |
| Reversal of impairment allowances | (28,988) | (226,583) | – | (78,847) | (334,418) |
| Transfers: | | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | – | (5,299) | 5,299 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | – | (162) | – | 162 | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | – | (19,601) | 19,601 | – |
| As at 30 June 2019 | 86,304 | 1,024,895 | 349,726 | 280,314 | 1,741,239 |

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

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

19 INVESTMENT SECURITIES (Continued)

Movement on gross amount (excluding interest receivable) of investment securities are summarised set out below:

| | Investment securities – amortised cost | | | Total |
|--|--|------------------|-----------------|-------------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| | 12M ECL | Lifetime ECL | Lifetime ECL | |
| As at 31 December 2018 | 81,191,180 | 602,237 | 608,209 | 82,401,626 |
| New financial assets originated or purchased | 13,691,352 | – | – | 13,691,352 |
| Proceeds received | (10,932,804) | (140,000) | (379,786) | (11,452,590) |
| Transfers: | | | | |
| <i>Transfer from Stage 1 to Stage 2</i> | (740,000) | 740,000 | – | – |
| <i>Transfer from Stage 1 to Stage 3</i> | (431,587) | – | 431,587 | – |
| <i>Transfer from Stage 2 to Stage 3</i> | – | (60,000) | 60,000 | – |
| As at 30 June 2019 | 82,778,141 | 1,142,237 | 720,010 | 84,640,388 |

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

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

19 INVESTMENT SECURITIES (Continued)

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 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

19 INVESTMENT SECURITIES (Continued)

(a) Trust investments

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| Purchase from trust companies | | |
| – Guaranteed by the third-party companies | 10,415,133 | 11,432,287 |
| – Assets secured as collateral | 5,631,247 | 7,183,660 |
| – Unsecured | 2,949,850 | 3,149,685 |
| | 18,996,230 | 21,765,632 |
| Purchase from other commercial banks | | |
| – Guaranteed by the third-party companies | 260,000 | – |
| – Guaranteed by other banks | – | 400,000 |
| | 260,000 | 400,000 |
| Total | 19,256,230 | 22,165,632 |

(b) Directional asset management plans

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| Purchase from securities companies | | |
| – Unsecured | 3,090,000 | 3,090,000 |
| – Guaranteed by the third-party companies | 2,907,000 | 3,894,000 |
| – Assets secured as collateral | 1,275,000 | 1,275,000 |
| | 7,272,000 | 8,259,000 |
| Purchase from assets management companies | | |
| – Unsecured | 15,989,000 | 13,834,000 |
| – Guaranteed by the third party companies | 5,485,000 | 4,735,000 |
| – Guaranteed by guarantee companies | – | 90,000 |
| | 21,474,000 | 18,659,000 |
| Total | 28,746,000 | 26,918,000 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

20 INVESTMENT IN ASSOCIATES

| | For the six months ended 30 June 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Balance at the beginning of the period/year | 1,638,323 | 1,113,146 |
| Additional investment in associates | – | 316,796 |
| Share of profit of associates | 44,902 | 220,427 |
| Declared cash dividends | – | (12,046) |
| Balance at the end of the period/year | 1,683,225 | 1,638,323 |

As at 5 May 2011, the Group invested RMB22,000 thousand in Xingyi Wanfeng Village Bank Co., Ltd. ('Xingyi Wanfeng'), and held 20% of equity interest of RMB110,000 thousand registered capital.

As at 15 June 2015, the Group invested RMB54,000 thousand in Mashang Consumer Finance Co., Ltd. ('Mashang Finance'), and appointed a director. As at 14 August 2016, the Group increased the investment to RMB205,270 thousand accounting for 15.79% of equity interest of RMB1.3 billion registered capital. On 13 July 2017, the registered capital of Mashang Finance was increased to RMB2,210,294 thousand. The Group continued to make an additional investment to RMB338,346 thousand, accounting for 15.31% of total registered capital. On 9 August 2018, Mashang Finance further increased its registered capital to RMB4 billion, and the Group increased the investment to RMB655,142 thousand, which accounted 15.53% of equity interest.

Pursuant to the resolution of board meeting of Chongqing Three Gorges Bank Co., Ltd. ('Three Gorges Bank') on 21 April 2017, the Group appointed a director to board of Three Gorges Bank that day, and therefore, the Group had significant influence on Three Gorges Bank. Three Gorges Bank became the associated company of the Group. The investment of the Group amounted to RMB379,024 thousand accounting for 4.97% of equity interest of RMB4,846,935 thousand registered capital.

The main financial information of investments in associates of the Group is set out below:

| | Place of incorporation | Assets | Liabilities | Revenue | Shareholding |
|-------------------------------|-----------------------------------|--------------------|--------------------|------------------|---------------------|
| As at 30 June 2019 | | | | | |
| Xingyi Wanfeng | PRC | 1,287,903 | 1,144,143 | 23,841 | 20.00% |
| Mashang Finance | PRC | 51,111,206 | 45,223,135 | 4,408,510 | 15.53% |
| Three Gorges Bank | PRC | 205,797,503 | 191,119,021 | 2,160,297 | 4.97% |
| As at 31 December 2018 | | | | | |
| Xingyi Wanfeng | PRC | 1,339,474 | 1,201,146 | 61,925 | 20.00% |
| Mashang Finance | PRC | 40,262,460 | 34,675,397 | 8,239,332 | 15.53% |
| Three Gorges Bank | PRC | 204,016,900 | 190,731,370 | 4,634,565 | 4.97% |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

21 PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Transportation vehicles | Electronic equipment | Office equipment | Construction in progress | Total |
|--|-----------|-------------------------|----------------------|------------------|--------------------------|-------------|
| Cost | | | | | | |
| As at 31 December 2018 | 2,786,272 | 17,433 | 470,184 | 136,591 | 574,275 | 3,984,755 |
| Additions | 25,916 | 22,924 | 20,280 | 1,930 | 46,463 | 117,513 |
| Construction in progress transfer in/(out) | 61,648 | – | 414 | 366 | (62,428) | – |
| Transfer from investment properties | 1,909 | – | – | – | – | 1,909 |
| Disposals | (18,812) | – | (3,764) | (1,962) | – | (24,538) |
| Transfer to investment properties | (6,487) | – | – | – | – | (6,487) |
| As at 30 June 2019 | 2,850,446 | 40,357 | 487,114 | 136,925 | 558,310 | 4,073,152 |
| Accumulated depreciation | | | | | | |
| As at 31 December 2018 | (535,634) | (16,096) | (306,846) | (102,887) | – | (961,463) |
| Depreciation in the period (Note 9) | (56,723) | (356) | (24,856) | (6,004) | – | (87,939) |
| Transfer from investment properties | (716) | – | – | – | – | (716) |
| Disposals | 8,456 | – | 3,105 | 1,112 | – | 12,673 |
| Transfer to investment properties | 3,722 | – | – | – | – | 3,722 |
| As at 30 June 2019 | (580,895) | (16,452) | (328,597) | (107,779) | – | (1,033,723) |
| Net book value | | | | | | |
| As at 30 June 2019 | 2,269,551 | 23,905 | 158,517 | 29,146 | 558,310 | 3,039,429 |

As at 30 June 2019, the net book value of transportation vehicles leased out by the Group under operating lease arrangements was RMB22,703 thousand (31 December 2018: nil).

There were no clauses regarding to residual value guarantee under the lease contracts signed by the Group as a lessor.

As at 30 June 2019, the net value of the buildings whose registration procedures have not been completed was RMB26,449 thousand (31 December 2018: RMB33,559 thousand). The registration process has little impact on the Group's right to own the property, plant and equipment.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

21 PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Buildings | Transportation vehicles | Electronic equipment | Office equipment | Construction in progress | Total |
|--|-----------|-------------------------|----------------------|------------------|--------------------------|-----------|
| Cost | | | | | | |
| As at 31 December 2017 | 2,809,451 | 17,433 | 408,638 | 136,597 | 356,440 | 3,728,559 |
| Additions | 16,681 | – | 73,028 | 9,133 | 234,727 | 333,569 |
| Construction in progress transfer in/(out) | 14,252 | – | – | – | (14,252) | – |
| Disposals | (22,790) | – | (11,482) | (9,139) | – | (43,411) |
| Transfer to long-term prepaid expenses | – | – | – | – | (2,640) | (2,640) |
| Transfer to investment properties | (1,638) | – | – | – | – | (1,638) |
| Transfer to held-for-sale assets | (29,684) | – | – | – | – | (29,684) |
| As at 31 December 2018 | 2,786,272 | 17,433 | 470,184 | 136,591 | 574,275 | 3,984,755 |
| Accumulated depreciation | | | | | | |
| As at 31 December 2017 | (477,559) | (15,739) | (270,336) | (98,668) | – | (862,302) |
| Depreciation in the period (Note 9) | (87,333) | (357) | (46,903) | (12,946) | – | (147,539) |
| Disposals | 12,267 | – | 10,393 | 8,727 | – | 31,387 |
| Transfer to investment properties | 729 | – | – | – | – | 729 |
| Transfer to held-for-sale assets | 16,262 | – | – | – | – | 16,262 |
| As at 31 December 2018 | (535,634) | (16,096) | (306,846) | (102,887) | – | (961,463) |
| Net book value | | | | | | |
| As at 31 December 2018 | 2,250,638 | 1,337 | 163,338 | 33,704 | 574,275 | 3,023,292 |

22 OTHER ASSETS

| | 30 June 2019 | 31 December 2018 |
|--|------------------|------------------|
| Interest receivable from loans and advances to customers | 35,524 | 94,428 |
| Other receivables and prepayments | 1,034,330 | 982,616 |
| Less: ECL allowance | (22,774) | (7,683) |
| Prepayments for lease assets | 201,780 | – |
| Fee and commission receivable | 566,246 | 475,779 |
| Land use rights ^(a) | 140,749 | 143,085 |
| Intangible assets ^(b) | 136,143 | 126,705 |
| Leasehold improvement | 23,552 | 28,249 |
| Prepaid rental expenses ^(c) | 11,212 | 24,380 |
| Foreclosed assets | 57,440 | 16,733 |
| Investment properties ^(d) | 4,217 | 2,703 |
| Right-of-use assets ^(e) | 132,580 | N/A |
| Held-for-sale assets | 9,964 | 11,319 |
| Continuing involvement in transferred assets | 229,448 | 229,437 |
| Others | 1,356 | 1,461 |
| | 2,561,767 | 2,129,212 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

22 OTHER ASSETS (Continued)

(a) *Land use rights*

| | For the six months ended 30 June 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Cost | | |
| Balance at the beginning and the end of the period/year | 186,905 | 187,445 |
| Disposals | – | (540) |
| Balance at the end of the period/year | 186,905 | 186,905 |
| Accumulated amortisation | | |
| Balance at the beginning of the period/year | (43,820) | (39,461) |
| Amortisation for the period/year (Note 9) | (2,336) | (4,672) |
| Transfer-out | – | 313 |
| Balance at the end of the period/year | (46,156) | (43,820) |
| Net book value | | |
| Balance at the end of the period/year | 140,749 | 143,085 |

(b) *Intangible assets*

| | For the six months ended 30 June 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Cost | | |
| Balance at the beginning of the period/year | 297,874 | 236,062 |
| Additions | 29,960 | 61,881 |
| Disposals | – | (69) |
| Balance at the end of the period/year | 327,834 | 297,874 |
| Accumulated amortisation | | |
| Balance at the beginning of the period/year | (171,169) | (135,867) |
| Amortisation for the period/year (Note 9) | (20,522) | (35,371) |
| Disposals | – | 69 |
| Balance at the end of the period/year | (191,691) | (171,169) |
| Net book value | | |
| Balance at the end of the period/year | 136,143 | 126,705 |

(c) *Prepaid rental expenses*

Prepaid rental expenses are generated from the rental expenses prepaid for lease exempted from recognition of right-of-use assets or lease liabilities, which resulted from a lease term of 12 months or less or underlying asset of low value based on the value of the asset when it is new.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

