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重慶農村商業銀行

CHONGQING RURAL COMMERCIAL BANK

重慶農村商業銀行股份有限公司*

Chongqing Rural Commercial Bank Co., Ltd.*

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

(Stock Code: 3618)

FIRST QUARTERLY REPORT 2017

The board of directors (the “**Board**”) of Chongqing Rural Commercial Bank Co., Ltd. 重慶農村商業銀行股份有限公司* (the “**Bank**”) is pleased to announce the unaudited results (the “**Quarterly Report**”) of the Bank and its subsidiaries (the “**Group**”) prepared under the International Financial Reporting Standards (“**IFRSs**”) for the first quarter ended 31 March 2017 (the “**Reporting Period**”). This Quarterly Report is made in accordance with Rule 13.09 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

1. IMPORTANT NOTICE

- 1.1 The Board, the board of supervisors and directors, supervisors and senior management of the Bank warrant that there are no false presentations and misleading statements contained in, or material omissions from, the Quarterly Report, and are severally and jointly responsible for the truthfulness, accuracy and completeness of the information contained therein.
- 1.2 The Quarterly Report has been reviewed and approved at the forty-fourth meeting of the third session of the Board held on 27 April 2017.
- 1.3 The Quarterly Report has not been audited.
- 1.4 The operating information set out in the Quarterly Report is provided as additional information.

* *The Bank holds a financial licence number B0335H250000001 approved by China Banking Regulatory Commission and was authorised by the Administration for Industry and Commerce of Chongqing to obtain a corporate legal person business licence with a unified social credit code 91500000676129728J. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.*

2. BASIC INFORMATION OF THE BANK

2.1 Basic Information

Stock name	CQRC Bank
Stock code	3618
Listing stock exchange	The Stock Exchange of Hong Kong Limited
Company Secretary	MOK Ming Wai
Registered address and postcode	No. 36 Jinshamen Road, Jiangbei District, Chongqing, the PRC 400023
Principal place of business in Hong Kong	36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Telephone	86-23-61110842
Fax	86-23-61110844
Email address	cqrcb@cqrcb.com

2.2 Financial Summary

The financial information of the Group set forth in the Quarterly Report is prepared on a consolidated basis in accordance with IFRSs and expressed in Renminbi (“RMB”) unless otherwise stated.

Major financial information and financial indicators

(Expressed in RMB million, unless otherwise stated)

	As at the end of the Reporting Period (31 March 2017)	As at the end of the previous year (31 December 2016)	Increase/ (decrease) at the end of the Reporting Period as compared to the end of the previous year (%)
Total assets	824,434.4	803,157.7	2.65
Loans and advances to customers, gross	312,336.6	300,421.4	3.97
Total liabilities	767,835.9	748,967.9	2.52
Deposits from customers	556,667.7	518,185.9	7.43
Equity attributable to Shareholders of the Bank	55,013.0	52,593.2	4.60
Total equity	56,598.5	54,189.8	4.44
Net assets per share attributable to Shareholders of the Bank (RMB)	5.92	5.66	Increased by RMB0.26

	The Reporting Period (January to March 2017)	The same period of the previous year (January to March 2016)	Increase/ (decrease) in the Reporting Period as compared to the same period of the previous year (%)
Net profit	2,459.3	2,206.2	11.47
Net profit attributable to shareholders of the Bank	2,428.4	2,193.4	10.71
Basic earnings per share (<i>RMB</i>)	0.26	0.24	Increased by RMB0.02
Weighted average return on shareholders' equity (%) ⁽¹⁾	18.05	17.76	Increased by 0.29 percentage point

Note: (1) For the current periods, representing the net profit attributable to equity holders of the Bank as a percentage of the weighted average balance of shareholders' equity for the period and for the last periods, representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the weighted average balance of shareholders' equity for the periods, calculated in accordance with the requirements of "Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share" (Revision 2010) issued by CSRC.

2.3 Total number of the issued shares and particulars of shareholdings as at the end of the Reporting Period

As at 31 March 2017, the Bank had a total of 9,300,000,000 shares in issue, of which 6,786,663,959 were non-overseas listed shares and 2,513,336,041 were overseas listed H shares.

