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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

The board of directors (the "**Board**") of Bank of Chongqing Co., Ltd.* (the "**Bank**" or "**Bank of Chongqing**") is pleased to announce the unaudited consolidated interim results (the "**Interim Results**") of the Bank and its subsidiaries (the "**Group**") for the six months ended June 30, 2018 (the "**Reporting Period**"). The contents of this results announcement have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the International Financial Reporting Standards (the "**IFRSs**"). The Board and its audit committee have reviewed and confirmed the Interim Results.

1. CORPORATE INFORMATION

1.1 Corporate Basic Information

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

1.2 Contact Persons and Contact Details

Secretary to the Board:	PENG Yanxi
Joint Company Secretaries:	WONG Wah Sing HO Wing Tsz Wendy
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Registered Address:	No. 6 Yongpingmen Street, Jiangbei District, Chongqing, the People's Republic of China (the "**PRC**") Postal Code: 400024
Principal Place of Business in Hong Kong:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

2. FINANCIAL HIGHLIGHTS

The financial information set out in the Interim Results 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 June 30, 2018 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 June 30, 2018**	For the six months ended June 30, 2017	**Change in percentage (%)**
OPERATING RESULTS			
Interest income[(1)]	**9,485,347**	9,010,705	NA
Interest expense	**(6,224,874)**	(4,977,935)	25.0
Net interest income[(1)]	**3,260,473**	4,032,770	NA
Net fee and commission income	**680,042**	848,292	(19.8)
Net trading gains/(losses), net gains on investment securities and other operating income[(1)]	**1,178,858**	194,619	NA
Operating income	**5,119,373**	5,075,681	0.9
Operating expenses	**(1,137,331)**	(1,126,873)	0.9
Assets impairment losses	**(1,177,533)**	(1,163,861)	1.2
Operating profit	**2,804,509**	2,784,947	0.7
Share of profit of associates	**94,978**	44,638	112.8
Profit before income tax	**2,899,487**	2,829,585	2.5
Income tax	**(605,322)**	(570,204)	6.2
Net profit	**2,294,165**	2,259,381	1.5
Net profit attributable to shareholders of the Bank	**2,272,274**	2,249,307	1.0
Calculated on a per share basis (RMB)			**Change**
Basic earnings per share	**0.73**	0.72	0.01

(All amounts expressed in thousands of RMB unless otherwise stated)	**June 30, 2018**	December 31, 2017	**Change in percentage (%)**
Major indicators of assets/liabilities			
Total assets	**435,819,398**	422,763,025	3.1
Of which: loans and advances to customers, net	**187,124,160**	172,162,090	8.7
Total liabilities	**402,998,732**	390,303,113	3.3
Of which: customer deposits	**251,314,390**	238,704,678	5.3
Share capital	**3,127,055**	3,127,055	–
Equity attributable to shareholders of the Bank	**31,290,462**	30,951,596	1.1
Total equity	**32,820,666**	32,459,912	1.1

2.2 Financial Indicators

(All amounts expressed in percentage unless otherwise stated)	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017	**Change**
Profitability indicators (%)			
Average annualized return on assets[(2)]	**1.08**	1.17	(0.09)
Average annualized return on equity attributable to shareholders of the Bank[(3)]	**17.48**	18.66	(1.18)
Net interest spread[(4)]	**1.75**	NA	NA
Net interest margin[(4)]	**1.73**	NA	NA
Net interest spread[(1)] (adjusted)	**1.80**	1.93	(0.13)
Net interest margin[(1)] (adjusted)	**2.06**	2.15	(0.09)
Net fee and commission income to operating income	**13.28**	16.71	(3.43)
Cost-to-income ratio[(5)]	**20.95**	21.41	(0.46)

(All amounts expressed in percentage unless otherwise stated)	**June 30, 2018**	December 31, 2017	**Change**
Asset quality indicators (%)			
Non-performing loan ratio[(6)]	**1.12**	1.35	(0.23)
Impairment allowances to non-performing loans[(7)]	**255.29**	210.16	45.13
Impairment allowances to total loans[(8)]	**2.86**	2.85	0.01
Indicators of capital adequacy ratio (%)			
Core Tier I capital adequacy ratio[(9)]	**8.34**	8.62	(0.28)
Tier I capital adequacy ratio[(9)]	**9.88**	10.24	(0.36)
Capital adequacy ratio[(9)]	**13.25**	13.60	(0.35)
Total equity to total assets	**7.53**	7.68	(0.15)
Other indicators (%)			
Liquidity ratio[(10)]	**78.75**	79.55	(0.80)
Percentage of loans to the single largest customer[(11)]	**2.08**	2.28	(0.20)
Percentage of loans to the top ten customers[(12)]	**18.49**	17.19	1.30

Note:

(1) The Group adopted IFRS 9 – Financial Instruments (IFRS 9) issued by IASB in July 2014. IFRS 9 was first implemented on January 1, 2018. Combined with the requirements under IFRS 9 and IAS 1, Presentation of Financial Statements (IAS 1), the realised and unrealised interest income from financial assets at fair value through profit or loss are classified into net gains on investment securities and net trading gains, and the financial assets at fair value through profit or loss are no longer presented as interest-earning assets, respectively, and thereby affecting the net interest income, net gains on investment securities, net trading gains, net interest spread and net interest margin. In accordance with the transition requirements under IFRS 9, the Group chooses not to restate the information of the comparative periods. Based on the classification, measurement and corresponding presentation requirements under IAS 39 - Financial Instruments: Recognition and Measurement, the net interest income calculated as the same period in the previous year was RMB4,227.04 million. In accordance with the requirements under IFRS 9, the net interest income is classified into net gains on investment securities of RMB905.05 million and net trading gains of RMB61.51 million, respectively. The adjusted net interest spread and net interest margin are calculated as the same period in the previous year according to IAS 39 in order to maintain the comparability of significant financial indicators for the two periods.

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

(3) Represents 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 loans and advances to customers.

(7) Calculated by dividing balance of impairment allowances on loans by balance of non-performing loans.

(8) Calculated by dividing balance of impairment allowances on loans by total loans and advances to customers.

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

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

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

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

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Financial Review

In the first half of 2018, China's economy continued its trend of overall stabilization with sound development. Driven by faster structural transformation, continuous improvement in development quality and constant optimization of economy structure, the clear trend of high quality development was obvious. However, under the influence of internal and external factors such as the pressure on growth of domestic demand amid the strict financial regulatory environment and escalating trade friction between China and the United States, downward pressure on macroeconomic growth will increase. Faced with a number of challenges including the continuous emergence of uncertainties in macroeconomic development, implementation of strict financial regulatory policies and increasingly fierce competition among peers, the Group proactively took measures to accelerate developmental transformation and organize various operational and managerial tasks to achieve its strategic development objectives. The Group recorded a net profit of RMB2,294.17 million in the first half of 2018, representing a year-on-year increase of RMB34.78 million or 1.5%.

As of June 30, 2018, total assets of the Group amounted to RMB435,819.40 million, representing an increase of RMB13,056.37 or 3.1% million as compared to the end of the previous year. The Group adhered to principles of prudent and sustainable credit management and risk control, maintained a reasonable level of total credit extension and proper pace of lending, and strictly controlled its business risks with reference to changes in the regional and macro-economic environment. As a result, net loans and advances to customers grew by 8.7%, or RMB14,962.07 million, to RMB187,124.16 million as compared to the end of the previous year, while the non-performing loan ratio maintained at 1.12%, representing a decrease of 0.23 percentage point as compared to the end of the previous year and being at a better level in the industry. While striving for stable growth in service networks and business volume, the Group remained customer-centric by continuously accelerating its business transformation and upgrading. The Group adopted an innovative approach to deposit management and optimized its pricing practices to meet the requirements for the liberalization of interest rates. As of June 30, 2018, the amount of customer deposits increased by RMB12,609.71 million to RMB251,314.39 million, representing an increase of 5.3% as compared to the end of the previous year, providing a stable source of funds for the healthy development of the Group's credit, inter-bank and other intermediary businesses. The Group strictly controlled its expenses resulting in a cost-to-income ratio of 20.95% in the first half of 2018, representing a year-on-year decrease of 0.46 percentage point. This reflects the consistently high operating efficiency of the Group.

As of June 30, 2018, the Group's capital adequacy ratio, Tier I capital adequacy ratio and Core Tier I capital adequacy ratio were 13.25%, 9.88% and 8.34%, respectively, fulfilling the latest regulatory requirements on capital adequacy ratios applicable to the PRC banking industry.

3.2 Analysis of the Financial Statement

3.2.1 Analysis of the Income Statement

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017	Change in amount	Change in percentage (%)
Interest income[(1)]	**9,485,347**	9,010,705	NA	NA
Interest expense	**(6,224,874)**	(4,977,935)	(1,246,939)	25.0
Net interest income[(1)]	**3,260,473**	4,032,770	NA	NA
Net fee and commission income	**680,042**	848,292	(168,250)	(19.8)
Net trading gains/(losses)[(1)]	**215,238**	(6,290)	NA	NA
Net gains on investment securities[(1)]	**931,778**	156,212	NA	NA
Other operating income	**31,842**	44,697	(12,855)	(28.8)
Operating income	**5,119,373**	5,075,681	43,692	0.9
Operating expenses	**(1,137,331)**	(1,126,873)	(10,458)	0.9
Assets impairment losses	**(1,177,533)**	(1,163,861)	(13,672)	1.2
Share of profit of associates	**94,978**	44,638	50,340	112.8
Profit before income tax	**2,899,487**	2,829,585	69,902	2.5
Income tax	**(605,322)**	(570,204)	(35,118)	6.2
Net profit	**2,294,165**	2,259,381	34,784	1.5

Note:

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

In the first half of 2018, the net interest income of the Group amounted to RMB3,260.47 million, the net interest income calculated as the corresponding period of last year according to IAS 39 amounted to RMB4,227.04 million, representing an increase of RMB194.27 million or 4.8% as compared to the corresponding period of last year; and net fee and commission income recorded a net income of RMB680.04 million, representing a decrease of RMB168.25 million or 19.8% as compared to the corresponding period of last year; share of profit of associates significantly increased by RMB50.34 million or 112.8% to RMB94.98 million as compared to the corresponding period of last year. As a result of the foregoing factors, the Group achieved a profit before income tax of RMB2,899.49 million, representing an increase of RMB69.90 million or 2.5% as compared to the corresponding period of last year; and net profit was RMB2,294.17 million, representing an increase of RMB34.78 million or 1.5% as compared to the corresponding period of last year.

3.2.1.1 Net interest income

In the first half of 2018, the net interest income of the Group amounted to RMB3,260.47 million, the net interest income calculated as the corresponding period of last year according to IAS 39 amounted to RMB4,227.04 million, representing an increase of RMB194.27 million or 4.8% as compared to the corresponding period of last year.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017	Change in amount	Change in percentage (%)
Interest income(1)	**9,485,347**	9,010,705	NA	NA
Interest expense	**(6,224,874)**	(4,977,935)	(1,246,939)	25.0
Net interest income(1)	**3,260,473**	4,032,770	NA	NA

Note:

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

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**			For the six months ended June 30, 2017		
	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	**184,537,955**	**5,549,628**	**6.06**	159,951,270	4,391,519	5.54
Investment securities	**113,966,763**	**2,976,406**	**5.27**	126,299,597	3,363,356	5.37
Cash and balances with central bank	**36,905,567**	**273,691**	**1.50**	38,374,090	286,249	1.50
Due from other banks and financial institutions	**44,201,826**	**685,622**	**3.13**	51,887,270	933,455	3.63
Financial assets at fair value through profit or loss(1)	**34,304,089**	**966,563**	**5.68**	1,453,236	36,126	5.01
Total interest-earning assets(1)	**413,916,200**	**10,451,910**	**5.09**	377,965,463	9,010,705	4.81
LIABILITIES						
Customer deposits	**244,823,265**	**3,132,605**	**2.58**	226,644,378	2,622,514	2.33
Due to other banks and financial institutions	**47,046,744**	**1,055,096**	**4.52**	46,985,058	929,849	3.99
Debt securities issued	**89,140,663**	**2,037,173**	**4.61**	74,675,083	1,425,572	3.85
Total interest-bearing liabilities	**381,010,672**	**6,224,874**	**3.29**	348,304,519	4,977,935	2.88
Net interest income(1)		**4,227,036**			4,032,770	
Net interest spread(1)			**1.80**			1.93
Net interest margin(1)			**2.06**			2.15

Notes:

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

In the first half of 2018, the adjusted average balance of interest-earning assets of the Group increased by RMB35,950.74 million or 9.5% to RMB413,916.20 million as compared to the same period in the previous year. The adjusted average annualized yield on interest-earning assets of the Group increased by 28 basis points to 5.09% as compared to the same period in the previous year.

In the first half of 2018, the average balance of interest-bearing liabilities of the Group increased by RMB32,706.15 million or 9.4% to RMB381,010.67 million as compared to the same period in the previous year. The average annualized cost ratio of interest-bearing liabilities of the Group increased by 41 basis points to 3.29% as compared to the same period in the previous year.

As a result of the above-mentioned factors, the adjusted net interest spread decreased by 13 basis points to 1.80% as compared to the same period in the previous year, while the adjusted net interest margin of the Group decreased by 9 basis points to 2.06% as compared to the same period in the previous year.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**Due to changes in volume**	**Due to changes in interest rate**	**Change in interest income and expense**
ASSETS			
Loans and advances to customers	739,398	418,711	1,158,109
Investment securities	(322,090)	(64,860)	(386,950)
Cash and balances with central bank	(10,891)	(1,667)	(12,558)
Due from other banks and financial institutions	(119,210)	(128,623)	(247,833)
Financial assets at fair value through profit or loss[(1)]	925,616	4,821	930,437
Change in interest income[(1)]	1,212,823	228,382	1,441,205
LIABILITIES			
Customer deposits	232,606	277,485	510,091
Due to other banks and financial institutions	1,383	123,864	125,247
Debt securities issued	330,589	281,012	611,601
Change in interest expense	564,578	682,361	1,246,939

Note:

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

3.2.1.2 Interest income (adjusted)

In the first half of 2018, the interest income of the Group amounted to RMB9,485.35 million, the interest income calculated as the same period in the previous year according to IAS 39 amounted to RMB10,451.91 million, representing a year-on-year increase of RMB1,441.21 million or 16.0%.