22 OTHER ASSETS (Continued)

(d) *Investment properties*

| | For the six months ended 30 June 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Cost | | |
| Balance at the beginning of the year | 5,973 | 4,335 |
| Transfer from property, plant and equipment | 6,487 | 1,638 |
| Transfer-out | (1,909) | – |
| Balance at the end of the year | 10,551 | 5,973 |
| Accumulated depreciation | | |
| Balance at the beginning of the period/year | (3,270) | (2,402) |
| Transfer from property, plant and equipment | (3,722) | (729) |
| Depreciation charged for the period/year (Note 9) | (58) | (139) |
| Transfer-out | 716 | – |
| Balance at the end of the period/year | (6,334) | (3,270) |
| Net book value | | |
| Balance at the end of the period/year | 4,217 | 2,703 |

(e) *Right-of-use assets*

| | Buildings | Electronic equipment | Office equipment | Total |
|--|-----------|-------------------------|---------------------|----------|
| Cost | | | | |
| As at 31 December 2018 | – | – | – | – |
| Changes in accounting policies (Note 2(b)) | 124,229 | 12,693 | 353 | 137,275 |
| As at 1 January 2019 | 124,229 | 12,693 | 353 | 137,275 |
| Additions | 14,692 | – | – | 14,692 |
| As at 30 June 2019 | 138,921 | 12,693 | 353 | 151,967 |
| Accumulated depreciation | | | | |
| As at 31 December 2018 | – | – | – | – |
| Changes in accounting policies (Note 2(b)) | – | – | – | – |
| As at 1 January 2019 | – | – | – | – |
| Depreciation in the period (Note 9) | (16,694) | (2,598) | (95) | (19,387) |
| As at 30 June 2019 | (16,694) | (2,598) | (95) | (19,387) |
| Net book value | | | | |
| As at 30 June 2019 | 122,227 | 10,095 | 258 | 132,580 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

23 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| Loans from central bank | 9,770,000 | 3,232,088 |
| Deposits from other banks | 17,903,538 | 28,482,610 |
| Deposits from other financial institutions | 421,765 | 358,010 |
| Securities sold under repurchase agreements | 5,185,900 | 7,550,700 |
| Notes sold under repurchase agreements | 3,502,232 | 3,023,414 |
| Loans from other banks and financial institutions | 11,392,355 | 14,029,645 |
| Total | 48,175,790 | 56,676,467 |
| Interest payable on due to other banks and financial institutions | 352,599 | 413,472 |
| | 48,528,389 | 57,089,939 |

24 CUSTOMER DEPOSITS

| | 30 June 2019 | 31 December 2018 |
|---------------------------------------|-------------------------|---------------------|
| Corporate time deposits | 94,783,397 | 85,905,724 |
| Corporate demand deposits | 58,519,333 | 66,883,415 |
| Individual time deposits | 82,616,204 | 68,480,223 |
| Individual demand deposits | 11,378,247 | 12,005,521 |
| Other deposits | 21,834,099 | 20,894,394 |
| Total | 269,131,280 | 254,169,277 |
| Interest payable on customer deposits | 2,996,146 | 2,224,916 |
| | 272,127,426 | 256,394,193 |
| Including: | | |
| Pledged deposits held as collateral | 14,436,745 | 13,284,371 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

25 DEBT SECURITIES ISSUED

| | 30 June 2019 | 31 December 2018 |
|---|-------------------|---------------------|
| Subordinated debts | | |
| Fixed rate Tier II capital debt – 2026 ^(a) | 1,497,618 | 1,497,618 |
| Fixed rate Tier II capital debt – 2027 ^(b) | 5,996,708 | 5,996,591 |
| Financial debts | | |
| Fixed rate financial debt – 2021 ^(d) | 2,996,240 | 2,995,341 |
| Fixed rate green financial debt – 2021 ^(e) | 5,996,952 | 5,996,470 |
| Inter-bank certificates of deposit ^(e) | 81,423,545 | 80,114,348 |
| Total | 97,911,063 | 96,600,368 |
| Interest payable on debt securities issued | 259,579 | 382,245 |
| | 98,170,642 | 96,982,613 |

(a) Pursuant to a resolution at the general meeting passed on 16 May 2014 and the Approval for Bank of Chongqing Co., Ltd. to Issue Tier II Capital Bonds (Yu Yin Jian Fu [2015] No. 107) by the CBRC Chongqing Bureau on 21 September 2015, the Group issued RMB1.5 billion Tier II capital bonds within the domestic inter-bank bond market of China on 19 February 2016. Such subordinated bonds have a maturity of 10 years, with a fixed coupon rate of 4.4% per annum before maturity, payable annually. The Group has the option to exercise the redemption right to redeem all of the bonds at the par value on 22 February 2021.

(b) Pursuant to a resolution at the general meeting passed on 17 June 2016 and the Approval for Bank of Chongqing Co., Ltd. to Issue Tier II Capital Bonds (Yu Yin Jian Fu [2016] No. 162) by the CBRC Chongqing Bureau on 30 November 2016, the Group issued RMB6 billion Tier II capital bonds within the domestic inter-bank bond market of China on 20 March 2017. Such subordinated bonds have a maturity of 10 years, with a fixed coupon rate of 4.8% per annum before maturity, payable annually. The Group has the option to exercise the redemption right to redeem all of the bonds at the par value on 21 March 2022.

The debt has the write-down characteristics of the tier II capital instrument. When the supervised trigger events which are appointed in the issuing document occur, the Group has the right to write down the principal of the debt and any accumulated interest payables will not be paid as well. According to the related regulations issued by the CBIRC, the tier II capital debt meets the standards of the qualified tier II capital instrument.

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

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

25 DEBT SECURITIES ISSUED (Continued)

(d) Pursuant to a resolution at the general meeting passed on 21 July 2017 and the Approval for Bank of Chongqing Co., Ltd. to Issue Green Financial Bonds (Yu Yin Jian Fu [2017] No. 157) by the CBRC Chongqing Bureau on 2 November 2017, the Group issued RMB3 billion first phase of green financial bonds within the domestic inter-bank bond market of China on 5 November 2018 with a fixed coupon rate of 4.05%, per annum before maturity, and then issued RMB3 billion second phase of green financial bonds within the domestic inter-bank bond market of China on 21 November 2018 with a fixed coupon rate of 3.88%, per annum before maturity; such subordinated bonds have a maturity of 3 years, per annum before maturity. The proceeds from this issue will be used to support the green industry project specified in the Green Bond Support Project Catalogue compiled by the Green Finance Specialized Committee of the China Financial Association.

(e) For the six months ended 30 June 2019, the Group issued 76 inter-bank certificates of deposit at discounts with maturities from one month to one year. As at 30 June 2019, 116 items of them are not yet due with a total par value of RMB82.64 billion (as at 31 December 2018: 119 inter-bank certificates of deposit with a total par value of RMB81.65 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 issuance (for the year ended 31 December 2018: nil).

26 OTHER LIABILITIES

| | 30 June 2019 | 31 December 2018 |
|---|------------------|---------------------|
| Clearing funds for unsecured wealth management products | 1,969,976 | 2,035,729 |
| Dividends payable | 497,587 | 28,482 |
| Other payables | 939,504 | 988,909 |
| Employee benefits payable | 391,393 | 536,189 |
| Value-added tax and other taxes payable | 246,062 | 289,464 |
| Deferred income | 329,786 | 282,397 |
| Settlement fund | 313,591 | 96,493 |
| Promissory notes issued | 47 | 10,257 |
| Continuing involvement in transferred liabilities | 229,448 | 229,437 |
| Provisions | 313,678 | 215,112 |
| Lease liabilities | 114,749 | N/A |
| Others | 192,110 | 28,856 |
| | 5,537,931 | 4,741,325 |

As at 30 June 2019, there were no lease contracts signed by the Group but not yet commenced.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

27 DEFERRED INCOME TAX

The movements in the deferred income tax account are set out below:

| | For the six months ended 30 June 2019 | For the year ended 31 December 2018 |
|---|--|--|
| Balance at beginning of the period/year | 1,890,680 | 1,380,953 |
| Impact of first adoption of IFRS 9 on opening balance | N/A | 491,243 |
| Restated Balance at beginning of the period/year | N/A | 1,872,196 |
| Amounts recognised in income tax expenses (Note 12) | 274,731 | 180,328 |
| Changes in fair value of financial assets at FVOCI | (114,617) | (169,772) |
| Changes in ECL allowance of financial assets at FVOCI | (16,475) | 7,928 |
| Balance at end of the period/year | 2,034,319 | 1,890,680 |

Deferred income tax assets and liabilities are attributable to the following items:

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| Deferred income tax assets | | |
| Assets impairment allowances | 2,143,882 | 1,792,351 |
| Losses on changes in fair value of financial assets at FVPL | – | 19,738 |
| Others | 240,251 | 276,386 |
| | 2,384,133 | 2,088,475 |
| Deferred income tax liabilities | | |
| Gains on changes in fair value of financial assets at FVPL | (10,165) | – |
| Gains on changes in fair value of financial assets at FVOCI | (166,873) | (52,256) |
| Share of the profit from associates under the equity method | (156,765) | (145,539) |
| Others | (16,011) | – |
| | (349,814) | (197,795) |
| Net deferred income tax assets | 2,034,319 | 1,890,680 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

27 DEFERRED INCOME TAX (Continued)

Deferred income taxes recognised in profit or loss include temporary differences set out below:

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2019 | 2018 |
| Provision for asset impairment | 368,006 | (102,013) |
| Changes in fair value | (29,903) | (40,462) |
| Profit or loss adjustments of associates | (11,226) | (23,744) |
| Others | (52,146) | 5,727 |
| | 274,731 | (160,492) |

28 RETIREMENT BENEFIT OBLIGATIONS

The Group provides supplementary retirement benefits to employees in Mainland China who retired before 30 June 2011. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to paying to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on government bonds at the balance sheet date, the maturity dates of which approximate to the terms of the Group's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are charged to the statement of comprehensive income as they occur. The amounts recognised in the statement of financial position represent the present value of unfunded obligations plus any unrecognised actuarial gains and losses net of any unrecognised past service cost.

Since 1 January 2010, employees of the Group voluntarily participate in an annuity plan set up by the Group in accordance with state's corporate annuity regulations. The Group contributes to the annuity plan based on certain percentage of the employees' gross salary in previous year, which is recognised in the statement of comprehensive income.

| | For the six months ended 30 June | |
|---|----------------------------------|---------------|
| | 2019 | 2018 |
| Expenses incurred for retirement benefit plan | 62,599 | 56,724 |
| Expenses incurred for supplementary retirement benefits | 160 | 375 |
| Expenses incurred for corporate annuity plan | 19,153 | 13,740 |
| Total (Note 10) | 81,912 | 70,839 |

Supplementary retirement benefits

| | 30 June | 31 December |
|---|---------|-------------|
| | 2019 | 2018 |
| Consolidated statement of financial position obligations for: | | |
| – Pension benefits | 22,135 | 23,210 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

28 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Supplementary retirement benefits (Continued)

| | For the six months ended 30 June | |
|---|----------------------------------|------|
| | 2019 | 2018 |
| Statement of comprehensive income charge for: | | |
| – Retirement benefits | 160 | 375 |

The amounts recognised in the statement of financial position are determined set out below:

| | 30 June 2019 | 31 December 2018 |
|--|-----------------|---------------------|
| Present value of unfunded obligations | 22,135 | 23,210 |
| Unrecognised past service cost | – | – |
| Net liabilities in the statement of financial position | 22,135 | 23,210 |

29 SHARE CAPITAL

All shares of the Bank issued are fully paid common shares. The par value per share is RMB1 Yuan. The number of Group's shares is set out below:

| | Number of shares (in thousand) | Amount |
|---|-----------------------------------|-----------|
| As at 30 June 2019 and 31 December 2018 | 3,127,055 | 3,127,055 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

30 PREFERENCE SHARES

(1) Preference shares outstanding at the end of the period

| | Issue date | Dividend rate | Issue price | Amount | In original | In RMB | Maturity | Conversion |
|---------------------------|---------------------|---|-------------------------------------|------------|-----------------------|-----------|---------------------|------------------------------------|
| | | | in original currency (in USD) | | (USD, in thousand) | | | |
| Offshore preference share | 20 December 2017 | The initial dividends rate is 5.40%, which is subject to the reset based on the agreement in the duration, and shall not be higher than 16.21% per annum at any time. | 20 | 37,500,000 | 750,000 | 4,909,307 | No maturity date | No conversion during the period |

(2) Movement of preference shares issued

| | 31 December 2018 | Increase in the current period | Decrease in the current period | 30 June 2019 |
|--------------------------|-----------------------------|---|---|-------------------------|
| Amount in shares | 37,500,000 | – | – | 37,500,000 |
| Book value (in thousand) | 4,909,307 | – | – | 4,909,307 |

| | 31 December 2017 | Increase in the current year | Decrease in the current year | 31 December 2018 |
|--------------------------|---------------------|------------------------------------|------------------------------------|---------------------|
| Amount in shares | 37,500,000 | – | – | 37,500,000 |
| Book value (in thousand) | 4,909,307 | – | – | 4,909,307 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

30 PREFERENCE SHARES (Continued)

(3) Main clauses

(a) Dividend

The offshore preference shares will accrue dividends on their liquidation priority amount at the relevant dividend rate below:

- (1) From and including the issue date to but excluding the first reset date, at the initial dividend rate; and
- (2) Hereafter, from and including the first reset date and every subsequent reset date to the next reset date (exclusive), at the relevant reset dividend rate; provided that the dividend rate shall not be higher than 16.21% per annum at any time, that is, the annualised weighted average return on net assets of the Bank's recent two accounting years before the issue date (recognised in accordance with Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (revised in 2010) and calculated by amounts attributable to ordinary shareholders.