Particulars of shareholdings of the top ten shareholders of non-overseas listed shares

Unit: share

Name of shareholders	Nature of shareholder	Total number of shares held	Percentage of the total share capital of the Bank (%)	Number of shares pledged
Chongqing Yufu Assets Management Group Company Limited	State-owned	629,304,418	6.77	Nil
Chongqing City Construction Investment (Group) Company Limited	State-owned	621,435,221	6.68	Nil
Loncin Holdings Co., Ltd.	Private enterprise	570,000,000	6.13	470,000,000
Chongqing Casin Group Co., Ltd.	Private enterprise	443,100,000	4.76	346,672,000
Chongqing Transport and Travel Investment Group Company Limited	State-owned	423,431,972	4.55	Nil
Beijing Jiuding Real Estate Co., Ltd.	Private enterprise	300,000,000	3.23	149,900,000
Xiamen Gaoxinhong Equity Investment Co., Ltd.	Private enterprise	200,000,000	2.15	Nil
Chongqing Yerui Property Development Co., Ltd.	Private enterprise	150,000,000	1.61	120,000,000
Jiangsu Huaxi Group Corporation	Private enterprise	150,000,000	1.61	120,000,000
Chongqing Water Group Co., Ltd.	State-owned	125,000,000	1.34	Nil
Total		3,612,271,611	38.84	1,206,572,000

1. During the Reporting Period, the percentage of the non-overseas listed shares mentioned above was calculated based on the total share capital of 9.3 billion shares of the Bank.

Particulars of shareholdings of substantial shareholders of overseas listed H shares (holding 5% or above H shares)

Unit: share

Name of shareholders	Capacity	Total number of H shares held	Percentage of the total issued H share capital of the Bank (%)	Percentage of the total share capital of the Bank (%)
BlackRock, Inc.	Interest of controlled corporations	348,619,692(L)	13.87(L)	3.75(L)
		3,091,000(S)	0.12(S)	0.03(S)
BlackRock Global Funds	Beneficial Owner	176,435,000(L)	7.02(L)	1.90(L)

Note: (L) – long position; (S) – short position

3. HIGHLIGHTS OF QUARTERLY RESULTS

As at 31 March 2017, the total assets of the Group increased by RMB21,276 million, or 2.65%, to RMB824,434 million as compared with the end of the previous year; the total liabilities increased by RMB18,868 million, or 2.52%, to RMB767,836 million as compared with the end of the previous year. Among these:

- Deposits from customers increased by RMB38,482 million, or 7.43%, to RMB556,668 million as compared with the end of the previous year. In particular, time deposits, demand deposits, pledged deposits and other deposits amounted to RMB330,970 million, RMB217,343 million, RMB8,258 million and RMB97 million, respectively.
- Gross loans and advances to customers increased by RMB11,916 million, or 3.97%, to RMB312,337 million as compared with the end of the previous year. In particular, corporate loans, personal loans and discounted bills amounted to RMB201,817 million, RMB98,029 million and RMB12,491 million, respectively.
- The outstanding balance of non-performing loans increased by RMB117 million to RMB2,990 million as compared with the end of the previous year; the non-performing loan ratio is 0.96% which is the same as last year; and allowance to non-performing loan ratio decreased by 3.85 percentage points to 424.52% as compared with the end of the previous year. The quality of the credit assets were overall stable with risks under control.
- The loan-to-deposit ratio decreased by 1.87 percentage points to 56.11%⁽¹⁾ as compared with the end of the previous year.

Note: (1) The loan-to-deposit ratio was calculated by dividing total loans by total deposits.

The efficiency of assets operations of the Group improved in this period. For the three months ended 31 March 2017, the net profit of the Group increased by 11.47% year on year to RMB2,459 million. The annualized average return on total assets was 1.21%, which is the same as representing a year-on-year and the weighted average return on shareholders' equity was 18.05%, representing a year-on-year increase of 0.29 percentage point. The basic and diluted earnings per share recorded RMB0.26, representing a year-on-year increase of RMB0.02.