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

	For the six months ended June 30, 2018			For the six months ended June 30, 2017		
(All amounts expressed in thousands of RMB unless otherwise stated)	**Average balance**	**Interest income**	**Average annualized yield (%)**	Average balance	Interest income	Average annualized yield (%)
Loans and advances to customers	**184,537,955**	**5,549,628**	**6.06**	159,951,270	4,391,519	5.54
Investment securities	**113,966,763**	**2,976,406**	**5.27**	126,299,597	3,363,356	5.37
Cash and balances with central bank	**36,905,567**	**273,691**	**1.50**	38,374,090	286,249	1.50
Due from other banks and financial institutions	**44,201,826**	**685,622**	**3.13**	51,887,270	933,455	3.63
Financial assets at fair value through profit or loss[1]	**34,304,089**	**966,563**	**5.68**	1,453,236	36,126	5.01
Total interest-earning assets[1]	**413,916,200**	**10,451,910**	**5.09**	377,965,463	9,010,705	4.81

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

(1) Interest income from loans and advances to customers

In the first half of 2018, the Group's interest income from loans and advances to customers amounted to RMB5,549.63 million, representing a year-on-year increase of RMB1,158.11 million or 26.4%, primarily due to the increase in average balance on loans and advances to customers by 15.4% offset by the increase in average annualized yield by 52 basis points as compared to that of the previous year.

(2) Interest income from investment securities

In the first half of 2018, the Group's interest income from investment securities amounted to RMB2,976.41 million, representing a year-on-year decrease of RMB386.95 million or 11.5%, primarily due to the decrease of 9.8% in average balance offset by the decrease of 10 basis points in average annualized yield on investment securities as compared to that of the previous year.

(3) Cash and interest income from balances with central bank

In the first half of 2018, the Group's interest income from cash and balances with central bank amounted to RMB273.69 million, representing a year-on-year decrease of RMB12.56 million or 4.4%, primarily due to the year-on-year decrease of 3.8% in average balance offset by the unchanged average annualized yield on cash and balances with central banks as compared to those of the previous year.

(4) Interest income from amounts due from other banks and financial institutions

The average balance, interest income and average 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 June 30, 2018**			For the six months ended June 30, 2017		
	Average balance	**Interest income**	**Average annualized yield** *(%)*	Average balance	Interest income	Average annualized yield *(%)*
Due from other banks and financial institutions for deposits and loans	**17,509,576**	**220,040**	**2.53**	20,235,261	364,740	3.63
Financial assets held under resale agreements	**26,692,250**	**465,582**	**3.52**	31,652,009	568,715	3.62
Total	**44,201,826**	**685,622**	**3.13**	51,887,270	933,455	3.63

In the first half of 2018, the interest income from the Group's amounts due from other banks and financial institutions for deposits and loans amounted to RMB220.04 million, representing a year-on-year decrease of RMB144.70 million or 39.7%, primarily due to the year-on-year decrease of 13.5% in average balance offset by the significant decrease of 110 basis points in average annualized yield on amounts due from other banks and financial institutions for deposits and loans as compared to those of the previous year.

In the first half of 2018, the interest income from the Group's financial assets held under resale agreements amounted to RMB465.58 million, representing a year-on-year decrease of RMB103.13 million or 18.1%, primarily attributable to the decrease of 15.7% in average balance offset by the decrease of 10 basis points in average annualized yield on financial assets held under resale agreements as compared to those of the previous year.

As a result of the foregoing factors, the Group's total interest income from amounts due from other banks and financial institutions in the first half of 2018 decreased by RMB247.83 million or 26.6% to RMB685.62 million as compared to that of the previous year.

3.2.1.3 Interest expense

In the first half of 2018, the Group's interest expense amounted to RMB6,224.87 million, representing a year-on-year increase of RMB1,246.94 million or 25.0%.

(1) Interest expense on customer deposits

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**			For the six months ended June 30, 2017		
	Average balance	**Interest expense**	**Average annualized cost ratio** *(%)*	Average balance	Interest expense	Average annualized cost ratio *(%)*
Corporate deposits						
Demand	**69,349,900**	**275,846**	**0.80**	67,318,961	253,190	0.76
Time	**82,120,971**	**1,345,566**	**3.30**	85,336,277	1,249,827	2.95
Subtotal	**151,470,871**	**1,621,412**	**2.16**	152,655,238	1,503,017	1.99
Individual deposits						
Demand	**10,938,870**	**21,139**	**0.39**	10,483,677	20,315	0.39
Time	**63,605,752**	**1,206,753**	**3.83**	53,104,348	1,019,269	3.87
Subtotal	**74,544,622**	**1,227,892**	**3.32**	63,588,025	1,039,584	3.30
Other deposits	**18,807,772**	**283,301**	**3.04**	10,401,115	79,913	1.55
Total	**244,823,265**	**3,132,605**	**2.58**	226,644,378	2,622,514	2.33

In the first half of 2018, the Group's interest expense on customer deposits was RMB3,132.61 million, representing a year-on-year increase of RMB510.09 million or 19.5%, primarily due to a year-on-year increase in the average balance of customer deposits by 8.0%, offset by an increase in average annualized cost ratio of customer deposits by 25 basis points as compared to that of the previous year.

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

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**			For the six months ended June 30, 2017		
	Average balance	**Interest expense**	**Average annualized cost ratio** *(%)*	Average balance	Interest expense	Average annualized cost ratio *(%)*
Deposits and loans from other banks	**36,491,345**	**897,315**	**4.96**	35,166,461	754,473	4.33
Borrowings from central bank	**1,855,069**	**27,005**	**2.94**	1,707,838	25,705	3.04
Financial assets sold under repurchase agreements	**8,700,330**	**130,776**	**3.03**	10,110,759	149,671	2.99
Total	**47,046,744**	**1,055,096**	**4.52**	46,985,058	929,849	3.99

In the first half of 2018, the Group's total interest expense on deposits and loans from other banks and financial institutions was RMB1,055.10 million, representing a year-on-year increase of RMB125.25 million or 13.5%, primarily due to a year-on-year increase of 0.1% in average balance of deposits and loans from other banks and financial institutions, offset by the significant increase in average annualized cost ratio by 53 basis points as compared to that of the previous year.

(3) Interest expense on issuance of debt securities

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**			For the six months ended June 30, 2017		
	Average balance	**Interest expense**	**Average annualized cost ratio** *(%)*	Average balance	Interest expense	Average annualized cost ratio *(%)*
Subordinated debts	**7,500,000**	**198,094**	**5.33**	4,898,895	128,390	5.29
Financial bonds for small and micro enterprises	**1,939,227**	**46,106**	**4.79**	3,000,000	72,267	4.86
Inter-bank certificates of deposit	**79,701,436**	**1,792,973**	**4.54**	66,776,188	1,224,915	3.70
Total	**89,140,663**	**2,037,173**	**4.61**	74,675,083	1,425,572	3.85

In the first half of 2018, the Group's interest expense on issuance of debts securities amounted to RMB2,037.17 million, representing a year-on-year increase of RMB611.60 million or 42.9%, primarily due to a year-on-year increase of 19.4% in average balance of issuance of debts securities, offset by the significant increase in average annualized cost ratio by 76 basis points as compared to that of the previous year.

3.2.1.4 Net interest spread and net interest margin

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

In the first half of 2018, the Group's adjusted average annualized yield of interest-earning assets increased 28 basis points year on year, while the average annualized cost ratio of interest-bearing liabilities increased 41 basis points year on year as compared to those of the previous year. The increase in the adjusted average annualized cost ratio of interest-bearing liabilities exceeded the increase in average annualized yield of interest-earning assets. In general, the Group's net interest spread (adjusted) was 1.80%, representing a year-on-year decrease of 13 basis points as compared to that of the previous year.

In the first half of 2018, the Group's net interest margin (adjusted) was 2.06%, representing a year-on-year decrease of 9 basis points, primarily due to a year-on-year increase of RMB35,950.74 million or 9.5% in the adjusted average balance of interest-earning assets, and a year-on-year increase of RMB194.26 million or 4.8% in net interest income (adjusted), with a slower growth rate than the growth rate of the adjusted average balance of interest-earning assets.

3.2.1.5 Non-interest income

(1) Net fee and commission income

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017	Change in amount	Change in percentage *(%)*
Fee and commission income	**728,152**	939,893	(211,741)	(22.5)
Financial advisory and consulting services	**72,424**	41,330	31,094	75.2
Wealth management agency services	**278,763**	444,870	(166,107)	(37.3)
Custodian services	**137,243**	206,486	(69,243)	(33.5)
Bank card services	**150,186**	132,714	17,472	13.2
Credit commitments	**35,815**	75,147	(39,332)	(52.3)
Settlement and agency services	**53,721**	39,346	14,375	36.5
Fee and commission expense	**(48,110)**	(91,601)	43,491	(47.5)
Net fee and commission income	**680,042**	848,292	(168,250)	(19.8)

In the first half of 2018, the Group's net fee and commission income amounted to RMB680.04 million, representing a decrease of RMB168.25 million or 19.8% as compared to the same period in the previous year and accounting for 13.28% of operating income, down by 3.43 percentage points as compared to the same period in the previous year, primarily due to the significant decrease in commission income from credit commitments, wealth management agency services and custodian services.

Commission income from financial advisory and consulting services amounted to RMB72.42 million, representing a year-on-year increase of RMB31.09 million or 75.2%, primarily due to the increase in revenue derived from the business development of Chongqing Xinyu Financial Leasing Co.,Ltd., a subsidiary of the Bank.

Commission income from wealth management agency services amounted to RMB278.76 million, representing a year-on-year decrease of RMB166.11 million or 37.3%, primarily due to the impact of implementation of new regulations on asset management.

Commission income from custodian services amounted to RMB137.24 million, representing a year-on-year decrease of RMB69.24 million or 33.5%, primarily due to the decline in demand for such services.

Commission income from bank card services amounted to RMB150.19 million, representing a year-on-year increase of RMB17.47 million or 13.2%, primarily due to the steady increase in number of issued bank cards and transaction volume.

Commission income from credit commitments amounted to RMB35.82 million, representing a year-on-year significant decrease of RMB39.33 million or 52.3%, primarily due to the decline in the demand of such services.

Commission income from settlement and agency services amounted to RMB53.72 million, representing a year-on-year significant increase of RMB14.38 million or 36.5%, primarily due to the faster growth in entrusted agency business.

(2) Net trading gains/(losses)

The net trading gains/(losses) mainly consists of foreign exchange gains/(losses) and net gains/(losses) on interest rate instruments. Foreign exchange gains/(losses) mainly includes 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 2018, the Group's foreign exchange gains amounted to RMB40.36 million, mainly due to the appreciation of the major currencies such as US dollars and Hong Kong dollars held by the Group. Net gains/(losses) on interest rate instruments held for trading mainly includes profit and loss arising from changes in fair value of financial assets at fair value through profit or loss. In the first half of 2018, the Group's net gains on interest rate instruments amounted to RMB174.87 million, mainly due to gains arising from the fluctuation in interest rates due to adjustment made to the securities investment portfolio. As a result of the above factors, in the first half of 2018, the Group's net trading gains amounted to RMB215.24 million.

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017	Change in amount	Change in percentage *(%)*
Foreign exchange gains	**40,364**	1,840	38,524	2,093.7
Net gains/(losses) on interest rate instruments	**174,874**	(8,130)	183,004	NA
Total	**215,238**	(6,290)	221,528	NA

(3) Net gains on investment securities

In the first half of 2018, the Group's net gains on investment securities amounted to RMB931.78 million. Pursuant to the requirements of IFRS 9 (first implemented by the Bank on January 1, 2018) and IAS 1, the adjusted net gains on investment securities includes investment gains of financial assets at fair value through profit or loss and net (losses)/ gains arising from de-recognition of financial assets at fair value through other comprehensive income, of which: the investment gains of financial assets at fair value through profit or loss were RMB941.20 million, and the net (losses)/gains arising from de-recognition of financial assets at fair value through other comprehensive income were RMB-9.43 million.

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017	Change in amount	Change in percentage *(%)*
Net (losses)/gains arising from de-recognition of held-for-trading financial assets	**NA**	(14,472)	NA	NA
Net (losses)/gains arising from de-recognition of available-for-sale financial assets	**NA**	170,684	NA	NA
Investment gains of financial assets at fair value through profit or loss	**941,203**	NA	NA	NA
Net (losses)/gains arising from de-recognition of financial assets at fair value through other comprehensive income	**(9,425)**	NA	NA	NA
Total	**931,778**	156,212	775,566	496.5

3.2.1.6 *Operating expenses*

In the first half of 2018, the Group's operating expenses were RMB1,137.33 million, representing a slight year-on-year increase of RMB10.46 million or 0.9%.

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017	Change in amount	Change in percentage *(%)*
Staff costs	**675,906**	672,382	3,524	0.5
Tax and surcharges	**64,781**	40,214	24,567	61.1
Depreciation and amortization	**102,405**	90,842	11,563	12.7
General and administrative expense	**236,460**	256,626	(20,166)	(7.9)
Others	**57,779**	66,809	(9,030)	(13.5)
Operating expenses	**1,137,331**	1,126,873	10,458	0.9

(1) Staff costs

Staff costs constitute the largest component of the Group's operating expenses, accounting for 59.43% and 59.67% of its operating expenses for the first half of 2018 and 2017 respectively.

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017	Change in amount	Change in percentage *(%)*
Salaries and bonuses	**498,168**	468,595	29,573	6.3
Pension expenses	**70,839**	74,546	(3,707)	(5.0)
Housing benefits and subsidies	**39,005**	37,453	1,552	4.1
Labour union and staff education expenses	**11,351**	10,854	497	4.6
Other social security and and benefit expenses	**56,543**	80,934	(24,391)	(30.1)
Staff costs	**675,906**	672,382	3,524	0.5

In the first half of 2018, the Group's total staff costs amounted to RMB675.91 million, representing a slight year-on-year increase of RMB3.52 million or 0.5%, primarily due to the slight increase in number of staff resulting from the expansion of business scale and the increase in number of branches. As of June 30, 2018, the Group had 4,085 full-time employees, representing an increase of 12 employees or 0.3% 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 2018, tax and surcharges were RMB64.781 million, representing a year-on-year increase of RMB24.57 million or 61.1%.

(3) Depreciation and amortization

Depreciation and amortization in the first half of 2018 increased by RMB11.56 million or 12.7% to RMB102.41 million over the same period in the previous year as the growth of our property and equipment was stable.

(4) General and administrative expense

In the first half of 2018, the general and administrative expenses decreased by RMB20.17 million or 7.9% year on year to RMB236.46 million.