(b) Conditions to distribution of dividends

The Bank could pay dividends to the offshore preference shareholders while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. The Bank may distribute dividends after announcing the resolution of dividends distribution by Board of Directors according to the Articles of Association of the Bank.

Subject to resolutions to be passed at a shareholders' general meeting of the Bank on each occasion, the Bank is entitled to cancel all or a portion of the dividends planned to distribute at interest date through terms and conditions. The Bank has the right to dispose the capital obtained from cancelling dividends distribution to pay other due debts. Except as provided in the terms and conditions, the offshore preference shareholders are not entitled to hold, attend or vote at such shareholders' general meeting.

When the resolution on cancelling the dividends for offshore preference shares partially or entirely passed at the shareholders' general meeting, the Bank shall deliver the aforementioned notice to the offshore preference shareholders and financial agents at earliest possible and, at the latest, prior to 10 working days before corresponding dividends date (subject to terms and conditions). However, the Bank's dividends cancelled partially or entirely remain unchanged without delivering such notice, which does not constitute a breach of contract.

If the determination to cancel dividends for offshore preference shares during the year partially or entirely passed at the shareholders' general meeting, the Bank has no obligation for dividend distribution or any distribution to ordinary shares or those ranking after or specified as subsequent to offshore preference shares.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

30 PREFERENCE SHARES (Continued)

(3) Main clauses (Continued)

(c) Conversion

Upon occurrence of any triggering events, the Bank shall (report to and obtain CBRC approval with no need of preference shareholders and ordinary shareholders' approval):

- (1) cancel dividends accrued but undistributed for relevant loss absorbing amount as of the conversion date (inclusive), and
- (2) convert offshore preference shares in whole or in part irrevocably and mandatorily into corresponding H Shares at conversion date. The quantity of such H Shares equals (i) relevant loss absorbing amount held by offshore preference shareholders (as converted into Hong Kong dollars at the fixed exchange rate of USD1.00 to HKD7.7628) divided by (ii) effective conversion price. And round down to the nearest H-share integer number (to the extent permitted by applicable laws and regulations) (those conversions into H shares are referred to as 'conversions', 'Converted shares' have corresponding meanings). Any non-complete shares of less than one H share generated from the conversion will not be issued and will not be replaced by any cash payment or other adjustments.

The triggering events above refer to other tier 1 capital instruments triggering event or unable to survive triggering event (whichever is applicable). Other tier 1 capital instrument triggering event refers to adequacy of core tier 1 capital reduced to 5.125% (or below). Unable to survive triggering event refers to the earlier of the following:

- (i) CBRC identifies that the Bank is unable to survive if conversion or write-down is not carried out; and
- (ii) Relevant departments identify that the Bank is unable to survive if capital is not injected by the public departments or equally authentic support is not provided.

(d) Order of distribution and liquidation method

On winding-up of the Bank, distribution to offshore preference shareholders is made in order set out below:

- (1) After all debts of the Bank (including subordinated debts) and obligations that are issued or guaranteed by the Bank and specifically stated to be distributed prior to the offshore preference shares;
- (2) All offshore preference shareholders are ranked the same in the distribution sequence without priority among them and have the same repayment sequence rights as holders of obligations with equivalent rights. In addition,
- (3) Distribution is made to offshore preference shareholders prior to ordinary shareholders.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

30 PREFERENCE SHARES (Continued)

(3) Main clauses (Continued)

(d) Order of distribution and liquidation method (Continued)

On winding-up of the Bank, the property will be paid in the following order:

- (i) the liquidation costs;
- (ii) the staff costs, social insurance costs and statutory compensation;
- (iii) the personal savings deposit principal and its legal interest;
- (iv) the taxes payable; and
- (v) the debts of the Bank.

On liquidation of the Bank, after being allocated in accordance with paragraphs (i) to (v), any remaining property of the Bank shall be used to settle claims raised by offshore preference shareholders. The offshore preference shareholders shall share in the same proportion and in all aspects with holders who have equal obligation and repayment sequence and in priority to the claims of the holders of ordinary shares. On liquidation of the Bank, for each of the offshore preference share, the amounts of the offshore preference shareholders obtained from each offshore preference share are equal to the liquidation priority amounts of the offshore preference shares plus the dividends declared but not yet paid in the current interest period of the offshore preference shares.

If the remaining assets of the Bank are insufficient to cover the offshore preference shares and all payables with equal repayment sequence in the liquidation, the offshore preference shareholders and the holders of such obligations with the equal repayment sequence will prorate the remaining assets of the Bank (if any) in accordance with the total amount they are entitled to.

(e) Redemption

After obtaining CBRC's approval while satisfying the terms and conditions on preconditions for dividend payment and redemption, the Bank is entitled to redeem all or part of the offshore preference shares on the first replacement price date and any subsequent interest payment dates after notifying the offshore preference shareholders and financial agents at least 30 days in advance, but not exceeding 60 days. The redemption price of the offshore preference shares equals to the liquidation priority amount of the offshore preference shares plus the total amount of dividends declared but not yet paid from the previous payment date (inclusive) to the planned redemption date (exclusive).

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

31 CAPITAL RESERVE

Generally, transactions of the following nature are recorded in the capital reserve:

- (a) Share premium arising from the issue of shares at prices in excess of their par value;
- (b) Donations received from shareholders; and
- (c) Any other items required by the PRC regulations to be so treated.

Capital reserve can be utilised for the issue of bonus shares or for increasing paid-in capital as approved by the Shareholders Meeting.

Share premium was recorded in the capital reserve after deducting direct issue costs which mainly included underwriting fees and professional fees.

As at 30 June 2019 and 31 December 2018, the Group's capital surplus was shown set out below:

| | 30 June 2019 | 31 December 2018 |
|--------------------------------------|-------------------------|---------------------|
| Share premium | 4,679,838 | 4,679,838 |
| Donations received from shareholders | 800 | 800 |
| | 4,680,638 | 4,680,638 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

32 OTHER RESERVES

| | Discretionary reserve ^(a) | General reserve ^(b) | Revaluation reserve of equity instruments at FVOCI | Revaluation reserve of debt instruments at FVOCI | Impairment allowance for financial assets at FVOCI | Revaluation of retirement benefits plan | Total |
|---|---|-----------------------------------|---|---|---|---|-----------|
| Balance at 31 December 2018 | 2,616,566 | 5,400,150 | 150,000 | 6,943 | 120,030 | (4,497) | 8,289,192 |
| Other comprehensive income | - | - | - | 343,850 | 49,425 | 355 | 393,630 |
| Appropriation reserve | - | 76,790 | - | - | - | - | 76,790 |
| Balance at 30 June 2019 | 2,616,566 | 5,476,940 | 150,000 | 350,793 | 169,455 | (4,142) | 8,759,612 |
| Balance at 31 December 2017 | 2,245,019 | 4,747,365 | - | (353,322) | - | (1,414) | 6,637,648 |
| Changes from first adoption of IFRS9 | - | - | - | 949 | 143,815 | - | 144,764 |
| Balance at 1 January 2018 (restated) | 2,245,019 | 4,747,365 | - | (352,373) | 143,815 | (1,414) | 6,782,412 |
| Other comprehensive income | - | - | 150,000 | 359,316 | (23,785) | (3,083) | 482,448 |
| Appropriation reserve | 371,547 | 652,785 | - | - | - | - | 1,024,332 |
| Balance at 31 December 2018 | 2,616,566 | 5,400,150 | 150,000 | 6,943 | 120,030 | (4,497) | 8,289,192 |

(a) *Surplus reserve*

In accordance with the Company Law of the People's Republic of China and the Bank's Articles of Association, 10% of the net distributable profit of the Bank, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital of the Bank. With approval, statutory surplus reserve can be used for making up losses, or increasing the share capital.

The Group's statutory reserve as at 30 June 2019 amounted to RMB2,616,566 thousand (as at 31 December 2018: RMB2,616,566 thousand).

(b) *General reserve*

Since 1 July 2012, the Bank appropriates general reserves in accordance with relevant provisions in the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No. 20) issued by MOF. In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of the risk assets. This measure also stipulates that as the balance of general risk reserve for financial enterprises can hardly reach 1.5% of the ending balance of the risk assets, the reserve may be appropriated to 1.5% during certain years, which shall not exceed 5 years in principle.

The Board of Directors of the Bank recommended appropriation of a general reserve of RMB76,790 thousand based on 1.5% of the balance of risk assets as at 31 December 2018, which has been approved at the Annual General Meeting of Shareholders on 24 May 2019. For the six months ended 30 June 2019, the Group appropriated a general reserve of RMB76,790 thousand from undistributed profits (for the six months ended 30 June 2018: RMB619,378 thousand). As at 30 June 2019, the ending balance of general reserve is RMB5,476,940 thousand (as at 31 December 2018: RMB5,400,150 thousand).

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

33 DIVIDENDS

| | For the six months ended 30 June | |
|---|----------------------------------|---------|
| | 2019 | 2018 |
| Dividends declared during the period | 481,566 | 368,992 |
| Dividend per share (in RMB yuan) (Based on prior year shares) | 0.154 | 0.118 |

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

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

In accordance with the relevant regulations, after the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with the PRC Generally Accepted Accounting Principles and (ii) the retained profit determined in accordance with IFRS.

A dividend of RMB0.154 per share in respect of profit for the year ended 31 December 2018 (2017: RMB0.118 per share), amounting to a total dividend of RMB481,566 thousand based on the number of shares issued as at 31 December 2018, was approved at the Annual General Meeting on 24 May 2019.

34 STRUCTURED ENTITY

(a) Consolidated structured entity

The Group has consolidated certain structured entities which mainly are wealth management products where the Group provides financial guarantee. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For those wealth management products where the Group provides financial guarantee, the Group therefore has obligation to fund the losses, if any, in accordance with the guarantee agreements although the Group does not have any investment in those products. The Group concludes that these structured entities shall be consolidated.

As at 30 June 2019, the wealth management products managed and consolidated by the Group amounted to RMB5,083,122 thousand (as at 31 December 2018: RMB5,853,716 thousand). The financial impact of any individual wealth management products on the Group's financial performance is not significant. Interests held by other interest holders are included in customer deposits and due to other banks and financial institutions.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

34 STRUCTURED ENTITY (Continued)

(b) Unconsolidated structured entity

(i) *Unconsolidated structured entities managed by the Group*

The unconsolidated structure entities managed by the Group were mainly wealth management products issued and managed by the Group acting as an agent. Based on the analysis and research on the potential targeted clients, the Group designed and sold capital investment and management plan to specific targeted clients, and the raised funds were then put into related financial market or invested in related financial products according to the product contracts. Gains would be allocated to investors after the Group gained from investment. The Group received corresponding wealth management commission fee income as the asset manager. The Group has recognised net commission income from unsecured wealth management products with the amount of RMB296,506 thousand for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB278,763). The Group expects that the variable return is insignificant as to the structured entities. By the end of 30 June 2019, the maximum risk exposure of the unconsolidated structured entities was zero (31 December 2018: nil). For the six months ended 30 June 2019, the Group has not provided any liquidity support to the wealth management products during the year. (For the six months ended 30 June 2018: nil)

As at 30 June 2019, asset investment from the unsecured wealth management products issued and managed by the Group which were unconsolidated structure entities amounted to RMB46,577,900 thousand (31 December 2018: RMB49,967,816 thousand). The balance of unconsolidated wealth management products issued and managed by the Group amounted to RMB48,547,875 thousand (31 December 2018: RMB52,003,545 thousand).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, owners of the products or any third parties that could increase the Group's risk from unsecured wealth management products disclosed above during the six months ended 30 June 2019 (For the six months ended June 30 2018: nil). The Group was not required to absorb any losses incurred by unsecured wealth management products before other parties. For the six months ended 30 June 2019, the unsecured wealth management products issued by the Group caused no losses, and did not experience any financial difficulties (for the six months ended 30 June 2018: nil).