- Interest-bearing assets grew continuously and the net interest income increased steadily. Net interest income grew by 2.43% year-on-year to RMB5,109 million; annualized net interest margin decreased by 30 basis points year-on-year to 2.66%, with a quarter-over-quarter growth of 4 basis points.
- Net fee and commission business decreased by 7.91% year on year to RMB559 million, mainly due to the impact of the change from “business tax to value-added tax” with price and tax separated.
- Operating expenses decreased by RMB331 million or 15.40% year-on-year to RMB1,818 million; mainly because the Group strengthened the control of daily expenses and budget management, improving the management efficiency. The cost-to-income ratio increased by 0.56 percentage point year-on-year to 31.92%; and the loss on impairment of assets increased by RMB15 million or 2.66% year on year to RMB579 million.

In accordance with the “Regulation Governing Capital of Commercial Banks (Provisional)”, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group recorded at 9.92%, 9.93% and 12.72% respectively as at the end of the Reporting Period, representing an increase of 0.07, 0.07 and 0.02 percentage point respectively as compared to the end of the previous year.

In accordance with the “Regulation Governing Leverage Ratio of Commercial Banks (Revised)”, the leverage ratio of the Group was 6.52% as at the end of the Reporting Period, representing an increase of 0.11 percentage point as compared to the end of the previous year, which was due to the increase of growth in the net Tier 1 capital was larger than the increase of scale of assets in the current period, which resulted in the increase in leverage ratio.

(Expressed in RMB million, unless otherwise stated)

Item	March 2017	December 2016	September 2016	June 2016
Net Tier 1 capital	55,064.0	52,797.0	51,592.9	49,425.1
Balance of assets on and off balance sheet after adjustments	844,273.7	823,312.0	816,514.2	791,800.8
Leverage ratio	6.52%	6.41%	6.32%	6.24%

In accordance with the “Liquidity Risk Management of Commercial Banks (Provisional)”, the liquidity coverage ratio of the Group was 148.14% at the end of the Reporting Period, the qualified and quality current assets amounted to RMB43.101 billion, and the net cash outflow in the next 30 days will be RMB29.094 billion.

4. MAJOR ISSUES

4.1 Significant changes in major accounting items, financial indicators and the reasons thereof

Applicable Not applicable

Major consolidated accounting items and financial indicators which fluctuated over 30% compared with those for the same period of the previous year or as at the end of the previous year, and the reasons of their significant changes are as follows:

(Expressed in RMB million, unless otherwise stated)

	January to March 2017	January to March 2016	Change as compared with the same period of the previous year (%)	Main reason(s) of the change
Net gains from disposal of available-for-sale financial assets	-	27.4	-100.00	Primarily due to that the Group did not dispose relevant assets according to the prevailing market condition during the period.
Net gains from disposal of debt securities classified as receivables	0.006	8.9	-99.93	Primarily due to that the Group did not dispose substantial amount of debt securities classified as receivables according to the prevailing market condition during the period.
Non-controlling interests	30.9	12.8	141.41	Primarily due to the better operating efficiency of the subsidiaries of the Group.

	31 March 2017	31 December 2016	Percentage of change as compared with the end of the previous year (%)	Main reason(s) of the change
Deposit with banks and other financial institutions	45,724.6	34,582.8	32.22	Primarily due to the increase in the fixed deposits with higher income led by the structural adjustment of deposit with banks.
Financial assets designated at fair value through profit or loss	-	1,009.4	-100.00	Primarily due to the adjustment to the investment structure by the Group according to the prevailing market condition and holding purpose.
Financial assets held under resale agreements	1,250.0	3,699.9	-66.22	Primarily due to the adjustment to the investment structure upon the assets held under resale agreements expire, subject to target of assets and liabilities.
Deposits from banks and other financial institutions	51,555.9	104,282.5	-50.56	Primarily due to the decline in deposits with domestic banks.
Financial assets sold under repurchase agreements	4,448.1	8,965.5	-50.39	Primarily due to the adjustment to the liability structure according to the management aims of assets and liabilities.
Income tax payable	1,036.3	764.8	35.50	Primarily due to the provision of the corporate income tax.
Debt securities issued	93,808.3	58,487.0	60.39	Primarily due to the scale expansion of the issuance of interbank certificates of deposit to meet the needs of business development led by the Group's demand for deposit and loan.