3.2.1.7 Impairment losses

In the first half of 2018, the provisions for impairment losses was RMB1,177.53 million, representing a year-on-year increase of RMB13.67 million or 1.2%. The increase in provisions was primarily due to the Bank's implementation of IFRS 9 since January 1, 2018, which changed the method for measuring impairment and enlarged the scope of provision.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017	Change in amount	Change in percentage *(%)*
Impairment losses				
Loans and advances to customers	**NA**	589,645	NA	NA
– Collectively assessed	**NA**	(61,904)	NA	NA
– Individually assessed	**NA**	651,549	NA	NA
Loans and receivables	**NA**	560,743	NA	NA
Others	**48,898**	13,473	35,425	262.9
Expected impairment losses				
Loans and advances to customers carried at amortised cost	**851,015**	NA	NA	NA
Loans and advances at fair value through other comprehensive income	**6,489**	NA	NA	NA
Investment securities carried at amortised cost	**331,913**	NA	NA	NA
Investment securities at fair value through other comprehensive income	**(60,782)**	NA	NA	NA
Impairment losses	**1,177,533**	1,163,861	13,672	1.2

3.2.1.8 Investment in associates

(All amounts expressed in thousands of RMB unless otherwise stated)	**June 30, 2018**	December 31, 2017
Balance at the beginning of the period	**1,113,146**	238,394
Additional investment in associates	**–**	696,374
Share of profit of associates	**94,978**	178,378
Balance at the end of the period	**1,208,124**	1,113,146

On May 5, 2011, the Group invested RMB22 million in Xingyi Wanfeng Village Bank Co., Ltd. ("**Xingyi Wanfeng**"), and held 20% of equity interest of RMB110 million registered capital.

On June 15, 2015, the Group invested RMB54 million in Mashang Consumer Finance Co., Ltd. ("**Mashang Consumer Finance**") and appointed a director to the board. As at August 14, 2016, the Group increased the investment to RMB205.27 million, accounting for 15.79% of equity interest of RMB1.3 billion registered capital; on July 13, 2017, the Group increased the investment to RMB338.35 million, accounting for 15.31% of equity interest of RMB2.21 billion registered capital.

Pursuant to the resolution of the board meeting of Chongqing Three Gorges Bank Co., Ltd. ("**Three Gorges Bank**") on April 21, 2017, the Group appointed a director to the board of Three Gorges Bank on that day, increasing the Group's 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.

3.2.1.9 Income tax

The income tax rate applicable to the Group was 25%. The effective tax rates of the Group in the first half of 2018 and 2017 were 20.88% and 20.15% respectively.

The following table sets forth the profit before income tax and income tax for the first half of 2018 and 2017, respectively.

(All amounts expressed in thousands of RMB unless otherwise stated)	**For the six months ended June 30, 2018**	For the six months ended June 30, 2017	Change in amount	Change in percentage *(%)*
Profit before income tax	**2,899,487**	2,829,585	69,902	2.5
Tax calculated at a tax rate of 25%	**724,872**	707,396	17,476	2.5
Tax effect arising from non-taxable income	**(84,779)**	(79,550)	(5,229)	6.6
Tax effect of expenses that are not deductible for tax purposes	**18,415**	19,009	(594)	(3.1)
Income tax adjustment for prior years	**(53,186)**	(76,651)	23,465	(30.6)
Income tax	**605,322**	570,204	35,118	6.2

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 June 30, 2018** Amount	**Percentage of total (%)**	As at December 31, 2017 Amount	Percentage of total (%)
Total loans and advances to customers	**192,638,062**	**44.2**	177,206,904	41.9
Total impairment allowances for loans	**(5,513,902)**	**(1.3)**	(5,044,814)	(1.2)
Net loans and advances to customers	**187,124,160**	**42.9**	172,162,090	40.7
Investment securities[1]	**110,095,485**	**25.3**	158,726,899	37.5
Investments in associates	**1,208,124**	**0.3**	1,113,146	0.3
Cash and balances with central bank	**41,586,880**	**9.5**	43,727,432	10.3
Due from other banks and financial institutions	**52,183,119**	**12.0**	37,000,091	8.8
Financial assets at fair value through profit or loss	**33,330,665**	**7.6**	702,202	0.2
Property, plant and equipment	**2,982,683**	**0.7**	2,866,257	0.7
Deferred income tax assets	**1,741,310**	**0.4**	1,380,953	0.3
Other assets	**5,566,972**	**1.3**	5,083,955	1.2
Total assets	**435,819,398**	**100.0**	422,763,025	100.0

Note: (1) As of December 31, 2017, investment securities consist of loans and receivables, held-to-maturity investments and available-for-sale financial assets; On January 1, 2018, the Bank first implemented IFRS 9. As of June 30, 2018, investment securities consist of financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

As at June 30, 2018, the Group's total assets amounted to RMB435,819.40 million, representing an increase of RMB13,056.37 million or 3.1% over the end of the previous year, among which:

Total loans and advances to customers increased by RMB15,431.16 million or 8.7% to RMB192,638.06 million over the end of the previous year. This was primarily because the Group complied with the policy and stuck to its original aspiration to proactively serve the real economy and increase the credit supply for policy-oriented projects such as green credit, rural revitalization, poverty alleviation, shanty town transformation and the "Belt and Road" Initiative.

The balance of investment securities was RMB110,095.49 million, of which the balance of financial assets at fair value through other comprehensive income amounted to RMB30,258.44 million and the balance of financial assets measured at amortised cost amounted to RMB79,837.04 million.

Cash and balances with central bank decreased by RMB2,140.55 million or 4.9% to RMB41,586.88 million over the end of the previous year, primarily due to the decrease in statutory deposit reserves and the fiscal deposits as compared to the end of the previous year.

Total amount due from other banks and financial institutions increased by RMB15,183.03 million or 41.0% to RMB52,183.12 million over the end of the previous year, primarily due to: (1) the increase of total amounts due from other banks and financial assets by RMB604.49 million or 3.3%; (2) the significant increase of RMB14,585.22 million or 78.3% in total financial assets held under resale agreements.

(1) Loans and advances to customers

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at June 30, 2018**		As at December 31, 2017	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Loans and advances to corporate entities – measured at amortised cost				
– Corporate loans	**120,871,732**	**62.7**	109,780,133	62.0
– Discounted bills	**NA**	**NA**	4,802,366	2.7
Loans and advances to corporate entities – at fair value through other comprehensive income				
– Discounted bills	**7,717,647**	**4.0**	NA	NA
Subtotal	**128,589,379**	**66.7**	114,582,499	64.7
Retail loans- measured at amortised cost				
– Mortgage loans	**19,028,138**	**9.9**	17,235,358	9.7
– Personal consumer loans	**30,409,009**	**15.8**	30,024,576	16.9
– Credit card advances	**4,488,225**	**2.3**	4,193,902	2.4
– Personal business loans	**10,123,311**	**5.3**	11,170,569	6.3
Subtotal	**64,048,683**	**33.3**	62,624,405	35.3
Total loans and advances to customers	**192,638,062**	**100.0**	177,206,904	100.0

As at June 30, 2018, the Group's total loans and advances to customers amounted to RMB192,638.06 million, representing an increase of RMB15,431.16 million or 8.7% as compared to the end of the previous year.

Loans to corporate entities (excluding discounted bills) amounted to RMB120,871.73 million, representing an increase of RMB11,091.60 million or 10.1% as compared to the end of the previous year, and accounting for 62.7% of total loans and advances to customers, increased by 0.7 percentage point from the end of the previous year. During the Reporting Period, the Group actively adjusted the credit structure in response to the state's industrial policy and focused on the real economy. During the Reporting Period, additional loans to the water conservancy, environment and public facility management industry, leasing and commercial services, health and social welfare increased by RMB12,256.29 million, RMB5,325.51 million and RMB762.54 million respectively, achieving a rapid increase.

Retail loans amounted to RMB64,048.68 million, representing an increase of RMB1,424.28 million or 2.3% as compared to the end of the previous year, and accounting for 33.3% of total loans and advances to customers, down by 2.0 percentage points from the end of the previous year. Specifically, mortgage loans, mainly for financing residential home purchases, increased by RMB1,792.78 million or 10.4% as compared to the end of the previous year; personal consumer loans substantially increased by RMB384.43 million or 1.3% as compared to the end of the previous year. Targeting on enhancing customer experience, the Group continued to develop product innovation for promoting the steady growth of personal loan balance; credit card advances increased by RMB294.32 million or 7.0% as compared to the end of the previous year; and personal business loans decreased by RMB1,047.26 million or 9.4% as compared to the end of the previous year. During the Reporting Period, the Group actively adjusted the credit structure based on active measures to manage credit risk in view of complex market changes, so as to achieved steady development in 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 thousand of RMB unless otherwise stated)	**As at June 30, 2018**		As at December 31, 2017	
	Amount	**Percentage of total *(%)***	Amount	Percentage of total *(%)*
Collateralised loans	**68,107,986**	**35.4**	69,308,295	39.1
Pledged loans	**16,217,353**	**8.4**	15,063,354	8.5
Guaranteed loans	**89,646,495**	**46.5**	75,927,183	42.9
Unsecured loans	**18,666,228**	**9.7**	16,908,072	9.5
Total loans and advances to customers	**192,638,062**	**100.0**	177,206,904	100.0

Impairment allowances for loans

The following table sets forth the Group's expected credit loss allowances for loans for the dates indicated.

(All amounts expressed in thousand of RMB unless otherwise stated)	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Loans and advances to corporate entities				
January 1, 2018 (Restated)	**1,633,763**	**1,899,933**	**1,312,599**	**4,846,295**
Provision for impairment	**756,025**	**414,136**	**879,644**	**2,049,805**
Reversal of impairment allowances	**(560,026)**	**(391.904)**	**(338,277)**	**(1,290,207)**
Written-off	**–**	**–**	**(1,568,009)**	**(1,568,009)**
Transfer in the period:				
Transfer from the first stage to the second stage	**(55,926)**	**55,926**	**–**	**–**
Transfer from the first stage to the third stage	**(40,802)**	**–**	**40,802**	**–**
Transfer from the second stage to the first stage	**23,544**	**(23,544)**	**–**	**–**
Transfer from the second stage to the third stage	**–**	**(445,457)**	**445,457**	**–**
Transfer from the third stage to the second stage	**–**	**133,419**	**(133,419)**	**–**
Transfer from the third stage to the first stage	**6,750**	**–**	**(6,750)**	**–**
Recoveries of loans written-off in previous years and advances transfer-in	**–**	**–**	**143,596**	**143,596**
Unwinding of discount factors	**–**	**–**	**(54,226)**	**(54,226)**
June 30, 2018	**1,763,328**	**1,642,509**	**721,417**	**4,127,254**
Retail loans				
January 1, 2018 (Restated)	**368,525**	**264,887**	**828,629**	**1,462,041**
Provision for impairment	**234,188**	**440,017**	**301,248**	**975,453**
Reversal of impairment allowances	**(210,169)**	**(246,966)**	**(426,901)**	**(884,036)**
Written-off	**–**	**–**	**(253,511)**	**(253,511)**
Transfer in the period:				
Transfer from the first stage to the second stage	**(32,930)**	**32,930**	**–**	**–**
Transfer from the first stage to the third stage	**(4,183)**	**–**	**4,183**	**–**
Transfer from the second stage to the first stage	**7,789**	**(7,789)**	**–**	**–**
Transfer from the second stage to the third stage	**–**	**(43,830)**	**43,830**	**–**
Transfer from the third stage to the second stage	**–**	**148,017**	**(148,017)**	**–**
Transfer from the third stage to the first stage	**2,150**	**–**	**(2,150)**	**–**
Recoveries of loans written-off in previous years and advances transfer-in	**–**	**–**	**107,028**	**107,028**
Unwinding of discount factors	**–**	**–**	**(20,327)**	**(20,327)**
As at June 30, 2018	**365,370**	**587,266**	**434,012**	**1,386,648**

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

For the first half of 2018, in strict accordance with the relevant accounting and regulatory requirements, the Group took into account the external economic dynamics and macro monitoring policies and continued to accrue impairment allowances for loans and advances. As of June 30, 2018, the balance of impairment allowances for loans and advances to customers was RMB5,513.90 million, representing an increase of RMB469.09 million or 9.3% as compared to the end of the previous year; and the impairment allowances for non-performing loans ratio increased by 45.13 percentage points to 255.29% from that of the end of the previous year.