(ii) *Unconsolidated structured entities invested by the Group*

In order to make better use of capital for profit, the unconsolidated structured entities invested by the Group for the six months ended 30 June 2019 mainly included the wealth management products, trust schemes and directed asset management plans issued and managed by third parties. The Group classified the unconsolidated structured entities as financial assets at FVPL and amortized cost (For the six months ended 30 June 2018: same).

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

34 STRUCTURED ENTITY (Continued)

(b) Unconsolidated structured entity (Continued)

(ii) Unconsolidated structured entities invested by the Group (Continued)

The table below lists the book value and maximum loss risk exposure of the asset due to the holdings of gains from unconsolidated structured entities (including interest receivable).

| 30 June 2019 | Book value | Maximum risk exposure |
|---|-------------------|------------------------------|
| Financial assets at FVPL | 31,560,170 | 31,560,170 |
| Investment securities – | | |
| financial assets measured at amortised cost | 46,463,610 | 46,463,610 |
| | 78,023,780 | 78,023,780 |

| 31 December 2018 | Book value | Maximum risk exposure |
|---|------------|-----------------------|
| Financial assets at FVPL | 25,836,969 | 25,836,969 |
| Investment securities – | | |
| financial assets measured at amortised cost | 48,029,120 | 48,029,120 |
| | 73,866,089 | 73,866,089 |

For the six months ended 30 June 2019 and 30 June 2018, the interest income and fee and commission income from the above unconsolidated structured entities were:

| | For the six months ended 30 June | |
|---------------------------|---|-----------|
| | 2019 | 2018 |
| Interest Income | 1,639,856 | 1,620,988 |
| Investment income | 518,922 | 790,357 |
| Fee and Commission Income | 377,322 | 416,006 |
| | 2,536,100 | 2,827,351 |

The market information of total size of the unconsolidated structured entities listed above is not readily available from the public.

For the six months ended 30 June 2019, there was no related loss from the above unconsolidated structured entities (for the six months ended 30 June 2018: nil).

For the six months ended 30 June 2019, the Group had not provided any financial or other support plan for unconsolidated structured entities (for the six months ended 30 June 2018: nil).

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

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

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit related commitments which the Group has committed to 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 |
| | 46,908,217 | 35,660,722 |

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 |
| | 246,963 | 299,328 |

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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

36 COLLATERAL

(a) Asset pledged

The carrying amounts of assets pledged as collateral under repurchase agreements are set out below:

| | 30 June 2019 | 31 December 2018 |
|------------------|-------------------------|---------------------|
| Debt securities | 5,185,900 | 7,550,700 |
| Discounted bills | 3,502,232 | 3,035,763 |
| Total | 8,688,132 | 10,586,463 |

The carrying amounts of loans pledged as collateral under refinance agreements and standing lending facility with central bank are set out below:

| | 30 June 2019 | 31 December 2018 |
|---------------------------------|-------------------------|---------------------|
| Loans and advances to customers | 3,513,000 | 4,442,000 |
| Bonds | 9,071,678 | 619,200 |
| Total | 12,584,678 | 5,061,200 |

As at 30 June 2019, repurchase agreements, refinance agreements and standing lending facility are primarily due within 12 months from the effective dates of these agreements (as at 31 December 2018: due within 12 months).

(b) Collateral accepted

The Group received debt securities and notes as collateral in connection with the purchase of assets under resale agreements. Certain of these collaterals can be resold or re-pledged.

As at 30 June 2019, the Group has accepted collateral that can be resold or re-pledged with a carrying amount of RMB30,158,155 thousand (as at 31 December 2018: RMB40,285,198 thousand). The Group has no re-pledged collateral which has to be returned upon maturity as at 30 June 2019 (as at 31 December 2018: nil).

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

37 OTHER COMPREHENSIVE INCOME FOR THE PERIOD

| | Before tax amount | Income tax | Net of tax amount |
|---|----------------------|------------------|----------------------|
| For the six months ended 30 June 2019 | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Net gains on valuation of financial assets measured at FVOCI | 458,467 | (114,617) | 343,850 |
| Credit loss provision of financial assets measured at FVOCI | 65,900 | (16,475) | 49,425 |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Revaluation of retirement benefits plan | 474 | (119) | 355 |
| Other comprehensive income for the period | 524,841 | (131,211) | 393,630 |
| For the six months ended 30 June 2018 | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Net losses on valuation of financial assets measured at FVOCI | (273,558) | 68,390 | (205,168) |
| Net gains on disposal of financial assets measured at FVOCI that are reclassified into profit or loss | 9,425 | (2,356) | 7,069 |
| Credit loss provision of financial assets measured at FVOCI | (54,293) | 13,573 | (40,720) |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Net gains on debt instruments measured at FVOCI | 200,000 | (50,000) | 150,000 |
| Revaluation of retirement benefits plan | (2,495) | 624 | (1,871) |
| Other comprehensive income for the period | (120,921) | 30,231 | (90,690) |

38 NOTES TO THE OF CASH FLOW STATEMENT

For the purposes of the cash flow statements, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

| | 30 June 2019 | 30 June 2018 |
|--|-------------------|-------------------|
| Cash and balances with central bank | 7,922,432 | 11,219,421 |
| Deposits with other banks and financial institutions | 4,882,090 | 9,511,273 |
| Placements with banks | 2,028,037 | 2,992,688 |
| | 14,832,559 | 23,723,382 |

The Group's interim condensed consolidated statements of cash flows has been adjusted based on the results announcement of the Group published on 30 August 2019, mainly due to the Group's reclassification of the gains of financial assets at fair value through profit or loss under IFRS 9 between the cash flows from operating activities and cash flows from investing activities.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

39 FINANCIAL ASSETS TRANSFER

(a) Package disposal of loans and advances

For the six months ended 30 June 2019, the Group disposed of no packaged loans (transfer more than one loan to the same transferee) to the third parties.

For the year ended 31 December 2018, the Group disposed of packaged loans to the third parties with a gross amount of RMB315,844 thousand and collected a total amount of RMB315,844 thousand. As at 31 December 2018, the remaining balance amounted to RMB225,806 thousand has not been collected yet and will be collected in four years by installment. The Group derecognised these loans accordingly. As at 30 June 2019, the uncollected balance amounted to RMB208,305 thousand without default.

(b) Asset securitisation

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

The Group may retain interests in the form of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the condensed consolidated interim financial statement to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets.

As at 30 June 2019, assets continuously recognized by the Group and the Bank amounted to RMB229,448 thousand have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets in the form of holding subordinated tranches. (as at 31 December 2018: RMB229,437 thousand).

As at 30 June 2019, unmatured securitised loans amounted to an original value of RMB5,203,226 thousand and a carrying amount of RMB3,543,475 thousand (as at 31 December 2018: RMB5,203,226 thousand and RMB3,543,475 thousand). Including, the Group disposed of non-performing loans with a carrying amount of RMB2,862,264 thousand (as at 31 December 2018: RMB2,862,264 thousand), the Group derecognised these loans accordingly.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

40 RELATED PARTY TRANSACTIONS

(a) Related parties of the Group

The Group has no control over or controlled by any related parties or joint ventures during the reporting period.

The related parties of the Group mainly include: the major shareholders who have 5% or more shares of the Group as well as the entities controlled by them, the Group's associates, the key management personnel (including the directors, supervisors and senior management) and their family members who have close relationships with them as well as the entities which are controlled, joint controlled or can be significantly influenced by the key management personnel or their family members, and the entities in which the key management personnel or their close family members act as directors or senior management except the Group.

(b) Related party transactions and balances

Transactions and balances with associates

Transactions between the Group and its associates are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates are set out below:

Transactions amounts:

| | For the six months ended 30 June | |
|------------------|----------------------------------|--------|
| | 2019 | 2018 |
| Interest income | – | 25,356 |
| Interest expense | 1 | 1 |

Balances at the end of the reporting period:

| | 30 June | 31 December |
|---|---------|-------------|
| | 2019 | 2018 |
| Due from other banks and financial institutions | 1 | 1 |
| Placements with other banks | 714 | 123 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

40 RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions and balances (Continued)

Related party transactions and balances (besides associates)

The main transactions between the Group and the related parties are loans and deposits, which are engaged under ordinary business terms.

All transaction balances and ranges of the interest rate with the related parties (besides associates) at the end of reporting period are set out below:

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| Customer deposits | 1,291,555 | 1,036,983 |
| Loans and advances to customers | 1,087,231 | 583,014 |
| Financial assets at fair value through other comprehensive income | 551,000 | 540,000 |
| Due to other banks and financial institutions | 741 | 1,324 |
| Investment securities at amortised cost | – | 500,000 |
| Other receivables | – | 162,877 |

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| Customer deposits | 0.35%-4.8% | 0.05%-4.8% |
| Loans and advances to customers | 4.35%-18.00% | 4.165%-5.655% |
| Financial assets at fair value through other comprehensive income | 5.78%-6.3% | 6.3% |
| Due to other banks and financial institutions | 0.385% | 0.05%-0.385% |
| Investment securities at amortised cost | – | 5.3% |

Transactions amounts:

| | For the six months ended 30 June | |
|--|---|-------|
| | 2019 | 2018 |
| Interest income from loans and advances to customers | 32,288 | 3,192 |
| Interest income from investment securities | 17,434 | 6,804 |
| Interest expense for customer deposits | 5,127 | 609 |
| Fee and commission income | 115 | – |

As at 28 March 2018, Chongqing Yukang Asset Management Co., Ltd., the Group's related party, subscribed three trust schemes issued by third-party trust companies. The investments amounted to RMB733,592 thousand, RMB490,139 thousand and RMB227,324 thousand, holding 99.32%, 100% and 100% of share respectively. The underlying assets of the trust schemes were the credit assets beneficial right transferred by the Group and amounted to RMB1,619,902 thousand, RMB1,242,362 thousand and RMB444,296 thousand respectively.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

40 RELATED PARTY TRANSACTIONS (Continued)

(c) Balance of loans and advances to customers guaranteed by the related parties

| | 30 June 2019 | 31 December 2018 |
|--|-------------------------|---------------------|
| Chongqing Sanxia Financing Guarantee Group Corporation | 364,649 | 466,180 |
| Chongqing Small&Mirco Business Financing Guarantee Co., Ltd. | 86,682 | 79,789 |
| Chongqing Education Guarantee Co., Ltd. | 103,395 | 163,150 |
| Chongqing Yutai Guarantee Co., Ltd. | 45,389 | 90,263 |
| Chongqing RE-Guarantee Co., Ltd. | 44,400 | 34,500 |
| | 644,515 | 833,882 |

(d) Transactions between the Bank and its subsidiary

Related party transactions are conducted between the Bank and its subsidiary. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority.

Transactions and balances are as follows:

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| Due from other banks and financial institutions | 1,600,000 | 1,600,000 |
| Due to other banks and financial institutions | 125,163 | 151,215 |

| | For the six months ended 30 June | |
|---------------------------|---|-------|
| | 2019 | 2018 |
| Interest income | 38,148 | – |
| Interest expense | 2,598 | 4,994 |
| Fee and commission income | 8 | – |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

40 RELATED PARTY TRANSACTIONS (Continued)

(e) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior management. The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2019 and the six months ended 30 June 2018, there were no material transactions and balances with key management personnel on an individual basis.

(f) Loans and advances to directors, supervisors and senior management

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior management as at the end of reporting period. Those loans and advances to directors, supervisors and senior management were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees.