4.2 Progress of major issues, related impacts and solutions

Applicable Not applicable

4.3 Fulfillment of undertakings by the Company, shareholders and de-facto controllers

Applicable Not applicable

4.4 Implementation of cash dividend policy during the Reporting Period

Applicable Not applicable

4.5 Warnings and explanations of any forecasted loss or significant change in accumulated net profit for the period from the beginning of the year to the end of the next reporting period as compared to the same period of the previous year

Applicable Not applicable

5. RELEASE OF QUARTERLY REPORT

The Quarterly Report prepared under IFRSs is available on both the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.cqrcb.com).

By order of the Board
Chongqing Rural Commercial Bank Co., Ltd.*
重慶農村商業銀行股份有限公司*
Xie Wenhui
Executive Director and President

Chongqing, the PRC, 27 April 2017

As at the date of this announcement, the executive directors of the Bank are Mr. Liu Jianzhong and Mr. Xie Wenhui; the non-executive directors of the Bank are Mr. He Zhiming, Mr. Sun Lida, Mr. Duan Xiaohua, Ms. Chen Xiaoyan and Mr. Wen Honghai; and the independent non-executive directors of the Bank are Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting and Mr. Cao Guohua.

APPENDIX: FINANCIAL STATEMENTS PREPARED UNDER IFRSs

CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	For the three months ended 31 March	
	2017 (Unaudited)	2016 (Unaudited)
Interest income	8,884,229	8,221,758
Interest expense	<u>(3,775,484)</u>	<u>(3,234,085)</u>
Net interest income	<u>5,108,745</u>	<u>4,987,673</u>
Fee and commission income	579,403	623,749
Fee and commission expense	<u>(20,598)</u>	<u>(17,149)</u>
Net fee and commission income	558,805	606,600
Net trading profit or losses	(19,935)	(19,405)
Other operating income, net	<u>26,663</u>	<u>33,052</u>
Operating income	5,674,278	5,607,920
Operating expenses	(1,818,042)	(2,149,288)
Impairment losses on financial assets	(578,676)	(563,471)
Net gains from disposal of available-for-sale financial assets	–	27,359
Net gains from disposal of debt securities classified as receivables	<u>6</u>	<u>8,903</u>
Profit before tax	3,277,566	2,931,423
Income tax expense	<u>(818,279)</u>	<u>(725,262)</u>
Profit for the period	<u>2,459,287</u>	<u>2,206,161</u>
Attributable to:		
Shareholders of the Bank	2,428,370	2,193,371
Non-controlling interests	<u>30,917</u>	<u>12,790</u>
	<u>2,459,287</u>	<u>2,206,161</u>
Earnings per share (Expressed in RMB per share)		
– Basic and Diluted	<u>0.26</u>	<u>0.24</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	For the three months ended 31 March	
	2017 (Unaudited)	2016 (Unaudited)
Profit for the period	<u>2,459,287</u>	<u>2,206,161</u>
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gains on defined benefit plans	-	-
Income tax relating to actuarial gains	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value (losses)/gains on available-for-sale financial assets		
– fair value (losses)/gains arising during the period	(10,911)	14,445
– amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	-	(27,359)
Income tax relating to available-for-sale financial assets	<u>2,728</u>	<u>3,229</u>
	<u>(8,183)</u>	<u>(9,685)</u>
Other comprehensive income for the period, net of tax	<u>(8,183)</u>	<u>(9,685)</u>
Total comprehensive income for the period	<u><u>2,451,104</u></u>	<u><u>2,196,476</u></u>
Total comprehensive income attributable to:		
Shareholders of the Bank	2,420,187	2,183,686
Non-controlling interests	<u>30,917</u>	<u>12,790</u>
Total comprehensive income for the period	<u><u>2,451,104</u></u>	<u><u>2,196,476</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	At 31 March 2017 (Unaudited)	At 31 December 2016 (Audited)
ASSETS		
Cash and deposits with central bank	94,716,625	85,835,992
Deposits with banks and other financial institutions	45,724,567	34,582,759
Placements with banks and other financial institutions	104,777,334	112,571,397
Financial assets held for trading	3,187,999	3,511,939
Financial assets designated at fair value through profit or loss	–	1,009,400
Derivative financial assets	55,024	52,261
Financial assets held under resale agreements	1,249,982	3,699,871
Loans and advances to customers	299,642,228	288,116,411
Available-for-sale financial assets	96,218,098	90,141,757
Held-to-maturity investments	68,888,694	67,842,199
Debt securities classified as receivables	95,475,191	101,151,277
Property and equipment	5,118,571	5,198,481
Deferred tax assets	2,765,331	2,781,708
Goodwill	440,129	440,129
Other assets	6,174,596	6,222,151
Total assets	824,434,369	803,157,732
LIABILITIES		
Borrowings from central bank	30,469,895	24,954,500
Deposits from banks and other financial institutions	51,555,865	104,282,525
Placements from banks	18,298,811	20,755,494
Derivative financial liabilities	53,120	52,211
Financial assets sold under repurchase agreements	4,448,050	8,965,463
Deposits from customers	556,667,676	518,185,883
Accrued staff costs	4,168,131	4,682,378
Income tax payable	1,036,282	764,802
Debt securities issued	93,808,345	58,487,030
Other liabilities	7,329,673	7,837,609
Total liabilities	767,835,848	748,967,895