(2) Investment securities

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

(All amounts expressed in thousand of RMB unless otherwise stated)	**As at June 30, 2018**		As at December 31, 2017	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Investment securities – FVOCI				
Debt securities – measured at fair value				
– Listed outside Hong Kong	**6,284,989**	**5.7**	NA	NA
– Listed in Hong Kong	**2,395,466**	**2.2**	NA	NA
– Unlisted	**21,369,373**	**19.4**	NA	NA
Of which: Corporations debt	**17,836,528**	**16.2**	NA	NA
Policy banks debt	**2,549,381**	**2.3**	NA	NA
Commercial banks debt	**796,076**	**0.7**	NA	NA
Governments debt	**187,388**	**0.2**	NA	NA
Equity securities -measured at fair value				
– Unlisted	**208,600**	**0.2**	NA	NA
Of which: equity investment	**208,600**	**0.2**	NA	NA
Others	**14**	**0.0**	NA	NA
Subtotal	**30,258,442**	**27.5**	NA	NA

(All amounts expressed in thousand of RMB unless otherwise stated)	As at June 30, 2018 Amount	Percentage of total (%)	As at December 31, 2017 Amount	Percentage of total (%)
Investment securities – at amortised cost				
Debt securities – measured at amortised cost				
– Listed outside Hong Kong	**12,795,200**	**11.6**	NA	NA
– Unlisted	**68,996,985**	**62.7**	NA	NA
Of which: Debt securities	**14,226,947**	**12.9**	NA	NA
Trust investments	**24,625,951**	**22.4**	NA	NA
Wealth management products purchased from financial institutions	**516,249**	**0.5**	NA	NA
Directional asset management plans	**26,596,676**	**24.2**	NA	NA
Others	**3,031,162**	**2.7**	NA	NA
Less: expected credit loss allowances	**(1,955,142)**	**(1.8)**	NA	NA
Subtotal	**79,837,043**	**72.5**	NA	NA
Investment securities – available-for-sale				
Debt securities – measured at fair value				
– Listed outside Hong Kong	**NA**	**NA**	8,090,966	5.1
– Listed in Hong Kong	**NA**	**NA**	64,726	0.1
– Unlisted	**NA**	**NA**	28,456,501	17.9
Equity securities – measured at fair value				
– Listed outside Hong Kong	**NA**	**NA**	485,992	0.3
– Unlisted	**NA**	**NA**	8,600	0.0
Others	**NA**	**NA**	14	0.0
Subtotal	**NA**	**NA**	37,106,799	23.4
Investment securities – loans and receivables				
Debt securities – measured at amortised cost				
– Trust investments	**NA**	**NA**	34,532,649	21.8
– Directional asset management plans	**NA**	**NA**	38,663,857	24.4
– Wealth management products purchased from financial institutions	**NA**	**NA**	22,920,801	14.4
– Local government bonds	**NA**	**NA**	5,707,900	3.6
Less: Impairment allowances	**NA**	**NA**	(1,217,482)	(0.8)
Subtotal	**NA**	**NA**	100,607,725	63.4

(All amounts expressed in thousand of RMB unless otherwise stated)	As at June 30, 2018 Amount	Percentage of total (%)	As at December 31, 2017 Amount	Percentage of total (%)
Investment securities – held-to-maturity				
Debt securities – measured at amortised cost				
– Listed outside Hong Kong	**NA**	**NA**	11,827,162	7.4
– Unlisted	**NA**	**NA**	9,185,213	5.8
Subtotal	**NA**	**NA**	21,012,375	13.2
Total	**110,095,485**	**100.0**	158,726,899	100.0

As at June 30, 2018, the Group's balance of investment securities amounted to RMB110,095.49 million, representing a decrease of RMB48,631.41 million or 30.6% as compared to the end of the previous year, mainly due to the Group first implementing IFRS 9 on January 1, 2018, and pursuant to the new standard, part of the assets classified as investment securities in previous years are classified as financial assets at fair value through profit or loss. The Group first implemented IFRS 9 on January 1, 2018 and reclassified investment securities in accordance with IFRS 9. As of June 30, 2018, investment securities – financial assets at fair value through other comprehensive income was RMB30,258.44 million, accounting for 27.5% of total investment securities; investment securities – financial assets measured at amortised cost was RMB79,837.04 million, accounting for 72.5% of total investment securities.

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 June 30, 2018 Amount	Percentage of total (%)	As at December 31, 2017 Amount	Percentage of total (%)
Due to other banks and financial institutions	**54,205,861**	**13.4**	55,771,252	14.3
Financial liabilities at fair value through profit or loss	**17,388**	**0.0**	–	–
Customer deposits	**251,314,390**	**62.4**	238,704,678	61.2
Debt securities issued	**89,023,842**	**22.1**	88,727,330	22.7
Taxes payable	**346,051**	**0.1**	358,515	0.1
Other liabilities	**8,091,200**	**2.0**	6,741,338	1.7
Total liabilities	**402,998,732**	**100.0**	390,303,113	100.0

As at June 30, 2018, the total liabilities of the Group amounted to RMB402,998.73 million, representing an increase of RMB12,695.62 million or 3.3% as compared to the end of the previous year. Customer deposits were the Group's largest source of capital, which increased by RMB12,609.71 million or 5.3% to RMB251,314.39 million as compared to the end of the previous year; amounts due to other banks and financial institutions decreased by RMB1,565.39 million or 2.8% to RMB54,205.86 million as compared to the end of the previous year; debt securities issued increased slightly by RMB296.51 million or 0.3% to RMB89,023.84 million as compared to the end of the previous year, primarily because: (1) the Group redeemed financial bonds for small and micro enterprises with a principal amount of RMB3,000 million in April 2018, and issued innovation and entrepreneurial financial bonds (雙創債金融債券) with a principal amount of RMB3,000 million within China's inter-bank bond market in June 2018; (2) as at June 30, 2018, the balance of the inter-bank certificates of deposit issued by the Group was RMB78,535.30 million, representing a slight increase of 0.4% as compared to the end of the previous year.

(1) Customer deposits

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at June 30, 2018**		As at December 31, 2017	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Corporate demand deposits	**82,177,117**	**32.7**	69,460,773	29.1
Corporate time deposits	**75,847,328**	**30.2**	83,239,393	34.9
Individual demand deposits	**10,382,118**	**4.1**	10,275,560	4.3
Individual time deposits	**65,133,216**	**25.9**	57,445,728	24.1
Other deposits	**17,774,611**	**7.1**	18,283,224	7.6
Total customer deposits	**251,314,390**	**100.0**	238,704,678	100.0
Of which: Security deposits	**9,507,220**	**3.8**	6,601,609	2.8

As at June 30, 2018, the customer deposits of the Group amounted to RMB251,314.39 million, representing an increase of RMB12,609.71 million or 5.3% as compared to the end of the previous year. Corporate deposits balance was RMB158,024.45 million, representing an increase of RMB5,324.28 million or 3.5% as compared to the end of the previous year; individual deposits balance was RMB75,515.33 million, representing an increase of RMB7,794.05 million or 11.5% as compared to the end of the previous year. Corporate and individual demand deposits balance amounted to RMB92,559.24 million, representing an increase of RMB12,822.90 million or 16.1% as compared to the end of the previous year; corporate and individual time deposits balance amounted to RMB140,980.54 million, representing an increase of RMB295.42 million or 0.2% as compared to the end of the previous year.

(2) Debt securities issued

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at June 30, 2018**		As at December 31, 2017	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Subordinated debts				
Fixed rate Tier II capital bond – 2026	**1,497,501**	**1.7**	1,497,390	1.7
Fixed rate Tier II capital bond – 2027	**5,996,522**	**6.7**	5,996,454	6.7
Financial debts				
Fixed rate financial debt – 2018	**–**	**–**	2,999,074	3.4
Fixed rate financial debt – 2021	**2,994,519**	**3.4**	–	–
Inter-bank certificates of deposit	**78,535,300**	**88.2**	78,234,412	88.2
Total	**89,023,842**	**100.0**	88,727,330	100.0

Pursuant to a resolution of the general meeting passed on May 16, 2014 and the Approval for Bank of Chongqing Co., Ltd. to Issue Tier II Capital Bonds (《關於重慶銀行股份有限公司發行二級資本債券的批覆》) (Yu Yin Jian Fu [2015] No. 107) by the China Banking Regulatory Commission ("**CBRC**") Chongqing Bureau on September 21, 2015, the Bank issued the RMB1.5 billion Tier II Capital bonds within the domestic inter-bank bond market of China on February 19, 2016. Such Tier II Capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.40% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on February 22, 2021.

Pursuant to a resolution of the general meeting passed on June 17, 2016 and the Approval for Bank of Chongqing to Issue Tier II Capital Bonds (《關於重慶銀行發行二級資本債券的批覆》) (Yu Yin Jian Fu [2016] No. 162) by the CBRC Chongqing Bureau on November 30, 2016, the Bank issued the RMB6,000 million Tier II Capital bonds within the domestic inter-bank bond market of China on March 20, 2017. Such Tier II Capital bonds have a maturity of 10 years, with a fixed coupon rate of 4.80% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on March 21, 2022.

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

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

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

For the six months ended June 30, 2018, the Group issued a total of 112 inter-bank certificates of deposit by discounting with a tenor of one month to one year. As at June 30, 2018, 122 issued inter-bank certificates of deposit were outstanding with a total nominal value of RMB80 billion.

For the six months ended June 30, 2018, 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

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at June 30, 2018**		As at December 31, 2017	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Due to central bank	**2,946,789**	**5.4**	1,745,881	3.1
Deposits from banks	**23,692,187**	**43.7**	36,832,862	66.1
Deposits from other financial institutions	**2,491,916**	**4.6**	5,098,009	9.1
Placements from other banks and financial institutions	**11,022,490**	**20.3**	6,100,000	10.9
Notes sold under repurchase agreements	**4,538,279**	**8.4**	–	–
Securities sold under repurchase agreements	**9,514,200**	**17.6**	5,994,500	10.8
Total	**54,205,861**	**100.0**	55,771,252	100.0

As at June 30, 2018, the Group's balance due to other banks and financial institutions amounted to RMB54,205.86 million, representing a decrease of RMB1,565.39 million or 2.8% as compared to the end of the previous year. The Group's balance due to central bank increased by RMB1,200.91 million or 68.8% to RMB2,946.79 million as compared to the end of the previous year; deposits from banks significantly decreased by RMB13,140.68 million or 35.7% to RMB23,692.19 million as compared to the end of the previous year; deposits from other financial institutions decreased substantially by RMB2,606.09 million or 51.1% to RMB2,491.92 million as compared to the end of the previous year; the Group's placements from other banks and financial institutions significantly increased by RMB4,922.49 million or 80.7% to RMB11,022.49 million as compared to the end of the previous year; notes sold under repurchase agreements increased by RMB4,538.28 million as compared to the end of the previous year; and securities sold under repurchase agreements increased by RMB3,519.70 million or 58.7% to RMB9,514.20 million as compared to the end of the previous year.

3.2.2.3 *Shareholders' equity*

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at June 30, 2018**		As at December 31, 2017	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Share capital	**3,127,055**	**9.5**	3,127,055	9.7
Preferred shares	**4,909,307**	**14.9**	4,909,307	15.1
Capital reserve	**4,680,638**	**14.3**	4,680,638	14.4
Other reserves	**7,311,100**	**22.3**	6,637,648	20.5
Retained earnings	**11,262,362**	**34.3**	11,596,948	35.7
Total equity attributable to shareholders of the Bank	**31,290,462**	**95.3**	30,951,596	95.4
Non-controlling interests	**1,530,204**	**4.7**	1,508,316	4.6
Total shareholders' equity	**32,820,666**	**100.0**	32,459,912	100.0

As at June 30, 2018, equity attributable to shareholders of the Bank amounted to RMB31,290.46 million, representing an increase of RMB338.87 million or 1.1% as compared to the end of the previous year, among which: the paid-in capital was RMB3,127.06 million, preferred shares was RMB4,909.31 million, capital reserve was RMB4,680.64 million, other reserves was RMB7,311.10 million, and retained earnings was RMB11,262.36 million. Among other reserves, general reserve increased by RMB619.38 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 June 30, 2018**		As at December 31, 2017	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Pass	**183,698,878**	**95.36**	167,870,228	94.74
Special mention	**6,779,332**	**3.52**	6,936,217	3.91
Substandard	**919,494**	**0.48**	1,449,377	0.82
Doubtful	**1,008,466**	**0.52**	807,165	0.45
Loss	**231,892**	**0.12**	143,917	0.08
Total loans and advances to customers	**192,638,062**	**100.00**	177,206,904	100.00
Amount of non-performing loans	**2,159,852**	**1.12**	2,400,459	1.35

In the first half of 2018, faced with the challenges posed by macro-economic dynamics, the Group accelerated the construction of a comprehensive risk management system, continued to strengthen the prevention and control of credit risk, conducted a 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 June 30, 2018, the balance of non-performing loans was RMB2,159.85 million, representing a decrease of RMB240.61 million as compared to the end of the previous year; non-performing loan ratio was 1.12%, representing a decrease of 0.23 percentage point as compared to the end of the previous year. The amount of loans under special mention category accounted for 3.52% of total loans, representing a decrease of 0.39 percentage point as compared to that of the end of the previous year.

3.2.3.2 Concentration of loans

(1) Concentration by industry and non-performing loan

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at June 30, 2018** Loan amount	Percentage of total (%)	Non-performing loans amount	Non-performing loan ratio (%)	As at December 31, 2017 Loan amount	Percentage of total (%)	Non-performing loans amount	Non-performing loan ratio (%)
Loans and advances to corporate entities – measured at amortised cost								
Manufacturing	**15,429,741**	**8.0**	**434,530**	**2.82**	15,544,339	8.8	568,151	3.66
Wholesale and retail	**13,100,983**	**6.8**	**629,059**	**4.80**	14,587,355	8.2	684,360	4.69
Construction	**10,652,199**	**5.5**	**207,390**	**1.95**	10,961,064	6.2	107,338	0.98
Real estate	**10,391,177**	**5.4**	**64,414**	**0.62**	13,997,831	7.9	35,000	0.25
Leasing and commercial services	**18,699,319**	**9.7**	**8,385**	**0.04**	13,373,813	7.5	14,215	0.11
Water conservation, environment and public facility administration	**33,682,455**	**17.5**	**3,141**	**0.01**	21,426,164	12.1	248	0.00
Transportation, warehousing and postal service	**2,410,833**	**1.3**	**4,000**	**0.17**	2,075,708	1.2	15,015	0.72
Mining	**2,511,110**	**1.3**	**54,715**	**2.18**	2,710,914	1.5	221,325	8.16
Electricity, gas and water production and supply	**3,341,061**	**1.7**	**4,772**	**0.14**	3,319,765	1.9	4,800	0.14
Agriculture, forestry, animal husbandry and fishery	**2,269,257**	**1.2**	**63,385**	**2.79**	2,101,230	1.2	13,170	0.63
Household services, maintenance and other services	**1,847,589**	**1.0**	**–**	**–**	2,832,632	1.6	4,600	0.16
Education	**715,503**	**0.4**	**–**	**–**	768,353	0.4	–	–
Financing	**623,848**	**0.3**	**–**	**–**	90,446	0.1	–	–
Scientific research and technology services	**1,127,986**	**0.6**	**–**	**–**	1,044,204	0.6	–	–
Information transmission, software and information technology services	**485,766**	**0.3**	**1,700**	**0.35**	460,005	0.3	2,481	0.54
Accommodation and catering	**1,056,837**	**0.5**	**9,626**	**0.91**	954,832	0.5	18,965	1.99
Culture, sports and entertainment	**356,550**	**0.2**	**–**	**–**	257,500	0.1	–	–
Public administration, social security and social organizations	**–**	**–**	**–**	**–**	1,867,000	1.1	–	–
Health and social welfare	**2,169,518**	**1.1**	**3,108**	**0.14**	1,406,978	0.8	–	–
Discounted bills	**NA**	**NA**	**NA**	**NA**	4,802,366	2.7	–	–
Loans and advances to corporate entities – measured at fair value through other comprehensive income								
Discounted bills	**7,717,647**	**4.0**	**–**	**–**	NA	NA	NA	NA
Retail loans – measured at amortised cost								
Retail loans	**64,048,683**	**33.2**	**671,627**	**1.05**	62,624,405	35.3	710,791	1.14
Total	**192,638,062**	**100.0**	**2,159,852**	**1.12**	177,206,904	100.0	2,400,459	1.35

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

In the first half of 2018, the Bank 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 in the first half of 2018 decreased significantly 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 RMB166.61 million as compared to the end of the previous year, and the non-performing loan ratio decreased by 5.98 percentage points;

The amount of non-performing loans in the manufacturing industry decreased by RMB133.62 million as compared to the end of the previous year, and the non-performing loan ratio decreased by 0.84 percentage point;

The amount of non-performing loans in the transportation, warehousing and postal service industry decreased by RMB11.02 million as compared to the end of the previous year, and the non-performing loan ratio decreased by 0.55 percentage point;

The amount of non-performing loans in the accommodation and catering industry decreased by RMB9.34 million as compared to the end of the previous year, and the non-performing loan ratio decreased by 1.08 percentage point;

The amount of non-performing loans in the wholesale and retail industry decreased by RMB55.30 million as compared to the end of the previous year, and the non-performing loan ratio increased by 0.11 percentage point. This was mainly due to the fact that the amount of loans decreased faster than the decrease of the amount of non-performing loans as the Bank further reduced the total loans to such industry, leading to the slight increase in the non-performing loan ratio despite of a significant decrease in the amount of non-performing loans.