41 SEGMENT ANALYSIS

The Group's operating segments are business units 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, government agencies. 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

41 SEGMENT ANALYSIS (Continued)

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) |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

41 SEGMENT ANALYSIS (Continued)

| | 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) | 595,012 | 937,082 | (1,532,094) | – | – |
| 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 | (545,505) | (415,641) | (66,206) | (7,574) | (1,034,926) |
| Profit before income tax | 1,624,479 | 929,906 | 323,407 | 21,695 | 2,899,487 |
| | As at 30 June 2018 | | | | |
| Capital expenditure | 78,691 | 36,629 | 97,697 | 855 | 213,872 |
| Segment assets | 160,354,052 | 74,640,284 | 199,081,889 | 1,743,173 | 435,819,398 |
| Segment liabilities | (184,874,760) | (76,409,529) | (141,711,814) | (2,629) | (402,998,732) |

42 FIDUCIARY ACTIVITIES

The Bank provides custody and trustee services to third parties, and grants entrusted loans on behalf of third-party lenders. They are set out below:

| | 30 June 2019 | 31 December 2018 |
|--|-------------------------|---------------------|
| Assets held in investment custody accounts | 66,462,257 | 50,138,561 |
| Entrusted loans | 9,959,354 | 9,337,569 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(a) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial investments and liabilities not presented on the Group's statement of financial position at their fair value.

| | 30 June 2019 | | 31 December 2018 | |
|------------------------------|-------------------|-------------------|------------------|------------|
| | Book Value | Fair value | Book Value | Fair value |
| Financial assets | | | | |
| Investment securities | | | | |
| – Amortised cost | 84,622,037 | 86,682,682 | 82,523,309 | 84,643,116 |
| Financial liabilities | | | | |
| Debt securities issued | 98,170,642 | 98,606,072 | 96,982,613 | 97,103,003 |

Investment securities

The fair value for loans and receivables and HTM is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Debt securities issued

The fair value of fixed interest bearing debt securities issued is calculated using a discounted cash flow model which is based on a current yield curve appropriate for the remaining term to maturity.

Other than above, the carrying values of those financial assets and liabilities not presented at their fair value on the statement of financial position are a reasonable approximation of their fair values. Those financial assets and liabilities include balances with central bank, due from other banks and financial institutions, loans and advances to customers, due to other banks and financial institutions, customer deposits, etc. Fair value is measured using a discounted future cash flow model.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

(b) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes debt instruments traded in interbank market. The sources of input parameters like LIBOR yield curve or counterparty credit risk are China Bond and Bloomberg.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and structured financial instruments.

The Group uses valuation techniques to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

For asset-backed securities and unlisted equity (private equity) held by the Group, the fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments. Instruments which have been valued using unobservable inputs have been classified by the Group as level 3. Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external values, and using valuation models that incorporate unobservable inputs such as loss coverage ratios.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

(b) Fair value hierarchy (Continued)

Assets and liabilities measured at fair value:

| 30 June 2019 | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|-------------------|-------------------|-------------------|
| Loans and advances to customer | | | | |
| – Discounted bills | – | 15,811,789 | – | 15,811,789 |
| FVPL | | | | |
| – Debt securities | – | 741,298 | – | 741,298 |
| – Fund investments | 5,009,790 | – | – | 5,009,790 |
| – Trust investments | – | – | 5,162,157 | 5,162,157 |
| – Wealth management products purchased from financial institutions | – | – | 11,062,821 | 11,062,821 |
| – Directional asset management plans | – | – | 10,325,402 | 10,325,402 |
| – Equity investment at fair value | 454,346 | – | – | 454,346 |
| | 5,464,136 | 741,298 | 26,550,380 | 32,755,814 |
| FVOCI | | | | |
| – Debt securities | – | 33,983,256 | – | 33,983,256 |
| – Equity securities | – | – | 208,600 | 208,600 |
| | – | 33,983,256 | 208,600 | 34,191,856 |
| Total | 5,464,136 | 50,536,343 | 26,758,980 | 82,759,459 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

(b) Fair value hierarchy (Continued)

Assets and liabilities measured at fair value: (Continued)

| 31 December 2018 | Level 1 | Level 2 | Level 3 | Total |
|--|-----------|------------|------------|------------|
| Loans and advances to customer | | | | |
| – Discounted bills | – | 13,501,381 | – | 13,501,381 |
| FVPL | | | | |
| – Debt securities | – | 1,146,366 | – | 1,146,366 |
| – Fund investments | 8,038,429 | – | – | 8,038,429 |
| – Trust investments | – | – | 5,174,858 | 5,174,858 |
| – Wealth management products purchased from financial institutions | – | – | 2,357,023 | 2,357,023 |
| – Directional asset management plans | – | – | 10,266,659 | 10,266,659 |
| – Equity investment at fair value | 438,523 | – | – | 438,523 |
| | 8,476,952 | 1,146,366 | 17,798,540 | 27,421,858 |
| FVOCI | | | | |
| – Debt securities | – | 34,478,567 | – | 34,478,567 |
| – Equity securities | – | – | 208,600 | 208,600 |
| | – | 34,478,567 | 208,600 | 34,687,167 |
| Total | 8,476,952 | 49,126,314 | 18,007,140 | 75,610,406 |

For the six months ended 30 June 2019, there were no transfers between level 1 and 2 during the period (for the year ended 31 December 2018: nil).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

(b) Fair value hierarchy (Continued)

Assets and liabilities measured at fair value: (Continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Changes in level 3 financial assets are analysed below:

| | Financial assets at FVPL |
|--|-----------------------------|
| Balance at 31 December 2018 | 17,798,540 |
| Total gains or losses | |
| – Profit or loss | 91,840 |
| – Other comprehensive income | – |
| Purchase | 11,000,000 |
| Settlement | (2,340,000) |
| Balance at 30 June 2019 | 26,550,380 |
| Total gains for the year included in consolidated statement of comprehensive income for financial assets held as at 30 June 2019 | 162,130 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

(b) Fair value hierarchy (Continued)

Assets and liabilities measured at fair value: (Continued)

| | Financial assets at FVPL |
|--|-------------------------------------|
| Restated balance at 1 January 2018 | 39,169,120 |
| Total gains or losses | |
| – Profit or loss | (170,364) |
| – Other comprehensive income | – |
| Purchase | 2,345,000 |
| Settlement | (23,545,216) |
| Balance at 31 December 2018 | 17,798,540 |
| Total gains for the year included in consolidated statement of comprehensive income for financial assets held as at 31 December 2018 | 70,290 |

44 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, primarily including credit risk, market risk (including currency risk, interest risk and other price risk), and liquidity risk. Those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing risks are core to the financial business, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is the highest authority for the Group's overall risk management. It provides strategy and risk preference for overall risk management and decides the risk tolerance and monitor risk management and internal control system. It assesses overall risk based on monitoring information and risk management reported by the senior management. Senior management is responsible for overseeing the Group's overall risk management, including the formulation and implementation of risk management policies and procedures, covering credit risk, interest rate risk, liquidity risk and foreign exchange risk. The risk management committee is in charge of the Group's overall risk management structure, policies and tools, and monitors the risk management. The assets and liabilities management department is primarily in charge of managing the Group's liquidity risk and banking account interest rate risk.

Notes to the Unaudited Condensed Consolidated Interim Financial Information (Continued)

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

45 OPERATING LEASE PAYMENTS TO BE RECEIVED SUBSEQUENT TO THE BALANCE SHEET DATE

As a lessor, the undiscounted cash flow of lease payments to be received subsequent to the balance sheet date was summarised as follow:

| | 30 June 2019 |
|-------------------|-----------------|
| Within 1 year | 6,660 |
| 1 year to 2 years | 6,268 |
| 2 year to 3 years | 6,100 |
| 3 year to 4 years | 6,100 |
| 4 year to 5 years | 6,100 |
| Over 5 years | – |
| | 31,228 |

46 SUBSEQUENT EVENTS

Up to the date of this report, the Group has no material event for disclosure after the reporting date.

Unaudited Supplementary Financial Information

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

9.1 Liquidity Ratios

| | As at 30 June 2019 | As at 31 December 2018 |
|---|--------------------------|------------------------------|
| (Expressed in percentage) | | |
| RMB current assets to RMB current liabilities | 84.45 | 78.84 |
| Foreign currency current assets to foreign currency current liabilities | 367.46 | 146.55 |

The liquidity ratios above are calculated in accordance with the relevant provisions of the PBOC and the CBIRC.

9.2 Cross-border Claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include amounts due from other banks and other financial institutions.

Cross-border claims have been disclosed by different countries or geographical areas. A country or geographical area is reported separately where it constitutes 10% of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a third party in another country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

| | As at 30 June 2019 | As at 31 December 2018 |
|--|--------------------------|------------------------------|
| (All amounts expressed in thousands of RMB unless otherwise stated) | | |
| Asia Pacific excluding Mainland China | 843,382 | 1,174,254 |
| – of which attributed to Hong Kong | 842,688 | 1,173,788 |
| Europe | 16,071 | 2,509 |
| North America | 331,262 | 424,427 |
| Total | 1,190,715 | 1,601,190 |

Unaudited Supplementary Financial Information (Continued)

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

9.3 Currency Concentrations

| (All amounts expressed in thousands of RMB unless otherwise stated) | Equivalent in RMB | | | Total |
|---|-------------------|--------------|---------------|------------------|
| | US Dollar | HK Dollar | Others | |
| As at 30 June 2019 | | | | |
| Spot assets | 14,361,682 | 7,830 | 171,452 | 14,540,964 |
| Spot liabilities | (8,947,811) | (58) | (113,639) | (9,061,508) |
| Net long/(short) position | 5,413,871 | 7,772 | 57,813 | 5,479,456 |

| (All amounts expressed in thousands of RMB unless otherwise stated) | Equivalent in RMB | | | Total |
|---|-------------------|--------------|--------------|------------------|
| | US Dollar | HK Dollar | Others | |
| As at 31 December 2018 | | | | |
| Spot assets | 17,502,794 | 3,515 | 60,540 | 17,566,849 |
| Spot liabilities | (12,105,119) | (118) | (52,725) | (12,157,962) |
| Net long/(short) position | 5,397,675 | 3,397 | 7,815 | 5,408,887 |

9.4 Overdue and Rescheduled Assets

(1) Total overdue loans

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|----------------------------------|----------------|----------------------------------|----------------|
| | Total Overdue loans to customers | Percentage (%) | Total Overdue loans to customers | Percentage (%) |
| Within 3 months | 3,714,374 | 56.47 | 4,476,712 | 62.42 |
| Between 3 and 6 months | 408,762 | 6.21 | 483,543 | 6.74 |
| Between 6 and 12 months | 994,863 | 15.12 | 1,003,262 | 13.99 |
| Over 12 months | 1,459,938 | 22.20 | 1,208,749 | 16.85 |
| Total | 6,577,937 | 100.00 | 7,172,266 | 100.00 |

(2) Overdue and rescheduled loans

| (All amounts expressed in thousands of RMB unless otherwise stated) | As at 30 June 2019 | As at 31 December 2018 |
|---|--------------------|------------------------|
| Gross amount of overdue and rescheduled loans | 505,334 | 928,953 |

Unaudited Supplementary Financial Information (Continued)

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

9.4 Overdue and Rescheduled Assets (Continued)

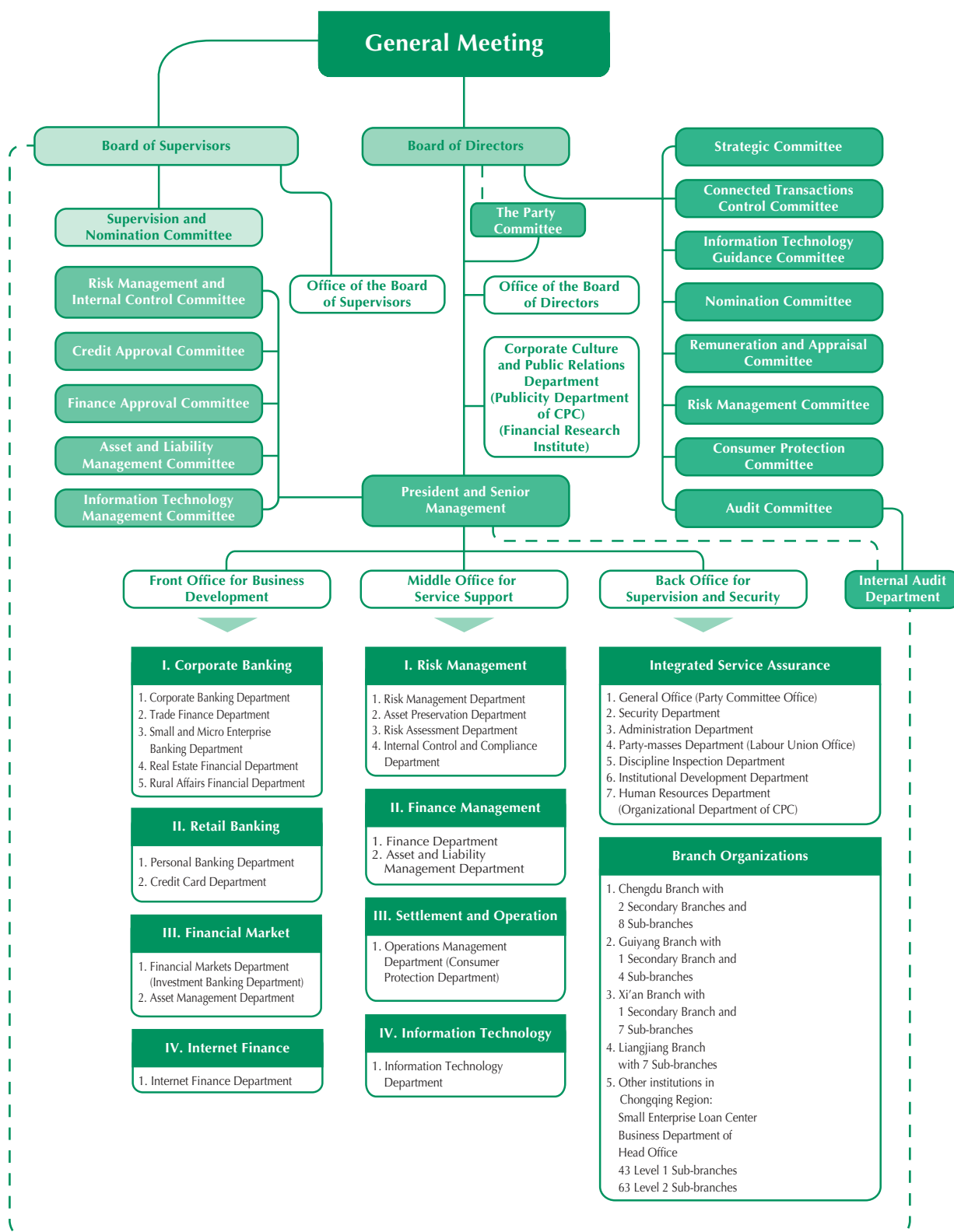
(3) Type of collateral of overdue loans

| (All amounts expressed in thousands of RMB unless otherwise stated) | Past due 1-90 days (including 90 days) | Past due 90 days-1 year (including 1 year) | Past due 1 year-3 years (including 3 years) | Past due over 3 years | Total |
|---|--|--|---|-----------------------|------------------|
| As at 30 June 2019 | | | | | |
| Unsecured loans | 239,465 | 288,267 | 50,435 | 13,877 | 592,044 |
| Guaranteed loans | 1,842,821 | 459,639 | 263,912 | 4,036 | 2,570,408 |
| Collateralised loans | 1,503,987 | 643,519 | 945,930 | 37,168 | 3,130,604 |
| Pledged loans | 127,901 | 12,400 | 144,580 | – | 284,881 |
| Total | 3,714,174 | 1,403,825 | 1,404,857 | 55,081 | 6,577,937 |
| As at 31 December 2018 | | | | | |
| Unsecured loans | 278,797 | 163,017 | 50,172 | 8,898 | 500,884 |
| Guaranteed loans | 2,193,873 | 270,950 | 284,650 | 12,445 | 2,761,918 |
| Collateralised loans | 1,707,901 | 1,004,686 | 507,102 | 198,361 | 3,418,050 |
| Pledged loans | 294,308 | 49,985 | 147,121 | – | 491,414 |
| Total | 4,474,879 | 1,488,638 | 989,045 | 219,704 | 7,172,266 |

9.5 Geographical Information

The Bank mainly operates its business in Mainland China, and most of its loans and advances are granted to the clients from the city of Chongqing of China.

Organizational Chart



List of Branch Outlets

| No. | Name of Banking Institution | Address | Postal Code |
|-----|---|---|-------------|
| 1 | Business Department of Bank of Chongqing Co., Ltd. | Lot A04-1/03, Outline Zoning A, Jiangbeicheng, Jiangbei District, Chongqing | 400020 |
| 2 | Small Enterprise Loan Centre of Bank of Chongqing Co., Ltd. | No. 331 Donghu South Road, Yubei District, Chongqing | 401147 |
| 3 | Liangjiang Branch of Bank of Chongqing Co., Ltd. | No. 52 Middle Section of Huangshan Avenue, Yubei District, Chongqing | 401121 |
| 4 | Chengdu Branch of Bank of Chongqing Co., Ltd. | North Building, New Tianfu International Centre, No. 99 Tianfu Second Street, Hi-Tech District, Chengdu, Sichuan | 610059 |
| 5 | Guiyang Branch of Bank of Chongqing Co., Ltd. | 1/F to 3/F, Building II, Shengshi Huating, No. 51 Jiefang Road, Nanming District, Guiyang, Guizhou | 550002 |
| 6 | Xi'an Branch of Bank of Chongqing Co., Ltd. | 1/F to 3/F, Building 2, Yinhe Xinzuoobao Building, No. 25 Tangyan Road, Xi'an, Shaanxi | 710075 |
| 7 | Guang'an Secondary Branch of Bank of Chongqing Co., Ltd. | 1/F and 15/F, Guang'an Power Administration Building, No. 9 Siyuan Avenue, Guang'an District, Guang'an, Sichuan | 638000 |
| 8 | Leshan Secondary Branch of Bank of Chongqing Co., Ltd. | (Even No.) No. 438-454 Baiyang Middle Road and (Even No.) No. 206-214 Jiaxing Road, Central District, Leshan, Sichuan | 614001 |
| 9 | Bijie Secondary Branch of Bank of Chongqing Co., Ltd. | 1-4/F, Block 5, Qizhong Aolai International Plaza, Qixingguan District, Bijie, Guizhou | 551700 |
| 10 | Yan'an Secondary Branch of Bank of Chongqing Co., Ltd. | 1st and 4th floors, Building A, Yan'an Mintou Financial Town, southwest corner of Zichang Road & Xuanyuan Avenue, New District, Baota District, Yan'an, Shaanxi | 716000 |
| 11 | Wenhuagong Sub-branch of Bank of Chongqing Co., Ltd. | No. 139 Zhongshan San Road, Yuzhong District, Chongqing | 400014 |
| 12 | Qixinggang Sub-branch of Bank of Chongqing Co., Ltd. | No. 148 Zhongshan Yi Road, Yuzhong District, Chongqing | 400013 |
| 13 | Bayi Road Sub-branch of Bank of Chongqing Co., Ltd. | No. 258 Bayi Road, Yuzhong District, Chongqing | 400010 |
| 14 | The Great Hall Sub-branch of Bank of Chongqing Co., Ltd. | No. 4 Xuetianwan Zheng Street, Yuzhong District, Chongqing | 400015 |
| 15 | Renhe Street Sub-branch of Bank of Chongqing Co., Ltd. | No. 89 Renhe Street, Yuzhong District, Chongqing | 400015 |
| 16 | Shangqingsi Sub-branch of Bank of Chongqing Co., Ltd. | No. 38-4, 5, 6, and 7 Zhongshan Si Road, Yuzhong District, Chongqing | 400015 |
| 17 | Jiefangbei Sub-branch of Bank of Chongqing Co., Ltd. | No. 101 Minzu Road, Yuzhong District, Chongqing | 400010 |
| 18 | Minsheng Road Sub-branch of Bank of Chongqing Co., Ltd. | No. 153 Zourong Road, Yuzhong District, Chongqing | 400010 |

List of Branch Outlets

| No. | Name of Banking Institution | Address | Postal Code |
|-----|---|--|-------------|
| 19 | Dayanggou Sub-branch of Bank of Chongqing Co., Ltd. | G/F (street frontage), Oupeng Building, No. 216 Xinhua Road, Yuzhong District, Chongqing | 400010 |
| 20 | Chaotianmen Sub-branch of Bank of Chongqing Co., Ltd. | No. 7 Datong Street, Yuzhong District, Chongqing | 400011 |
| 21 | Zongbucheng Sub-branch of Bank of Chongqing Co., Ltd. | No. 44 and 46 Huxie Road, Yuzhong District, Chongqing | 400011 |
| 22 | Hualongqiao Sub-branch of Bank of Chongqing Co., Ltd. | No. 162 and 164 Ruitian Road, Yuzhong District, Chongqing | 400043 |
| 23 | Renmin Road Sub-branch of Bank of Chongqing Co., Ltd. | No. 129 Renmin Road, Yuzhong District, Chongqing | 400015 |
| 24 | Shidai Tian Street Sub-branch of Bank of Chongqing Co., Ltd. | No. 16-2-35 and 16-2-36 Shidai Tian Street, Yuzhong District, Chongqing | 400014 |
| 25 | Daping Sub-branch of Bank of Chongqing Co., Ltd. | No. 121 Daping Changjiang Er Road, Yuzhong District, Chongqing | 400042 |
| 26 | Sanxia Plaza Sub-branch of Bank of Chongqing Co., Ltd. | No. 339-3, Xiaolongkan Zheng Street, Shapingba District, Chongqing | 400030 |
| 27 | Shazheng Street Sub-branch of Bank of Chongqing Co., Ltd. | No. 37-6 Shazheng Street, Shapingba District, Chongqing | 400030 |
| 28 | Xiaolongkan Sub-branch of Bank of Chongqing Co., Ltd. | No. 18 Xiaolongkan New Street, Shapingba District, Chongqing | 400030 |
| 29 | Tianxingqiao Sub-branch of Bank of Chongqing Co., Ltd. | No. 40-28 Tianxingqiao Zheng Street, Shapingba District, Chongqing | 400030 |
| 30 | Xiyong Weidianyuan Sub-branch of Bank of Chongqing Co., Ltd. | No. 17-21 and 63-67, No. 26, Xishuang Avenue, Shapingba District, Chongqing | 401332 |
| 31 | Chongda Sub-branch of Bank of Chongqing Co., Ltd. | No. 83 Shabei Street, Shapingba District, Chongqing | 400044 |
| 32 | University City Sub-branch of Bank of Chongqing Co., Ltd. | No. 125-127 and 149-152, No. 17 University City West Road, Huxi Town, Shapingba District, Chongqing | 400044 |
| 33 | Dadukou Sub-branch of Bank of Chongqing Co., Ltd. | No. 37-18 Cuibai Road, Chunhui Road Subdistrict, Dadukou District, Chongqing | 400084 |
| 34 | Ganghua Road Sub-branch of Bank of Chongqing Co., Ltd. | No. 1 Shuangshan Road, Dadukou District, Chongqing | 400084 |
| 35 | Jiulong Square Sub-branch of Bank of Chongqing Co., Ltd. | No. 36 Yangjiaping Xijiao Road, Jiulongpo District, Chongqing | 400050 |
| 36 | Baishiyi Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-3, 4, 5, and 6, Unit 1, Building 1, No 23 Bai Xin Road, Baishiyi Town, Jiulongpo District, Chongqing | 401329 |
| 37 | High-Tech Development Zone Subbranch of Bank of Chongqing Co., Ltd. | No. 1409 Jingwei Avenue, Jiulongpo District, Chongqing | 400039 |
| 38 | Yangjiaping Sub-branch of Bank of Chongqing Co., Ltd. | (Jianye Building) Yangjiaping Labour Village 3, Jiulongpo District, Chongqing | 400050 |