(2) Concentration of borrowers

As at June 30, 2018, the Bank's total loans to its largest single borrower accounted for 2.08% of its net capital while total loans to its top ten customers accounted for 18.49% of its net capital, which were in compliance with regulatory requirements. As at June 30, 2018, 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 June 30, 2018**	As at December 31, 2017
Loan concentration ratio for the largest single customer (%)	<=10	**2.08**	2.28
Loan concentration ratio for the top ten customers (%)	<=50	**18.49**	17.19

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

b. Loans to top ten single borrowers

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

		As at June 30, 2018	
	Industry	**Amount**	**Percentage of total loan (%)**
Customer A	Household services, maintenance and other services	**885,349**	0.46
Customer B	Water conservation, environment and public facility administration	**857,000**	0.44
Customer C	Manufacturing	**850,000**	0.44
Customer D	Water conservation, environment and public facility administration	**800,000**	0.42
Customer E	Water conservation, environment and public facility administration	**800,000**	0.42
Customer F	Real estate	**792,000**	0.41
Customer G	Water conservation, environment and public facility administration	**760,000**	0.39
Customer H	Water conservation, environment and public facility administration	**750,000**	0.39
Customer I	Leasing and commercial services	**740,000**	0.38
Customer J	Leasing and commercial services	**640,000**	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 June 30, 2018**			As at December 31, 2017		
	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						
Loans to corporate entities	**120,871,732**	**1,488,225**	**1.23**	109,780,133	1,689,668	1.54
Short-term loans	**31,190,096**	**1,246,521**	**4.00**	31,664,977	1,048,240	3.31
Medium- and long-term loans	**89,681,636**	**241,704**	**0.27**	78,115,156	641,428	0.82
Discounted bills	**NA**	**NA**	**NA**	4,802,366	–	–
Loans and advances to corporate entities – at fair value through other comprehensive income						
Discounted bills	**7,717,647**	**–**	**–**	NA	NA	NA
Retail loans – measured at amortised cost	**64,048,683**	**671,627**	**1.05**	62,624,405	710,791	1.14
Residential mortgage and personal commercial property loans[1]	**19,021,254**	**124,936**	**0.66**	17,223,965	90,061	0.52
Personal business and re-employment loans	**10,123,311**	**274,607**	**2.71**	11,170,569	430,757	3.86
Others[2]	**34,904,118**	**272,084**	**0.78**	34,229,871	189,973	0.55
Total	**192,638,062**	**2,159,852**	**1.12**	177,206,904	2,400,459	1.35

Notes:

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

(2) Other loans include Yangtze Card revolving credit loans (長江卡循環貸款), Yangtze Quick and Easy Loan (長江快易貸), personal consumer automobile mortgage loans (indirect type), personal consumer automobile mortgage loans (direct type), other personal loans for general consumption needs, Xing Fu Dai (幸福貸), Jie Li Dai (接利貸), Shun Di Dai (順抵貸), Xin Jin Dai (薪金貸), Wei Li Dai (微粒貸), Kuai E Dai (快E貸), Kuai I Dai (快I貸) and Fenqile Co-Branded Loans(分期樂聯合貸款).

As at June 30, 2018, the balance of non-performing loans to corporate entities was RMB1,488.23 million, representing a decrease of RMB201.44 million as compared to the end of the previous year. Non-performing loan ratio of loans to corporate entities decreased by 0.31 percentage point to 1.23% as compared to the end of the previous year, and the balance of non-performing retail loans was RMB671.63 million, representing a decrease of RMB39.16 million as compared to the end of the previous year. Non-performing loan ratio of retail loans decreased by 0.09 percentage point to 1.05% as compared to the end of the previous year.

(4) Overdue loans and advances to customers

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**As at June 30, 2018**		As at December 31, 2017	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Past due within 90 days	**3,773,456**	**63.17**	4,257,704	52.71
Past due 90 days to 1 year	**1,419,002**	**23.75**	2,197,658	27.20
Past due over 1 year and within 3 years	**694,841**	**11.63**	1,562,371	19.34
Past due over 3 years	**86,489**	**1.45**	60,838	0.75
Total overdue loans and advances to customers	**5,973,788**	**100.00**	8,078,571	100.00

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

As at June 30, 2018, the total overdue loans amounted to RMB5,973.79 million, representing a decrease of RMB2,104.78 million as compared to the end of the previous year. Total overdue loans and advances accounted for 3.10% of total loans and advances to customers, representing a decrease of 1.46 percentage points as compared to the end of the previous year.

3.2.4 Analysis of Capital Adequacy Ratios

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

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

The Group calculates its capital adequacy ratio in accordance with the Administrative Measures for the Capital of Commercial Banks (for Trial) (《商業銀行資本管理辦法（試行）》) issued by the CBRC 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 CBRC's requirements for minimum capital, capital reserve and counter-cyclicality capital during the transition period.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	**June 30, 2018**	December 31, 2017
Core capital:		
Share capital	**3,127,055**	3,127,055
Counted part of capital surplus	**4,379,976**	4,325,902
Surplus reserve and general risk reserves	**7,611,762**	6,992,384
Counted part of retained earnings	**11,262,362**	11,596,948
Minority interest recognised in Core capital	**500,219**	361,481
Core Tier I Capital deductibles items:		
Full deductibles items	**(89,730)**	(100,340)
Threshold deduction items	**–**	–
Core Tier I Capital, net	**26,791,644**	26,303,430
Other Tier I Capital, net	**4,976,003**	4,957,505
Tier II Capital, net	**10,818,435**	10,240,749
Net capital	**42,586,082**	41,501,684
On-balance sheet risk-weighted assets	**292,360,791**	276,140,999
Off-balance sheet risk-weighted assets	**10,984,825**	10,969,438
Risk-weighted assets for exposure to counterparty credit risk	**6,564**	8,449
Total credit risk-weighted assets	**303,352,180**	287,118,886
Total market risk-weighted assets	**455,748**	544,914
Total operational risk-weighted assets	**17,605,686**	17,605,686
Total risk-weighted assets before applying capital base	**321,413,614**	305,269,486
Total risk-weighted assets after applying capital base	**321,413,614**	305,269,486
Core Tier I Capital adequacy ratio (Expressed in percentage)	**8.34**	8.62
Tier I Capital adequacy ratio (Expressed in percentage)	**9.88**	10.24
Capital adequacy ratio (Expressed in percentage)	**13.25**	13.60

As at the end of the Reporting Period, the Group's capital adequacy ratio was 13.25%, representing a decrease of 0.35 percentage point as compared to the end of the previous year. Tier I Capital adequacy ratio was 9.88%, representing a decrease of 0.36 percentage point as compared to the end of the previous year. Core Tier I Capital adequacy ratio was 8.34%, representing a decrease of 0.28 percentage point as compared to the end of the previous year. The change in capital adequacy ratio during the Reporting Period was mainly due to: (1) the Bank's increment of impairment allowances in accordance with the requirements of International Financial Reporting Standard 9 – Financial Instruments (IFRS 9), leading to a decrease in retained earnings; (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 CBRC, the Group has disclosed its capital composition, relevant items, and capital tools, details of which are available at "Investors Relation – Capital Regulation" ("投資者關係 － 監管資本") on the official website of the Bank (www.cqcbank.com).

3.2.5 Segment information

3.2.5.1 Summary of geographical segment

	June 30, 2018		December 31, 2017	
(Expressed in percentage)	**Chongqing**	**Other areas**	Chongqing	Other areas
Deposits	**85.30**	**14.70**	84.36	15.64
Loans	**74.96**	**25.04**	76.18	23.82
Assets	**89.06**	**10.94**	87.34	12.66
Loan-to-deposit ratio	**60.86**	**117.99**	60.85	102.57
Non-performing loan ratio	**0.84**	**2.43**	1.09	2.71
Impairment allowances to non-performing loans	**320.08**	**181.00**	286.65	131.98

	For the six months ended June 30, 2018		For the six months ended June 30, 2017	
(Expressed in percentage)	**Chongqing**	**Other areas**	Chongqing	Other areas
Annualized return on average total assets	**0.93**	**2.19**	1.35	(0.19)
Net fee and commission income to operating income	**10.81**	**8.23**	19.05	13.48
Cost-to-income ratio	**19.79**	**30.39**	19.96	33.42

3.2.5.2 Summary of business segment

(All amounts expressed in thousands of RMB unless otherwise stated)	For the six months ended June 30, 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**

(All amounts expressed in thousands of RMB unless otherwise stated)	For the six months ended June 30, 2017 Corporate banking	Retail banking	Treasury	Unallocated	Total
Net interest income/(expense) from external customers	1,809,668	(70,288)	2,293,390	–	4,032,770
Inter-segment net interest income/(expense)	747,547	659,123	(1,406,670)	–	–
Net interest income	2,557,215	588,835	886,720	–	4,032,770
Net fee and commission income	118,306	104,895	625,091	–	848,292
Net trading gains/(losses)	1,840	–	(8,130)	–	(6,290)
Net gains on investment securities	–	–	156,212	–	156,212

3.2.6 Analysis of off-balance sheet items

Off-balance-sheet items of the Group mainly include unused credit card limits, guarantees, acceptances and letters of credit, financial lease-out commitments, irrevocable loan commitments, operating lease commitments and capital expenditure commitments. As at June 30, 2018, the balance of unused credit card limits was RMB3,068.10 million, representing an increase of RMB199.92 million or 7.0% as compared to the end of the previous year; the balance of guarantees, commitments and letters of credit was RMB26,298.03 million, representing an increase of RMB1,951.52 million or 8.0% as compared to the end of the previous year; the balance of irrevocable loan commitments was RMB106.07 million, representing a decrease of RMB3.94 million or 3.6% as compared to the end of the previous year; the balance of operating lease commitments was RMB152.57 million, representing a decrease of RMB4.44 million or 2.8% as compared to the end of the previous year; the balance of capital expenditure commitments was RMB369.27 million, representing a decrease of RMB9.54 million or 2.5% as compared to the end of the previous year.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at June 30, 2018			
	Within 1 year	**1 to 5 years**	**Over 5 years**	**Total**
Unused credit card limits	**3,068,099**	**–**	**–**	**3,068,099**
Guarantees, acceptances and letters of credit	**14,646,730**	**3,229,666**	**8,421,636**	**26,298,032**
Financial lease-out commitments	**–**	**–**	**–**	**–**
Irrevocable loan commitments	**45,776**	**60,297**	**–**	**106,073**
Operating lease commitments	**40,422**	**91,182**	**20,963**	**152,567**
Capital expenditure commitments	**317,058**	**52,215**	**–**	**369,273**
Total	**18,118,085**	**3,433,360**	**8,442,599**	**29,994,044**

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2017			
	Within 1 year	1 to 5 years	Over 5 years	Total
Unused credit card limits	2,868,179	–	–	2,868,179
Guarantees, acceptances and letters of credit	21,127,588	3,218,275	650	24,346,513
Financial lease-out commitments	180,000	–	–	180,000
Irrevocable loan commitments	46,990	63,024	–	110,014
Operating lease commitments	42,949	88,803	25,255	157,007
Capital expenditure commitments	332,453	46,360	–	378,813
Total	24,598,159	3,416,462	25,905	28,040,526

3.3 Risk Management

3.3.1 Credit risk management

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

Promoting the optimization and adjustment of its credit structure. The Bank developed an overall framework of credit policies based on in-depth study of macroeconomy, regulatory requirements and industry policies, and took into account the actual circumstances. The Bank established the strategy for asset portfolio allocation from six dimensions, namely customer, product, region, industry, channel and mitigation, while at the same time adhering to the risk as the bottom line, the premise of compliance, the efficiency as the standard, the state-level major strategies as the guide, the support for the real economy as the priority, the expansion of financing channels as the direction, and following the path of the supply-side structural reform.

Implementing the unified credit management philosophy. In order to further implement the unified credit management and facilitate the healthy development of the businesses, the Bank identified the target group, scope and principle of unified credit management in accordance with the regulatory requirements and by taking into account its internal management needs. It is required that the unified credit limit should be established first before the unified credit quota is approved. A credit subject shall have only one unified credit limit and one unified credit quota.

Strengthening credit risk resolution on a continuous basis. General goals and resolution plans for control on asset quality were developed; management on plans and analysis of forecast were reinforced; innovations on performance appraisal have been implemented, more incentives for collection of non-performing loans were offered, and a balance between incentives and restraints was achieved. More efforts were put on the collection of non-performing loans and external asset recovery institutions were introduced. The Bank developed more ways of collecting non-performing loans, during which professional law firms were engaged to participate in the collection of non-performing loans.

Promoting the establishment and application of tools. The unified credit limit for a single customer was established, under which a unified limit will be determined before granting any credit according to such customer's information, financial statements and rating parameter to manage and control the credit risk in advance. The Bank also established a risk warning management system, under which a variety of information channels and analysis methods will be applied to identify, analyze and measure the credit risk status of customers in a timely manner and make proper measures in response to potential risk.