List of Branch Outlets

| No. | Name of Banking Institution | Address | Postal Code |
|-----|--|--|-------------|
| 39 | Yuzhou Road Sub-branch of Bank of Chongqing Co., Ltd. | No. 18-1 Yuzhou Road, Jiulongpo District, Chongqing | 400039 |
| 40 | Nanping Sub-branch of Bank of Chongqing Co., Ltd. | 2-2, 1/F, No. 199 Nancheng Avenue, Nanping Subdistrict, Nan'an District, Chongqing | 400060 |
| 41 | Chayuan New District Sub-branch of Bank of Chongqing Co., Ltd. | No. 101-8 Tongjiang Avenue, Chayuan New District, Nan'an District, Chongqing | 401336 |
| 42 | Danzishi Sub-branch of Bank of Chongqing Co., Ltd. | No. 52 Danzishi New Street, Nan'an District, Chongqing | 400061 |
| 43 | Huilongwan Sub-branch of Bank of Chongqing Co., Ltd. | No. 37, 1/F, No. 29, Nanhu Road, Nan'an District, Chongqing | 400060 |
| 44 | Banan Sub-branch of Bank of Chongqing Co., Ltd. | Shop-1 13-20, Shop-2 9-14, Shop-3 6-12, No. 40, Longzhou Avenue, Banan District, Chongqing | 401320 |
| 45 | Yudong Sub-branch of Bank of Chongqing Co., Ltd. | No. 60-1 Xinshi Street, Banan District, Chongqing | 401320 |
| 46 | Jieshi Sub-branch of Bank of Chongqing Co., Ltd. | No. 137, 139, 141 and 143 Jiemei Road, Jieshi Town, Banan District, Chongqing | 401346 |
| 47 | Lijiatuo Sub-branch of Bank of Chongqing Co., Ltd. | Shop 5 No. 5, Mawangping Zheng Street, Lijiatuo, Banan District, Chongqing | 400054 |
| 48 | Beibei Sub-branch of Bank of Chongqing Co., Ltd. | No. 453, 455 and 457 Yunqing Road, Beibei District, Chongqing | 400700 |
| 49 | Beibeichaoyang Sub-branch of Bank of Chongqing Co., Ltd. | No. 73 Zhongshan Road, Beibei District, Chongqing | 400700 |
| 50 | Southwest University Sub-branch of Bank of Chongqing Co., Ltd. | No. 18 Shigang Village, Beibei District, Chongqing | 400700 |
| 51 | Tianshengqiao Sub-branch of Bank of Chongqing Co., Ltd. | No. 85-3 Huangshu Village, Beibei District, Chongqing | 400716 |
| 52 | Beibei District Shuitu Sub-branch of Bank of Chongqing Co., Ltd. | No. 98-27 Fangzheng Avenue, Beibei District, Chongqing | 400700 |
| 53 | Jianxin North Road Sub-branch of Bank of Chongqing Co., Ltd. | No. 23-4 Jianxin North Road, Jiangbei District, Chongqing | 400020 |
| 54 | Ranjiaba Sub-branch of Bank of Chongqing Co., Ltd. | No. 433 and 435 Longshan Road, Nanqiao Temple, Yubei District, Chongqing | 400020 |
| 55 | Wulidian Sub-branch of Bank of Chongqing Co., Ltd. | No. 292 Jianxin East Road, Jiangbei District, Chongqing | 400023 |
| 56 | Jianxin East Road Sub-branch of Bank of Chongqing Co., Ltd. | Baiyexing Building, No. 3-1 Jianxin East Road, Jiangbei District, Chongqing | 400020 |
| 57 | Bonded Port Sub-branch of Bank of Chongqing Co., Ltd. | 2-1, 2-2, 2-3, and 2-4, Building 2, No. 153 Jinyu Avenue, Jiangbei District, Chongqing | 400025 |
| 58 | Longtousi Sub-branch of Bank of Chongqing Co., Ltd. | No. 331 Donghu South Road, Yubei District, Chongqing | 401147 |
| 59 | Jinkai Sub-branch of Bank of Chongqing Co., Ltd. | No. 11-1 Jintong Road, Beibu New District, Chongqing | 401122 |

List of Branch Outlets

| No. | Name of Banking Institution | Address | Postal Code |
|-----|---|--|-------------|
| 60 | Yanghe Sub-branch of Bank of Chongqing Co., Ltd. | No. 383 Honghuang Road, Longxi Sub-district, Yubei District, Chongqing | 401147 |
| 61 | Yuanyang Sub-branch of Bank of Chongqing Co., Ltd. | No. 119, Building G8, No. 1122 Jinkai Avenue, Beibu New District, Chongqing | 401147 |
| 62 | Liangjiang New District Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-3 Xingguang Avenue, Gaoxin Park, Beibu New District, Chongqing | 401121 |
| 63 | Fenglinxiushui Sub-branch of Bank of Chongqing Co., Ltd. | No. 52, 54, 56 and 58 Xihu Road, Yubei District, Chongqing | 401120 |
| 64 | Songshuqiao Sub-branch of Bank of Chongqing Co., Ltd. | District A, Shanghai Building, No. 71 Wuling Road, Longxi Sub-district, Yubei District, Chongqing | 401147 |
| 65 | Renhe Sub-branch of Bank of Chongqing Co., Ltd. | No. 50 Renhe Jile Avenue, Yubei District, Chongqing | 401121 |
| 66 | Jiazhou Sub-branch of Bank of Chongqing Co., Ltd. | No. 115 Jiazhou Road, Yubei District, Chongqing | 401147 |
| 67 | Yuzui Sub-branch of Bank of Chongqing Co., Ltd. | No. 14, 15 and 16, 1/F, Building B2, Tuoxin • Liangjiang Qibocheng, No. 47 Yonghe Road, Yuzui, Liangjiang New District, Chongqing | 401133 |
| 68 | Red Star Plaza Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-1, 1-2, and 1-3, Building 4, No. 42 Golden State Avenue, Beibu New District, Chongqing | 401120 |
| 69 | Yubei Sub-branch of Bank of Chongqing Co., Ltd. | Shops 1-1 and 2-1 of Integrated Commercial Complex of Shengjing Tianxia, No. 9 Baiguo Road, Shuanglonghu Sub-district, Yubei District, Chongqing | 401120 |
| 70 | Lianglu Sub-branch of Bank of Chongqing Co., Ltd. | No. 86 Shuanglong Avenue, Shuanglonghu Subdistrict, Yubei District, Chongqing | 401120 |
| 71 | Fuling Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-2, 2-2, 3-1, 3-4, Basement, Block 2, Xiangjiang Garden, No. 8-1 Zhongshan Road, Fuling District, Chongqing | 408000 |
| 72 | Fuling Stadium Sub-branch of Bank of Chongqing Co., Ltd. | Xinghua Middle Road (Stadium South Road), Fuling District, Chongqing | 408000 |
| 73 | Lidu Sub-branch of Bank of Chongqing Co., Ltd. | Shop 17, 18, 19, 20, Building S2-1, Panhua International Plaza, No. 29-20, 21, 22, 23, Taibai Avenue, Fuling District, Chongqing | 408100 |
| 74 | Changshou Sub-branch of Bank of Chongqing Co., Ltd. | No. 10 Taoyuan West Road, Changshou District, Chongqing | 401220 |
| 75 | Yanjia Sub-branch of Bank of Chongqing Co., Ltd. | No. 33 Yucai Road, Yanjia Sub-district, Changshou District, Chongqing | 401221 |
| 76 | Fengcheng Sub-branch of Bank of Chongqing Co., Ltd. | No. 2 Xiangyang Road, Changshou District, Chongqing | 401220 |
| 77 | Hechuan Sub-branch of Bank of Chongqing Co., Ltd. | 1-2, 2-1, No. 402, 400 Jiangcheng Avenue, South Office, Hechuan District, Chongqing | 401520 |

List of Branch Outlets

| No. | Name of Banking Institution | Address | Postal Code |
|-----|--|---|-------------|
| 78 | Hechuan District Zhaojia Sub-branch of Bank of Chongqing Co., Ltd. | No. 47, 49, 51 Jiaotong Street and No. 210, 212, 214, 216 Zuofu Road, Joint Office, Hechuan District, Chongqing | 401520 |
| 79 | Wanzhou Sub-branch of Bank of Chongqing Co., Ltd. | No. 193 Baiyan Road, Wanzhou District, Chongqing | 404000 |
| 80 | Wanzhou District Wuqiao Sub-branch of Bank of Chongqing Co., Ltd. | 1/F, Building A, Shanghai Grand World, No. 55 Shanghai Avenue, (Wuqiao) Wanzhou District, Chongqing | 404020 |
| 81 | Qianjiang Sub-branch of Bank of Chongqing Co., Ltd. | No. 555 Xinhua Avenue (West Section), Chengxi Sub-district, Qianjiang District, Chongqing | 409000 |
| 82 | Dashizi Sub-branch of Bank of Chongqing Co., Ltd. | No. 120 Jiefang Road, Chengdong Sub-district, Qianjiang District, Chongqing | 409000 |
| 83 | Jiangjin Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-2 and 2-1, Building 1, Xiangrui Building, No. 518 Dingshan Avenue, Dingshan Sub-district, Jiangjin District, Chongqing | 402260 |
| 84 | Jiangjin District Shuangfu Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-1, 1-2 and 1-3, Basement, Block 1, Shui'anhuadu • Meifang Mansion, No. 95, 93 and 91 Shuangfu Avenue, Shuangfu Sub-district, Jiangjin District, Chongqing | 402260 |
| 85 | Jiangjin District Zongbao Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-8, Commercial Block, Century Huacheng, No. 23 Luohuang Industrial Park Avenue, Luohuang Town, Jiangjin District, Chongqing | 402283 |
| 86 | Tongliang Sub-branch of Bank of Chongqing Co., Ltd. | 2-1, No. 2 and No. 2 Jiefang East Road, Bachuan Sub-district, Tongliang District, Chongqing | 402560 |
| 87 | Tongliang District Xincheng Sub-branch of Bank of Chongqing Co., Ltd. | (Even No.) No. 198-206 and 206-1-8 Zhongxing East Road, Dongcheng Sub-district, Tongliang District, Chongqing | 402560 |
| 88 | Yongchuan Sub-branch of Bank of Chongqing Co., Ltd. | No. 78 Renmin South Road, Yongchuan District, Chongqing | 402160 |
| 89 | Yongchuan District Yuxi Square Sub-branch of Bank of Chongqing Co., Ltd. | No. 101-1-5 and 101-10 Xuanhua Road, Yongchuan District, Chongqing | 402160 |
| 90 | Liangping Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-21 to 1-25, 1-96 to 1-101, 2-19 to 2-25, Building 2, No. 5, Jingui Road, Shuanggui Street, Liangping District, Chongqing | 405200 |
| 91 | Liangping Sanxiafeng Sub-branch of Bank of Chongqing Co., Ltd. | No. 2, 4 and 8 Shuncheng Street, Liangshan Town, Liangping County, Chongqing | 405200 |
| 92 | Nanchuan Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-12 and No. 2-14, Block 1 (Chamber of Commerce Building), No. 12 Longhua Avenue, Xi Cheng Sub-district, Nanchuan District, Chongqing | 408400 |
| 93 | Nanchuan District Heping Road Sub-branch of Bank of Chongqing Co., Ltd. | No. 18-1 Heping Road, Nan Cheng Sub-district, Nanchuan District, Chongqing | 408400 |