3.3.2 Operational risk management

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 Group continued to refine the operational risk management system, further the application of the three management tools for operational risk and improve the daily management mechanism. In particular, the Bank took various measures to: revise and improve operational risk policies and various business systems, clarify management responsibilities, optimize operational procedures, strengthen risk management and control measures; conduct monitoring of key risk indicators through a dynamic approach, optimize target thresholds, and strengthen the investigation of early warning indicators; collect problems and loss events based on the data collection of operational risk loss, and continuously improve the level of quantitative management; continuously improve the business management system, replace the human control by machine control, improve technical support for systems, reduce operational risk; implement regulatory requirements, and deepen the rectification of the banking market specialized rectification and management; carry out the "Operational Risk Management Year" activities, strengthen key business and risk areas such as credit granting business, inter-bank business, seal, office space, personnel management; implement case prevention and defense at all levels, strengthen employee training, and carry out risk case studies, strengthen warning education; continue to strengthen business continuity management, conduct business impact analysis on a regular basis, promote the establishment of "Two Sites and Three Centers" and "Intra-city Dual-active Data Centers and Remote Disaster Backup", and carry out emergency drills to ensure the ongoing and stable operation of business.

3.3.3 Market risk management

3.3.3.1 Interest rate risk

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

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

In the first half of 2018, the People's Bank of China continued to implement a stable and neutral monetary policy, while keeping lending and borrowing interest rate as well as re-purchasing interest rates in the currency market within 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 by the implementation of the pricing policy of interest rate and appraisal and proper use of the FTP and other tools, to ensure that revenue and market value were maintained at a relatively stable level.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
June 30, 2018							
Assets	–	–	–	–	–	–	–
Cash and balances with central bank	40,991,993	–	–	–	–	594,887	41,586,880
Due from other banks and financial institutions	43,737,968	1,865,882	6,579,269	–	–	–	52,183,119
Financial assets at fair value through profit or loss	8,598,804	6,710,813	865,325	639,831	16,057,025	458,867	33,330,665
Loans and advances to customers	59,676,699	16,634,060	61,070,854	46,820,052	2,922,495	–	187,124,160
Investment securities – financial assets at fair value through other comprehensive income	500,616	2,646,158	7,837,283	14,349,756	4,716,029	208,600	30,258,442
Investment securities – financial assets measured at amortised cost	1,611,873	7,209,710	14,972,066	44,423,738	11,619,656	–	79,837,043
Other assets	–	–	–	–	–	5,238,004	5,238,004
Total assets	155,117,953	35,066,623	91,324,797	106,233,377	35,315,205	6,500,358	429,558,313
Liabilities							
Due to other banks and financial institutions	(21,031,048)	(10,707,234)	(22,195,702)	(271,877)	–	–	(54,205,861)
Financial liabilities at fair value through profit or loss	(17,388)	–	–	–	–	–	(17,388)
Customer deposits	(109,477,423)	(10,689,491)	(31,645,836)	(97,016,206)	(2,485,434)	–	(251,314,390)
Other liabilities	–	–	–	–	–	(7,047,210)	(7,047,210)
Debt securities issued	(3,780,723)	(35,221,561)	(39,533,017)	(2,994,519)	(7,494,022)	–	(89,023,842)
Total liabilities	(134,306,582)	(56,618,286)	(93,374,555)	(100,282,602)	(9,979,456)	(7,047,210)	(401,608,691)
Total interest rate sensitivity gap	20,811,371	(21,551,663)	(2,049,758)	5,950,775	25,335,749	(546,852)	27,949,622

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

At the end of June 2018, the Group's accumulated gap for all maturities amounted to RMB27,949.62 million, representing a decrease of RMB15.45 million as compared to the end of the previous year.

3.3.3.2 Exchange rate risk

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

3.3.4 Liquidity risk management

The liquidity risk management of the Group aims to fully identify, effectively measure, constantly monitor and properly control the overall liquidity risk of the Group and the liquidity risks within its products, business lines, business links, and branches, keep liquidity risk affordable, make sure the Group has sufficient fund for assets growth and repayment of debts due under both normal and stressful operational circumstances, and coordinate and standardize security, liquidity and profitability of 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, procedures, liquidity risk limitation and contingency plans related to overall management of liquidity risk in line with its risk preference. The senior management or its Assets and Liabilities Management Committee takes charge of implementing the 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 operational departments and offices, each having distinct responsibilities, work closely with each other to develop a well-organized and fully functional organization structure of the liquidity risk management system.

The Group continues to improve liquidity risk management framework by streamlining the policy system for liquidity risk management, and upgrade 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 reserve assets, 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 every 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 control capability. The results of the quarterly stress tests in the first half of 2018 indicated that the liquidity risks remained within an acceptable range even under stressful conditions. Meanwhile, the Group established a contingency plan for liquidity risk, 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 2018, all of the major indicators of the Group's liquidity position met the regulatory requirements.

The Group uses liquidity gap analysis to assess liquidity risk. As at the end of the first half of 2018, the liquidity gap of the Group calculated from our net assets and liabilities into 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**	**Indefinite**	**Overdue**	**Total**
June 30, 2018									
Net Liquidity gap	**(87,747,151)**	**27,906,049**	**(24,773,372)**	**(19,260,442)**	**44,398,101**	**52,562,235**	**28,525,332**	**6,338,870**	**27,949,622**

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	Indefinite	Overdue	Total
December 31, 2017									
Net Liquidity gap	(77,373,892)	25,004,418	(21,781,720)	(42,354,149)	55,370,773	48,354,213	32,595,206	8,150,227	27,965,076

At the end of June 2018, the Group's cumulative gap for all maturities was RMB27,949.62 million. Although there was a shortfall in on-demand repayment of RMB87,747.15 million, which will mature on the date immediately after payment and includes demand deposits, there were still higher deposit settlement rates and stable funding sources with extensive and solid customer basis. Therefore, impact of the shortfall on the Group's real liquidity was not significant.

Liquidity coverage ratio of the Group

(All amounts expressed in thousands of RMB unless otherwise stated)	**June 30, 2018**	December 31, 2017
Qualified high-quality liquid assets	**50,770,484**	54,275,756
Net cash outflow in the next 30 days	**16,843,443**	27,932,208
Liquidity coverage ratio (%)	**301.43**	194.31

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 calculates its liquidity coverage ratio according to the latest Administrative Measures for Liquidity Risk Management of Commercial Banks of the CBIRC which was issued on May 23, 2018. As at June 30, 2018, the Group's liquidity coverage ratio was 301.43%, representing an increase of 107.12 percentage points as compared to the end of the previous year, which was in compliance with the regulatory requirements of the CBIRC.

3.4 Future Prospects

In the second half of 2018, it is expected that the global economy will continue to recover, but uncertainties such as escalating trade conflicts will become a potential threat to economic growth. The continuation of the Sino-US trade war will have a definite impact on China's economic growth. However, in light of the continuous progress of the "Belt and Road" Initiative, the continuous optimization of the economic structure brought about by the transition between new and old growth drivers, together with the implementation of goveronment policies to boost domestic demand, it is anticipated that China's economy will continue to move forward on the path of high-quality development.

Regarding fiscal policy, the proactive fiscal policy will take a more active stance, and reduction in taxes and fees will be the focus of fiscal policy in the second half of the year. Flexible adjustment methods such as discretionary pre-adjustment and fine-tuning will be adopted more frequently to stimulate domestic demand expansion, to cope with the adverse effects of uncertainties from external environment, and to ensure that the economy is running within an appropriate range.

As regards monetary policy, being stable and neutral will remain the keynote of the second half of the year. The central bank stated that monetary policy should be tight and moderate, maintain reasonable and sufficient liquidity, carefully maneuver money supply, and guide the reasonable growth of money and credit and social financing scale, which indicated the marginally moderate trend of monetary policy.

As China's largest municipality, the most developed urban center in Western China and the largest port city on the upper reaches of the Yangtze River, Chongqing enjoyed the geographical advantage of being strategically located at the hub that brings together the "Belt and Road" and Yangtze River Economy Zone, the two main national strategies of China. In the first half of the year, driven by the rapid development of the new generation information technology industry, bio-industry, new materials industry, high-end equipment manufacturing industry and new energy auto industry, the economy of Chongqing maintained steady growth. In the second half of the year, with the further implementation of the "three critical battles" and the "eight strategic action plans", the economic vitality, momentum and potential of Chongqing will be manifested, and the quality of its economic development will continue to improve.

In the second half of 2018, the Group will closely focus on the goals of high-quality development and steadily advance various business management tasks in accordance with the established direction and pace. The Company's business will continue to improve the level of financing services for the local economy, focusing on supporting industries and projects related to development and people's livelihood. Our small and micro enterprise services will focus on enhancing the support and protection for smart finance and technology finance, while innovating business models and types of products, and giving full play to the supportive role of the small and micro enterprise business for the real economy. Moreover, for retail banking business, we will vigorously develop consumer finance, embrace the development approach in which characteristic and unique services are emphasized, and strive to build our retail brands. Also, transformation and development of inter-bank business will be implemented steadily through product optimization, channel expansion and enhancement of risk control.

As the various business transformation and upgrading programs continue to play out, the Group will transform its mode of development, optimize its business structure, and seek new growth drivers. While furthering its existing business, the Group will also step up its efforts to deepen reform and innovation, further improve the management level and development quality, and fulfill the social responsibility of financial enterprises to serve the real economy through an overall strengthening of risk prevention and control as well as internal governance.

4. MAJOR ASSET PURCHASES, SALES AND MERGERS

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

5. OTHER INFORMATION

5.1 Corporate Governance Code

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

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

During the Reporting Period, the Bank fully complied with the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules, and, where appropriate, adopted the recommended best practices therein. The Bank also strictly abided by the applicable laws, regulations and 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.

5.2 Directors, Supervisors and Senior Management of the Bank

As of the end of the Reporting Period, the compositions of the Board, Board of Supervisors and senior management of the Bank are as follows:

The Board of the Bank comprised a total of twelve 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; four non-executive directors, namely Mr. WONG Hon Hing (Vice Chairman), Mr. DENG Yong, Ms. LV Wei and Mr. YANG Jun; and four independent non-executive directors, namely Mr. LI He, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu.

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

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.

5.3 Changes in Directors, Supervisors and Senior Management

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

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

On May 25, 2018, the Board has received Mr. TO Koon Man Henry's resignation as an independent non-executive director of the Bank, a member of each of the audit committee, connected transaction control committee and risk management committee under the Board due to health reasons, with effect from May 25, 2018. In accordance with Rule 3.21 of the Listing Rules, Dr. JIN Jingyu, an independent non-executive director of the Bank, has been appointed as a member of the audit committee under the Board on the same day.

On May 25, 2018, the Board has considered and approved the proposed appointment of Dr. SONG Ming as an independent non-executive director of the Bank. Such appointment is subject to the approval by the shareholders of the Bank at a general meeting and the approval by the CBRC Chongqing Bureau.

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

5.4 Securities Transactions by Directors and Supervisors

In respect of securities transactions by directors, supervisors and senior management, the Bank has adopted the Administrative Measures on the Holding and Change of Holding of Shares by Directors, Supervisors and Senior Management of Bank of Chongqing Co., Ltd. (the "**Administrative Measures**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all directors and supervisors, 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 June 30, 2018.

5.5 Profits and Dividends

The Bank's revenue for the six months ended June 30, 2018 and the Bank's financial position as at the same date are set out in the interim financial statements of this announcement.

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

The Bank will not distribute any interim dividend for 2018 or convert any capital reserve into share capital.

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

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

5.7 Review of the Interim Financial Statements

The interim financial statements for 2018 prepared by the Bank in accordance with the IFRSs have been reviewed by PricewaterhouseCoopers in accordance with the International Standard on Review Engagements.

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

6 INTERIM FINANCIAL INFORMATION

6.1 INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Interest income	**9,485,347**	9,010,705
Interest expense	**(6,224,874)**	(4,977,935)
Net interest income	**3,260,473**	4,032,770
Fee and commission income	**728,152**	939,893
Fee and commission expense	**(48,110)**	(91,601)
Net fee and commission income	**680,042**	848,292
Net trading gains/(losses)	**215,238**	(6,290)
Net gains on investment securities	**931,778**	156,212
Other operating income	**31,842**	44,697
Operating income	**5,119,373**	5,075,681
Operating expenses	**(1,137,331)**	(1,126,873)
Impairment losses	**(1,177,533)**	(1,163,861)
Operating profit	**2,804,509**	2,784,947
Share of profit of associates	**94,978**	44,638
Profit before income tax	**2,899,487**	2,829,585
Income tax	**(605,322)**	(570,204)
Net profit for the period	**2,294,165**	2,259,381

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Revaluation reserve for available-for-sale financial assets recognised in other comprehensive income	**NA**	(417,379)
Less: Relevant income tax effect	**NA**	69,793
Subtotal	**NA**	(347,586)
Net loss from debt investment at fair value through other comprehensive income	**(327,851)**	NA
Less: Relevant income tax effect	**81,963**	NA
Subtotal	**(245,888)**	NA
Net profit from disposal of financial assets at fair value through other comprehensive income that are reclassified into profit or loss	**9,425**	NA
Less: Relevant income tax effect	**(2,356)**	NA
Subtotal	**7,069**	NA
Item that will not be reclassified subsequently to profit or loss:		
Net gains on equity investments designated at fair value through other comprehensive income	**200,000**	NA
Less: Relevant income tax effect	**(50,000)**	NA
Subtotal	**150,000**	NA

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Remeasurement of pension benefits	**(2,495)**	948
Less: Relevant income tax effect	**624**	(237)
Subtotal	**(1,871)**	711
Other comprehensive income, net of tax	**(90,690)**	(346,875)
Comprehensive income for the period	**2,203,475**	1,912,506
Net profit attributable to:		
Shareholders of the Bank	**2,272,274**	2,249,307
Non-controlling interests	**21,891**	10,074
	2,294,165	2,259,381
Net comprehensive income attributable to:		
Shareholders of the Bank	**2,181,584**	1,902,432
Non-controlling interests	**21,891**	10,074
	2,203,475	1,912,506
Earnings per share attributable to the shareholders of the Bank (expressed in RMB per share)		
Basic and diluted	**0.73**	0.72

6.2 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS		
Cash and balances with central bank	**41,586,880**	43,727,432
Due from other banks and financial institutions	**52,183,119**	37,000,091
Financial assets at fair value through profit or loss	**33,330,665**	702,202
Loans and advances to customers	**187,124,160**	172,162,090
Investment securities		
– Loans and receivables	**NA**	100,607,725
– Available-for-sale(‘AFS’)	**NA**	37,106,799
– Held-to-maturity (‘HTM’)	**NA**	21,012,375
– Fair value through other comprehensive income (‘FVOCI’)	**30,258,442**	NA
– Amortised cost	**79,837,043**	NA
Investment in associates	**1,208,124**	1,113,146
Property, plant and equipment	**2,982,683**	2,866,257
Deferred income tax assets	**1,741,310**	1,380,953
Other assets	**5,566,972**	5,083,955
Total assets	**435,819,398**	422,763,025
LIABILITIES		
Due to other banks and financial institutions	**54,205,861**	55,771,252
Financial liabilities at fair value through profit or loss	**17,388**	–
Customer deposits	**251,314,390**	238,704,678
Debt securities issued	**89,023,842**	88,727,330
Current tax liabilities	**346,051**	358,515
Other liabilities	**8,091,200**	6,741,338
Total liabilities	**402,998,732**	390,303,113
EQUITY		
Share capital	**3,127,055**	3,127,055
Preference shares	**4,909,307**	4,909,307
Capital surplus	**4,680,638**	4,680,638
Other reserves	**7,311,100**	6,637,648
Retained earnings	**11,262,362**	11,596,948
Equity attributable to shareholders of the Bank	**31,290,462**	30,951,596
Non-controlling interests	**1,530,204**	1,508,316
Total equity	**32,820,666**	32,459,912
Total liabilities and equity	**435,819,398**	422,763,025

6.3 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

				Other reserves						
	Share capital	Preference shares	Capital surplus	Surplus reserve	General Reserve	Revaluation reserve for FVOCI	Remeasurement of pension benefits	Retained earnings	Non-controlling interests	Total
Balance at 1 January 2018	**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	**-**	**-**	**-**	**-**	**-**	**(88,819)**	**(1,871)**	**-**	**-**	**(90,690)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(88,819)**	**(1,871)**	**2,272,274**	**21,891**	**2,203,475**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(368,992)**	**-**	**(368,992)**
Transfer to other reserves	**-**	**-**	**-**	**-**	**619,378**	**-**	**-**	**(619,378)**	**-**	**-**
Balance at 30 June 2018 (Unaudited)	**3,127,055**	**4,909,307**	**4,680,638**	**2,245,019**	**5,366,743**	**(297,377)**	**(3,285)**	**11,262,362**	**1,530,204**	**32,820,666**
Balance at 1 January 2017	3,127,055	–	4,680,638	1,872,431	4,042,421	233,262	(2,467)	9,858,572	–	23,811,912
Net profit for the period	–	–	–	–	–	–	–	2,249,307	10,074	2,259,381
Other comprehensive income	–	–	–	–	–	(347,586)	711	–	–	(346,875)
Total comprehensive income	–	–	–	–	–	(347,586)	711	2,249,307	10,074	1,912,506
Contribution of non-controlling shareholders	–	–	–	–	–	–	–	–	1,470,000	1,470,000
Dividends	–	–	–	–	–	–	–	(909,973)	–	(909,973)
Transfer to other reserves	–	–	–	–	690,895	–	–	(690,895)	–	–
Balance at 30 June 2017 (Unaudited)	3,127,055	–	4,680,638	1,872,431	4,733,316	(114,324)	(1,756)	10,507,011	1,480,074	26,284,445

6.4 INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Profit before income tax	**2,899,487**	2,829,585
Adjustments:		
Depreciation and amortisation	**102,405**	90,842
Impairment losses on loans	**857,504**	589,645
Impairment losses on other assets	**320,029**	574,216
Net gains on disposal of property, plant and equipment and foreclosed assets	**(5,056)**	(379)
Fair value (gains)/losses	**(174,874)**	8,130
Net gains arising from financial investments	**(932,658)**	(178,114)
Share of profit of associates	**(94,978)**	(44,638)
Interest income arising from investment securities	**(2,976,406)**	(3,399,482)
Interest expense arising from debt securities issued	**2,037,173**	1,425,572
Net increase in operating assets:		
Net decrease/(increase) in restricted deposits with central bank	**3,793,058**	(972,366)
Net decrease/(increase) in due from and placements with banks and other financial institutions	**1,041,406**	(4,568,194)
Net (decrease)/increase in financial assets held under resale agreement	**(14,585,216)**	6,777,060
Net increase in loans and advances to customers	**(17,240,472)**	(13,766,366)
Net increase in other operating assets	**(117,579)**	(992,204)
Net increase/(decrease) in operating liabilities:		
Net increase in borrowings from central bank	**1,200,908**	42,852
Net decrease in due to and loans from banks and other financial institutions	**(10,824,278)**	(417,326)
Net increase/(decrease) in financial assets sold under repurchase agreement	**8,057,979**	(10,219,801)
Net increase in customer deposits	**12,609,712**	9,111,424
Net increase in other operating liabilities	**658,463**	1,252,401
Income tax paid	**(457,294)**	(756,283)
Net cash outflows from operating activities	**(13,830,687)**	(12,613,426)

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

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Cash flows from investing activities:		
Dividends received	**880**	21,902
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	**19,861**	19,063
Purchase of property, plant and equipment, intangible assets and other long-term assets	**(213,872)**	(148,964)
Proceeds from sale and redemption of investments	**139,910,082**	166,652,418
Purchase of securities investments	**(120,708,956)**	(181,477,402)
Net cash inflows/(outflows) from investing activities	**19,007,995**	(14,932,983)
Cash flows from financing activities:		
Capital contribution by non-controlling interests of a subsidiary	**–**	1,470,000
Proceeds from issuance of debt securities and inter-bank certificates of deposit	**76,007,092**	85,732,823
Cash paid to redeem debt securities and inter-bank certificates of deposit issued	**(77,520,000)**	(54,520,000)
Interest paid in relation to debt securities issued	**(497,400)**	(263,800)
Dividends paid to shareholders	**(325)**	(3,726)
Net cash (outflows)/inflows from financing activities	**(2,010,633)**	32,415,297
Impact from exchange rate changes on cash and cash equivalents	**131,730**	(62,630)
Net increase in cash and cash equivalents	**3,298,405**	4,806,258
Cash and cash equivalents at the beginning of the period	**20,424,977**	24,788,329
Cash and cash equivalents at the end of the period	**23,723,382**	29,594,587

7 NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2018

7.1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial 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 December 31, 2017.

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

(b) Significant accounting policies

Except as described below, the Group's accounting policies applied in preparing this condensed consolidated interim financial information is consistent with those policies applied in preparing the financial statements for the year ended December 31, 2017.

Standards and amendments effective by January 1, 2018 adopted by the Group

Amendments to IFRS 2	Classification and measurement of share-based payment
Amendments to IAS 40	Transfer of investment properties
Amendments to IAS 28	Annual Improvements to IFRSs 2014 – 2016 Cycle
IFRS 15	Revenue Recognition in Contracts with Customers
IFRIC 22	Foreign currency transactions and advance consideration
IFRS 9	Financial instrument

For amendments to IFRSs that have been adopted, the whole Group are not significantly impacted except International Financial Reporting Standards – Financial instruments ('IFRS 9').

IFRS 9

The Group has adopted International Financial Report Standard 9 'Financial Instruments' ('IFRS 9') as issued by the IASB in July 2014 with a date of transition of January 1, 2018. The adoption of the standards results in changes in accounting policies and the adjustments to the amounts have already been recognised in the financial statements. The Group did not adopt IFRS 9 in advance in previous period.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to International Financial Report Standard 7 'Financial Instruments: Disclosures' ('IFRS 7') have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7.

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 January 1, 2016. The effective date has now been deferred/removed.
IFRIC 23	Uncertainty over Income Tax	January 1, 2019
IFRS 16	Leases	January 1, 2019
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRSs 2015 – 2017 cycle	January 1, 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation and Modifications of Financial Liabilities	January 1, 2019

Amendments to IFRS 10 and IAS 28

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

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

IFRIC 23

The IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Group anticipates that the adoption of this interpretation will not have a significant impact on the Group's consolidated financial statements.

IFRS 16

For the lessee, under IAS 17 lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts unless the underlying asset is of low value, in the statement of financial position. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the liability in the statement of comprehensive income, and also classifies cash repayments of the lease liability into principal portion and an interest portion for presentation in the statement of cash flows.

As at June 30, 2018, the Group has non-cancellable operating lease commitments of RMB152,567 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group expects that, as a lessor, there will be no significant impact on the financial information.

Amendments to IFRSs: Annual Improvements to IFRSs 2015-2017 Cycle

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

Amendments to IFRS 9

On October 12, 2017, the IASB issued amendments to IFRS 9: Prepayment Features with Negative Compensation and Modifications of Financial Liabilities. These amendments permit more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets. These amendments also clarify the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Basic of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and subsidiaries (including structured entities) controlled by the Bank. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Total comprehensive income of subsidiaries is attributed to the shareholders of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

7.2 SUBSIDIARY

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

As at June 30, 2018, 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.	13,855,855	10,732,989	207,729	44,677

7.3 NET INTEREST INCOME

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

	For the six months ended 30 June	
	2018	2017
Interest income		
Loans and advances to customers	**5,549,628**	4,391,519
Investment securities	**2,976,406**	3,363,356
Due from other banks and financial institutions	**685,622**	933,455
Balances with central bank	**273,691**	286,249
Financial assets at fair value through profit or loss	**NA**	36,126
	9,485,347	9,010,705
Interest expense		
Customer deposits	**(3,132,605)**	(2,622,514)
Debt securities issued	**(2,037,173)**	(1,425,572)
Due to other banks and financial institutions	**(1,055,096)**	(929,849)
	(6,224,874)	(4,977,935)
Net interest income	**3,260,473**	4,032,770

	For the six months ended 30 June	
	2018	2017
Interest income accrued on impaired loans and advances to customers	**74,553**	56,899

7.4 NET FEE AND COMMISSION INCOME

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

	For the six months ended 30 June	
	2018	2017
Fee and commission income		
Custodian services	**137,243**	206,486
Financial advisory and consulting services	**72,424**	41,330
Wealth management agency services	**278,763**	444,870
Bank card services	**150,186**	132,714
Settlement and agency services	**53,721**	39,346
Credit commitments	**35,815**	75,147
	728,152	939,893
Fee and commission expense		
Settlement and agency services	**(28,562)**	(25,275)
Bank card services	**(11,963)**	(10,865)
Others	**(7,585)**	(55,461)
	(48,110)	(91,601)
Net fee and commission income	**680,042**	848,292

7.5 NET TRADING GAINS/(LOSSES)

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

	For the six months ended 30 June	
	2018	2017
Foreign exchange	**40,364**	1,840
Interest rate instruments	**174,874**	(8,130)
	215,238	(6,290)

Foreign exchange gains/(losses) mainly include gains/(losses) from spot exchange and the translation of financial assets and liabilities denominated in foreign currencies into RMB.

For the six months ended June 30, 2018, foreign exchange gains/(losses) referred to gains or losses from translation of foreign currency monetary assets and liabilities, amounting to RMB32,406 thousand (for the six months ended June 30, 2017: losses of RMB3,382 thousand).

Net gains/(losses) on interest rate instruments mainly include gains/(losses) from the financial assets at fair value through profit or loss to their fair value.

7.6 OTHER OPERATING INCOME

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

	For the six months ended 30 June	
	2018	2017
Government grants[(a)]	**21,408**	7,786
Proceed from held-for-sale	**5,293**	–
Dividend income of unlisted FVOCI securities	**880**	21,902
Default income	**749**	11,843
House for rent income	**394**	234
Long-term unspent household income	**489**	–
Income from mortgage assets	**–**	379
Other income	**2,629**	2,553
	31,842	44,697

(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.

7.7 OPERATING EXPENSES

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

	For the six months ended 30 June	
	2018	2017
Staff costs (including emoluments of directors and supervisors)	**675,906**	672,382
General and administrative expenses	**236,460**	256,626
Depreciation of property, plant and equipment	**72,792**	62,149
Tax and surcharges	**64,781**	40,214
Payments under operating lease	**31,544**	39,143
Professional fees	**22,255**	19,331
Amortisation of intangible assets	**16,369**	13,735
Amortisation of long-term prepaid expenses	**10,826**	12,370
Amortisation of land use rights	**2,348**	2,432
Donations	**2,405**	1,800
Depreciation of investment properties	**70**	156
Others	**1,575**	6,535
	1,137,331	1,126,873

7.8 STAFF COSTS (INCLUDING EMOLUMENTS OF DIRECTORS AND SUPERVISORS)

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

	For the six months ended 30 June	
	2018	2017
Salaries and bonuses	**498,168**	468,595
Pension expenses	**70,839**	74,546
Housing benefits and subsidies	**39,005**	37,453
Labour union and staff education expenses	**11,351**	10,854
Other social security and benefit expenses	**56,543**	80,934
	675,906	672,382

7.9 IMPAIRMENT LOSSES

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

	For the six months ended 30 June	
	2018	2017
Impairment losses of assets		
Loans and advances to customers		
– Collectively assessed	**NA**	(61,904)
– Individually assessed	**NA**	651,549
Loans and receivables	**NA**	560,743
Others	**48,898**	13,473
Expected credit losses		
Loans and advances to customers carried at amortised cost	**851,015**	NA
Loans and advances at fair value through other comprehensive income	**6,489**	NA
Investment securities carried at amortised cost	**331,913**	NA
Investment securities at fair value through other comprehensive income	**(60,782)**	NA
	1,177,533	1,163,861

7.10 INCOME TAX

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

	For the six months ended 30 June	
	2018	2017
Current income tax	**444,830**	556,127
Deferred income tax	**160,492**	14,077
	605,322	570,204

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

The difference between the actual income tax charge in the condensed consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate 25% (for the six months ended June 30, 2017: 25%) to profit before income tax can be reconciled set out below:

	For the six months ended 30 June	
	2018	2017
Profit before income tax	**2,899,487**	2,829,585
Tax calculated at a tax rate of 25%	**724,872**	707,396
Tax effect arising from non-taxable income[a]	**(84,779)**	(79,550)
Tax effect of expenses that are not deductible for tax purposes[b]	**18,415**	19,009
Income tax adjustment for prior years	**(53,186)**	(76,651)
Income tax	**605,322**	570,204

(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.