List of Branch Outlets

| No. | Name of Banking Institution | Address | Postal Code |
|-----|--|---|-------------|
| 94 | Rongchang Sub-branch of Bank of Chongqing Co., Ltd. | 1-3 and 2-3, No. 43-2 Changlong Avenue, Changzhou Sub-district, Rongchang County, Chongqing | 402460 |
| 95 | Rongchang County Changyuan Sub-branch of Bank of Chongqing Co., Ltd. | No. 199-205 Binhe Middle Road, Changyuan Town, Rongchang County, Chongqing | 402460 |
| 96 | Zhong County Sub-branch of Bank of Chongqing Co., Ltd. | No. 3-1 Zhongbo Avenue, Zhongzhou Town, Zhong County, Chongqing | 404300 |
| 97 | Bishan Sub-branch of Bank of Chongqing Co., Ltd. | No. 205 (3 to 5) Jinjian Road, Bishan County, Chongqing | 402760 |
| 98 | Qinggang Sub-branch of Bank of Chongqing Co., Ltd. | No. 190, 192 and 194 Zhong Street, Qinggang Sub-district, Bishan County, Chongqing | 402760 |
| 99 | Qijiang Sub-branch of Bank of Chongqing Co., Ltd. | Sub No. 1-40 and Sub No. 2-225 to 229, Podium Building, Rongrun Kaixuan Mingcheng, No. 47 Jiulong Avenue, Wenlong Sub-district, Qijiang District, Chongqing | 401420 |
| 100 | Wansheng Sub-branch of Bank of Chongqing Co., Ltd. | No. 23-1 Wansheng Avenue, Wansheng District, Chongqing | 400800 |
| 101 | Xiushan Sub-branch of Bank of Chongqing Co., Ltd. | 1-4, 1-5, 2-4 and 2-5, No. 70-1, Fengxiang Road, Zhonghe Street, Xiushan County, Chongqing | 409900 |
| 102 | Xiushan County Wuyue Plaza Sub-branch of Bank of Chongqing Co., Ltd. | 1-4, 1-5 and 1-6, Unit 1, Building 1, No. 3 Baisha Avenue (North Section), Zhonghe Street, Xiushan County, Chongqing | 409900 |
| 103 | Kaizhou Sub-branch of Bank of Chongqing Co., Ltd. | Market Square, Kaizhou Avenue (Middle Section), Kaizhou County, Chongqing | 405400 |
| 104 | Kaizhou County Pingqiao Sub-branch of Bank of Chongqing Co., Ltd. | No. 500 Kaizhou Avenue West, Yunfeng Street, Kaizhou County, Chongqing | 405499 |
| 105 | Dazu Sub-branch of Bank of Chongqing Co., Ltd. | No. 257 Wuxing Avenue, Tangxiang Sub-district, Dazu County, Chongqing | 402360 |
| 106 | Shuangqiao Sub-branch of Bank of Chongqing Co., Ltd. | No. 10-39 Xihu Avenue, Shuangqiao District, Chongqing | 400900 |
| 107 | Dazu County Longshui Sub-branch of Bank of Chongqing Co., Ltd. | 1-8, 1-7-1, 1-7-2 and 1-6-2, Block G, Wujin Lvyou Cheng, Longshui Town, Dazu District, Chongqing | 402368 |
| 108 | Tongnan Sub-branch of Bank of Chongqing Co., Ltd. | No. 2, 1/F, No. 86-92 Xingtong Avenue, Guilin Sub-district, Tongnan District, Chongqing | 402660 |
| 109 | Tongnan Waitan Sub-branch of Bank of Chongqing Co., Ltd. | Shops 9, 10, 11, 27 and 28, 1/F, Building 4, No. 3 Waitan West Road, Zitong Sub-district, Tongnan District, Chongqing | 402660 |
| 110 | Fengdu Sub-branch of Bank of Chongqing Co., Ltd. | No. 184 and 186 Pingdu Avenue (West Section), Sanhe Town, Fengdu County, Chongqing | 408200 |
| 111 | Shizhu Sub-branch of Bank of Chongqing Co., Ltd. | No. 35-26-30, Dudu Avenue, Wan'an Street, Shizhu County, Chongqing | 409100 |

List of Branch Outlets

| No. | Name of Banking Institution | Address | Postal Code |
|-----|---|--|-------------|
| 112 | Shizhu Wanshou Sub-branch of Bank of Chongqing Co., Ltd. | No. 100-9, Wanshou Avenue, Wan'an Street, Shizhu County, Chongqing | 409100 |
| 113 | Dianjiang Sub-branch of Bank of Chongqing Co., Ltd. | Unit 1-1, Building B51 Fengshan West Road, Guixi Town, Dianjiang County, Chongqing | 408300 |
| 114 | Yunyang Sub-branch of Bank of Chongqing Co., Ltd. | No. 1299 Yunjiang Avenue, Shuangjiang Town, Yunyang County, Chongqing | 404500 |
| 115 | Wuxi Sub-branch of Bank of Chongqing Co., Ltd. | Entertainment and Sports Building, Chunshen Avenue, Chengxiang Town, Wuxi County, Chongqing | 405800 |
| 116 | Wulong Sub-branch of Bank of Chongqing Co., Ltd. | No. 117 Furong West Road, Xiangkou Town, Wulong County, Chongqing | 408500 |
| 117 | Wulong County Nancheng Sub-branch of Bank of Chongqing Co., Ltd. | Unit 8-11, No. 2 Jianshe Middle Road, Xiangkou Town, Wulong County, Chongqing | 408500 |
| 118 | Youyang Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-14, 1-15, 2-1, Building 9, Huisheng Square, No. 10 Middle Road, Taohuayuan Avenue, Youyang County, Chongqing | 409800 |
| 119 | Youyang Taohuayuan Sub-branch of Bank of Chongqing Co., Ltd. | No. 17 Chengbei New District, Zhongduo Town, Youyang County, Chongqing | 409800 |
| 120 | Pengshui Sub-branch of Bank of Chongqing Co., Ltd. | G/F (street frontage) Binjiang Community, Hanjia Town, Pengshui County, Chongqing | 409699 |
| 121 | Wushan Sub-branch of Bank of Chongqing Co., Ltd. | Complex Building 1-1, No. 329 Guangdong East Road, Gaotang Sub-district, Wushan County, Chongqing | 404700 |
| 122 | Chengkou Sub-branch of Bank of Chongqing Co., Ltd. | Commercial Building One, Block 1, Chongyang • Yicheng International Commercial Podium, No. 18 Dongda Street, Gecheng Sub-district, Chengkou County, Chongqing | 405900 |
| 123 | Fengjie Sub-branch of Bank of Chongqing Co., Ltd. | No. 4 Qiaomu Street, Yong'an Town, Fengjie County, Chongqing | 404600 |
| 124 | Chengdu Chongzhou Sub-branch of Bank of Chongqing Co., Ltd. | No. 353-367 Yangci Street and No. 79 South Section 1, Binhe Road, Chongyang Town, Chongzhou, Sichuan | 611230 |
| 125 | Chengdu Binjiang Sub-branch of Bank of Chongqing Co., Ltd. | No. 65 Shangchi Zheng Street, Qingyang District, Chengdu, Sichuan | 610015 |
| 126 | Chengdu Wuhou Sub-branch of Bank of Chongqing Co., Ltd. | No. 17 South Section 4, Yihuan Road, Gaosheng Bridge, Wuhou District, Chengdu, Sichuan | 610000 |
| 127 | Chengdu Economic Development Zone Sub-branch of Bank of Chongqing Co., Ltd. | (Even No.) 620-626 Beiwan Road, and (Odd No.) 1-19 Yiju Road, Longquanyi District, Chengdu, Sichuan | 610100 |
| 128 | Chengdu Jinsha Sub-branch of Bank of Chongqing Co., Ltd. | No. 246 Shuhui Road and No. 171 Jinze Road, Qingyang District, Chengdu, Sichuan | 610074 |

List of Branch Outlets

| No. | Name of Banking Institution | Address | Postal Code |
|-----|---|---|-------------|
| 129 | Chengdu Kehua Sub-branch of Bank of Chongqing Co., Ltd. | Libao Building, No. 62 Kehua North Road, Wuhou District, Chengdu, Sichuan | 610040 |
| 130 | Chengdu Jinjiang Sub-branch of Bank of Chongqing Co, Ltd. | No. 79-93, 79-95 and 79-97 Section 1, Jinhua Road, Jinjiang District, Chengdu, Sichuan | 610023 |
| 131 | Chengdu Xindu Sub-branch of Bank of Chongqing Co, Ltd. | No. 470, 472 and 474 Yuying Road, Chengdu, Sichuan | 610599 |
| 132 | Guiyang Chengdong Sub-branch of Bank of Chongqing Co., Ltd. | No. 116 Baoshan North Road, Yunyan District, Guiyang, Guizhou | 550001 |
| 133 | Zunyi Sub-branch of Bank of Chongqing Co., Ltd. | No. 1-1 Building 1, Jinxucheng Shangcheng Community, Nanjing Road, Huichuan District, Zunyi, Guizhou | 563000 |
| 134 | Liupanshui Zhongshan Middle Road Sub-branch of Bank of Chongqing Co., Ltd. | 1st to 3rd Floor, Longcheng Plaza, No. 81 Zhongshan Middle Road, Zhongshan District, Liupanshui, Guizhou | 553000 |
| 135 | Guiyang Guanshanhu Sub-branch of Bank of Chongqing Co., Ltd. | No. 3, 1st Floor, North Zone of Financial Business District (4), Zone B, Zhongtian • Exhibition City, Changling North Road, Guanshanhu District, Guiyang | 550081 |
| 136 | Xi'an Economic & Technological Development Zone Sub-branch of Bank of Chongqing Co., Ltd. | 1st Floor, Huadi Golden Block, No. 369, Middle Section of North Second Ring Road, Weiyang District, Xi'an, Shaanxi | 710015 |
| 137 | Xi'an Qujiang New District Sub-branch of Bank of Chongqing Co., Ltd. | 1/F and 2/F, No. 6, Building No. 1, Longmai South Zone Tianlunyu Cheng, Second South Ring Road (East Section), Xi'an, Shaanxi | 710018 |
| 138 | Xi'an International Trade and Logistics Park Sub-branch of Bank of Chongqing Co., Ltd. | 1/F, Qihang Garden Commercial Street, No. 6 Port Avenue, Xi'an International Trade and Logistics Park, Xi'an, Shaanxi | 710026 |
| 139 | Xi'an Fengdong Sub-branch of Bank of Chongqing Co., Ltd. | 1/F 10101, 2/F 10201, Block 2, Wanxiangcheng Phase 1, Fengdong New City, Xixian New District, Xi'an, Shaanxi | 710116 |
| 140 | Xi'an Yanta South Road Sub-branch of Bank of Chongqing Co., Ltd. | 10108 Building1 No. 396 Yanta South Road, Qujiang New District, Xi'an, Shaanxi | 710061 |
| 141 | Xi'an Aerospace City Sub-branch of Bank of Chongqing Co., Ltd. | 1st floor, Shaanxi Zhengheng Financial Investment Service Headquarter Base, No. 391, Yanta South Road, Xi'an Aerospace Economic Technology Development Zone, Shaanxi Province | 710100 |
| 142 | Yan'an Nanshi Street Sub-branch of Bank of Chongqing Co., Ltd. | No. 1 Nanshi Street, Baota District, Yan'an, Shaanxi | 716000 |

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

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| “Articles of Association” | the articles of association of the Bank, as amended from time to time |
| “Bank” or “Bank of Chongqing” | Bank of Chongqing Co., Ltd. (重慶銀行股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange |
| “Board” or “Board of Directors” | the board of Directors of the Bank |
| “CBIRC” | China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) |
| “CBIRC Chongqing Bureau” | China Banking and Insurance Regulatory Commission Chongqing Bureau (中國銀行保險監督管理委員會重慶監管局) |
| “CBRC” | China Banking Regulatory Commission (中國銀行業監督管理委員會), which jointly established China Banking and Insurance Regulatory Commission with China Insurance Regulatory Commission in April 2018 |
| “CBRC Chongqing Bureau” | China Banking Regulatory Commission Chongqing Bureau (中國銀行業監督管理委員會重慶監管局) |
| “CSRC” | China Securities Regulatory Commission (中國證券監督管理委員會) |
| “Dah Sing Bank” | Dah Sing Bank, Limited, a licensed bank incorporated in Hong Kong, holding approximately 14.66% of the total issued share capital of the Bank as at the Latest Practicable Date |
| “Director(s)” | director(s) of the Bank |
| “Domestic Shares” | ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi |
| “HKD” or “HK\$” or “Hong Kong dollars” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |

Definitions

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|---------------------------|--|
| “H Shares” | overseas-listed foreign shares issued by the Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange |
| “IFRS(s)” | International Financial Reporting Standard(s) |
| “Latest Practicable Date” | 23 September 2019, the latest practicable date prior to printing of this interim report |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PBOC” or “Central Bank” | People’s Bank of China (中國人民銀行) |
| “PRC” or “China” | the People’s Republic of China, and for the purpose of this report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Reporting Period” | Six months ended 30 June 2019 |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| “Shares” | the Domestic Shares and the H Shares |
| “Shareholder(s)” | the shareholders of the Bank |
| “Supervisor(s)” | the supervisor(s) of the Bank |
| “Yufu” | Chongqing Yufu Assets Management Group Co., Ltd., a company incorporated in the PRC with limited liability, holds approximately 14.78% of the total issued share capital of the Bank as at the Latest Practicable Date |