7.11 EARNINGS PER SHARE

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

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

	For the six months ended 30 June 2018	2017
Net profit attributable to shareholders of the Bank	**2,272,274**	2,249,307
Less: Net profit attributable to other equity holders of the Bank	**–**	–
Net profit attributable to ordinary shareholders of the Bank	**2,272,274**	2,249,307
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)	**0.73**	0.72

The Bank issued non-cumulative preference shares on December 20, 2017 under the terms. 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 June 30, 2018, 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 June 30, 2018 and therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

7.12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	30 June 2018	31 December 2017
Debt securities		
– Listed outside Hong Kong	**172,833**	359,485
– Unlisted	**32,693,524**	342,599
	32,866,357	702,084
Equity securities		
– Listed outside Hong Kong	**458,867**	–
Derivative financial instruments	**5,441**	118
	33,330,665	702,202

Unlisted financial assets measured at FVPL are set out below:

	30 June 2018	31 December 2017
Debt securities – at FVPL (unlisted)		
– Trust investments[(a)]	**5,406,250**	–
– Directional asset management plans[(b)]	**10,599,330**	–
– Wealth management products purchased from financial institutions	**9,987,737**	–
– Fund investments	**5,946,717**	–
– Corporate	**559,282**	152,836
– Government	**194,208**	189,763
	32,693,524	342,599

As at June 30, 2018, there are no the trading securities of the Group pledged to third parties under repurchase agreements (as at December 31, 2017: RMB189,763 thousand).

Non-derivative financial assets at fair value through profit or loss are measured by the issuer set out below:

	30 June 2018	31 December 2017
Financial assets at FVPL		
– Commercial banks	**10,420,176**	–
– Securities companies	**10,246,114**	–
– Fund companies	**5,946,717**	–
– Trust companies	**5,406,250**	–
– Asset management company	**353,216**	–
– Corporations	**299,676**	512,321
– Governments	**194,208**	189,763
– Equity investment	**458,867**	–
	33,325,224	702,084

(a) Trust investment

	30 June 2018	31 December 2017
Trust investments purchased from trust company		
– Guaranteed by third-party company	**5,401,341**	–
– Unsecured	**4,909**	–
	5,406,250	–

(b) Directional asset management plans

	30 June 2018	31 December 2017
Asset management plans purchased from securities company		
– Guaranteed by third-party company	**10,246,114**	–
Asset management plans purchased from asset management company		
– Guaranteed by fund company	**353,216**	–
	10,599,330	–

7.13 INVESTMENT SECURITIES

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

	30 June 2018	31 December 2017
Investment securities – FVOCI		
Debt securities – measured at fair value		
– Listed outside Hong Kong	**6,284,989**	NA
– Listed in Hong Kong	**2,395,466**	NA
– Unlisted	**21,369,373**	NA
	30,049,828	NA
Equity securities – measured at fair value		
– Unlisted	**208,600**	NA
Others	**14**	NA
	30,258,442	NA

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

	30 June 2018	31 December 2017
Debt securities – measured at fair value (unlisted)		
– Corporations debt	**17,836,528**	NA
– Policy banks debt	**2,549,381**	NA
– Commercial banks debt	**796,076**	NA
– Governments debt	**187,388**	NA
	21,369,373	NA
Equity securities – measured at fair value		
– Equity investment	**208,600**	NA
	21,577,973	NA

	30 June 2018	31 December 2017
Investment securities – AFS		
Debt securities – measured at fair value		
– Listed outside Hong Kong	**NA**	8,090,966
– Listed in Hong Kong	**NA**	64,726
– Unlisted	**NA**	28,456,501
	NA	36,612,193
Equity securities – measured at fair value		
– Listed outside Hong Kong	**NA**	485,992
– Unlisted	**NA**	8,600
	NA	494,592
Others	**NA**	14
	NA	37,106,799
Investment securities – Amortised cost		
Debt securities – measured at amortised cost		
– Listed outside Hong Kong	**12,795,200**	NA
– Unlisted	**68,996,985**	NA
Less: ECL allowance	**(1,955,142)**	NA
	79,837,043	NA

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

	30 June 2018	31 December 2017
Debt securities – measured at amortised cost (unlisted).		
– Trust investment [(a)]	**24,625,951**	NA
– Assets management plans [(b)]	**26,596,676**	NA
– Bonds	**14,226,947**	NA
– Others	**3,031,162**	NA
– Wealth management products purchased from financial institutions	**516,249**	NA
	24,625,951	NA
Investment securities – Loans and receivables		
Debt securities- measured at amortised cost		
– Trust Investment(a)	**NA**	34,532,649
– Assets management plans (b)	**NA**	38,663,857
– Wealth management products purchased from financial institutions	**NA**	22,920,801
– Local government bonds	**NA**	5,707,900
Less: Impairment provision	**NA**	(1,217,482)
	NA	100,607,725
Investment securities – HTM		
Debt securities- measured at amortised cost		
– Listed outside Hong Kong	**NA**	11,827,162
– Unlisted	**NA**	9,185,213
	NA	21,012,375

The movements in ECL of investment securities are summarised set out below:

	Investment securities – FVOCI	Investment securities – Amortised cost			Total
	Stage 1	Stage 1	Stage 2	Stage 3	
	12-month ECL	12-month ECL	Lifetime ECL	Lifetime ECL	
1 January 2018 (Restated)	**170,371**	**936,958**	**152,169**	**534,102**	**1,793,600**
Provision for impairment	**73,880**	**109,479**	**64,912**	**419,416**	**667,687**
Reversal of impairment allowances	**(134,662)**	**(141,614)**	**(28,182)**	**(92,098)**	**(396,556)**
30 June 2018	**109,589**	**904,823**	**188,899**	**861,420**	**2,064,731**

	Investment securities – Loans and receivables	Investment securities – AFS	Investment securities – HTM	Total
1 January 2017	799,831	–	–	799,831
Provision for impairment	657,996	–	–	657,996
Reversal of impairment allowances	(26,303)	–	–	(26,303)
Written-off	(214,042)	–	–	(214,042)
31 December 2017	1,217,482	–	–	1,217,482

Investment securities analysed by issuer are set out below (Cont'd):

	30 June 2018	31 December 2017
Investment securities – FVOCI		
– Corporations	**26,516,983**	NA
– Policy banks	**2,549,381**	NA
– Commercial bank	**796,076**	NA
– Equity investments measured at fair value	**208,600**	NA
– Governments	**187,388**	NA
– Others	**14**	NA
	30,258,442	NA

	30 June 2018	31 December 2017
Investment securities – AFS		
– Corporations	**NA**	28,932,697
– Fund companies	**NA**	4,401,106
– Policy banks	**NA**	2,985,313
– Equity investments measured at fair value	**NA**	494,592
– Governments	**NA**	181,394
– Trust companies	**NA**	61,728
– Commercial bank	**NA**	49,955
– Others	**NA**	14
	NA	37,106,799
Investment securities – Amortised cost		
– Trust companies	**24,625,951**	NA
– Governments	**23,740,839**	NA
– Securities Company	**13,936,414**	NA
– Assets Management Company	**13,161,424**	NA
– Corporations	**2,560,000**	NA
– Policy banks	**3,131,308**	NA
– Commercial bank	**636,249**	NA
Less:: ECL allowance	**(1,955,142)**	NA
	79,837,043	NA
Investment securities – HTM		
– Governments	**NA**	17,450,368
– Policy banks	**NA**	3,182,007
– Commercial bank	**NA**	350,000
– Corporations	**NA**	30,000
	NA	21,012,375

Investment securities analysed by issuer are set out below (Cont'd):

	30 June 2018	31 December 2017
Investment securities- Loans and receivables		
– Trust companies	**NA**	32,052,648
– Commercial bank	**NA**	25,220,801
– Securities Company	**NA**	24,702,954
– Assets Management Company	**NA**	14,140,904
– Governments	**NA**	5,707,900
Less: Impairment allowance	**NA**	(1,217,482)
	NA	100,607,725

(a) Trust investments

	30 June 2018	31 December 2017
Purchase from trust companies		
– Guaranteed by the third parties	**11,725,337**	17,461,258
– Assets secured as collateral	**10,747,616**	12,308,243
– Unsecured	**1,752,998**	2,058,048
– Pledged deposits	**–**	280,100
– Guaranteed by guarantee company	**–**	125,000
	24,225,951	32,232,649
Purchase form other commercial banks		
– Guaranteed by Banks	**400,000**	2,300,000
	24,625,951	34,532,649

(b) Directional asset management plans

	30 June 2018	31 December 2017
Purchase from Securities Companies		
– Unsecured	**7,103,252**	8,584,703
– Guaranteed by the third parties.	**4,262,000**	14,538,250
– Assets secured as collateral	**1,870,000**	1,880,000
– Pledged deposits	**200,000**	200,000
	13,435,252	25,202,953
Purchase form Assets Management Company		
– Unsecured	**9,222,424**	9,848,688
– Guaranteed by the third parties.	**3,840,000**	3,250,000
– Guaranteed by guarantee company	**90,000**	–
– Guaranteed by Fund Company	**9,000**	362,216
	13,161,424	13,460,904
	26,596,676	38,663,857

7.14 INVESTMENT IN ASSOCIATES

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

	For the six months ended 30 June 2018	For the year ended 31 December 2017
Balance at the beginning of the period/year	**1,113,146**	238,394
Additional investment in associates	**–**	696,374
Share of profit of associates	**94,978**	178,378
Balance at the end of the period/year	**1,208,124**	1,113,146

As at May 5, 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 June 15, 2015, the Group invested RMB54,000 thousand in Mashang Consumer Finance Co., Ltd. ('**Mashang Finance**') and appointed a director to board. As at August 14, 2016, the Group increased the investment to RMB205,270 thousand accounting for 15.79% of equity interest of RMB1.3 billion registered capital. On July 13, 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.

Pursuant to the resolution of board meeting of Chongqing Three Gorges Bank Co., Ltd. ('**Three Gorges Bank**') on April 21, 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 investment in associates of the Group is the ordinary shares of unlisted companies. Assets, liabilities, revenue and profit of the associates are set out below:

	Place of Incorporation	Assets	Liabilities	Revenue	Profit	Shareholding
As at 30 June 2018						
Xingyi Wanfeng	**PRC**	**1,444,036**	**1,308,310**	**30,587**	**(14,599)**	**20.00%**
Mashang Finance	**PRC**	**34,821,030**	**29,986,111**	**4,106,506**	**365,853**	**15.31%**
Three Gorges Bank	**PRC**	**182,516,182**	**168,277,501**	**2,026,183**	**891,736**	**4.97%**
As at 31 December 2017						
Xingyi Wanfeng	PRC	1,518,537	1,369,588	81,030	(15,682)	20.00%
Mashang Finance	PRC	31,800,455	29,019,064	4,667,970	577,665	15.31%
Three Gorges Bank	PRC	202,479,206	189,179,685	4,099,458	1,923,054	4.97%

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

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

Financial guarantees and credit related commitments

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

	30 June 2018	31 December 2017
Acceptances	**14,008,212**	13,510,911
Letters of credit	**7,922,272**	6,204,635
Guarantees	**4,367,548**	4,630,967
Other commitments with an original maturity of		
– Within 1 year	**3,103,875**	3,095,169
– Over 1 year	**60,297**	63,024
	29,462,204	27,504,706

Capital expenditure commitments

	30 June 2018	31 December 2017
Contracted but not provided for:		
– Capital expenditure commitments for buildings	**158,032**	181,699
– Acquisition of IT system	**211,241**	142,093
	369,273	323,792

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases in respect of buildings are set out below:

	30 June 2018	31 December 2017
Within 1 year	**40,422**	42,949
1 year to 5 years	**91,182**	88,803
Over 5 years	**20,963**	25,255
	152,567	157,007

External investment commitment

According to the capital increase and subscription agreement signed with Mashang Finance, on June 8, 2018, the Group promised to subscribe for 282,853,410 ordinary shares out of the total additional 1,789,706,347 shares to be issued by the Mashang Finance in cash, with a total subscription price of RMB316,795 thousand. Up to June 30, 2018, the Group had not made the payment yet.

Legal proceedings

Legal proceedings are initiated by third parties against the Group as defendant. As at June 30, 2018, the Group had 20 outstanding legal claim amounting to RMB278,437 thousand (as at December 31, 2017: the Group had 16 outstanding legal claim amounting to RMB281,358 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.

7.16 DIVIDENDS

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

	For the six months ended 30 June	
	2018	2017
Dividends declared during the year	**368,992**	909,973
Dividend per share (in RMB yuan) (Based on prior year shares)	**0.118**	0.291

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 RMB0.118 per share in respect of profit for the year ended December 31, 2017 (2016: RMB0.291 per share), amounting to a total dividend of RMB368,992 thousand based on the number of shares issued as at December 31, 2017, was approved at the Annual General Meeting on May 25, 2018.

7.17 SEGMENT ANALYSIS

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

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.

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 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	(53,976)	(41,128)	(6,552)	(749)	(102,405)
– Others	(545,505)	(415,642)	(66,205)	(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

	For the six months ended 30 June 2017				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income/(expense) from external customers	1,809,668	(70,288)	2,293,390	–	4,032,770
Intersegment net interest income/ (expense)	747,547	659,123	(1,406,670)	–	–
Net interest income	2,557,215	588,835	886,720	–	4,032,770
Net fee and commission income	118,306	104,895	625,091	–	848,292
Net trading gains/(losses)	1,840	–	(8,130)	–	(6,290)
Net gains on investment securities	–	–	156,212	–	156,212
Share of profit of associates	–	–	44,638	–	44,638
Other operating income	379	11,843	21,902	10,573	44,697
Asset impairment losses	(371,451)	(218,195)	(560,743)	(13,472)	(1,163,861)
Operating expenses	(631,804)	(265,582)	(218,097)	(11,390)	(1,126,873)
– Depreciation and amortisation	(50,933)	(21,410)	(17,581)	(918)	(90,842)
– Others	(580,871)	(244,172)	(200,516)	(10,472)	(1,036,031)
Profit before income tax	1,674,485	221,796	947,593	(14,289)	2,829,585
	As at 30 June 2017				
Capital expenditure	55,310	20,167	73,082	405	148,964
Segment assets	151,647,661	55,294,556	200,375,091	1,111,303	408,428,611
Segment liabilities	180,105,546	65,789,340	136,250,290	(1,010)	382,144,166

8. RELEASE OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement was published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.cqcbank.com). The 2018 interim report prepared in accordance with the IFRSs will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.cqcbank.com), and will be dispatched to the holders of H Shares in due course.

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

By order of the Board
Bank of Chongqing Co., Ltd.*
WONG Wah Sing
Joint Company Secretary

Chongqing, the PRC, August 22, 2018

As at the date of this announcement, the executive directors of the Group are Ms. LIN Jun, Mr. RAN Hailing, Mr. LIU Jianhua and Mr. WONG Wah Sing; the non-executive directors are Mr. WONG Hon Hing, Mr. DENG Yong and Ms. LV Wei; and the independent non-executive directors are Mr. LI He, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu.

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