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	At 31 March 2017 (Unaudited)	At 31 December 2016 (Audited)
EQUITY		
Share capital	9,300,000	9,300,000
Capital reserve	9,201,534	9,201,954
Investment revaluation reserve	45,036	53,219
Actuarial changes reserve	(313,434)	(313,434)
Surplus reserve	8,580,210	8,580,210
General reserve	9,473,893	9,473,893
Retained earnings	18,725,748	16,297,378
Equity attributable to Shareholders of the Bank	55,012,987	52,593,220
Non-controlling interests	1,585,534	1,596,617
Total equity	56,598,521	54,189,837
Total equity and liabilities	824,434,369	803,157,732

The consolidated financial statements on pages 12 to 17 were approved and authorised for issue by the Board on 27 April 2017 and are signed on its behalf by:

LIU JIANZHONG*CHAIRMAN*

XIE WENHUI*EXECUTIVE DIRECTOR AND PRESIDENT*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	For the three months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
Operating activities		
Profit before tax	3,277,566	2,931,423
Adjustments for:		
Depreciation and amortisation	174,078	173,086
Impairment losses	578,676	563,471
Interest income arising from debt securities	(3,124,914)	(2,502,688)
Interest income arising from impaired financial assets	(15,764)	(17,902)
Interest expense arising from debt securities issued	698,345	248,866
Net gains on disposal of investment securities	(6)	(36,263)
Net (gains)/losses on disposal of property and equipment	(1,801)	202
Net losses/(gains) on financial assets held for trading	19,454	(12,115)
Exchange gains	(2,134)	(2,603)
	<u>1,603,500</u>	<u>1,345,477</u>
Operating cash flows before movements in working capital		
Increase in balances with central bank, deposits with banks and other financial institutions	(17,548,590)	(15,121,322)
Increase in placements with banks and other financial institutions	(807,569)	(2,123,160)
Decrease in financial assets held under resale agreements	2,549,864	4,265,543
Decrease/(Increase) in financial assets held for trading	302,633	(20,939)
Decrease in financial assets designated at fair value through profit or loss	1,009,400	1,900,300
Increase in loans and advances to customers	(11,915,163)	(16,549,771)
Decrease in financial assets sold under repurchase agreements	(4,517,413)	(30,740,232)
(Decrease)/Increase in deposits from customers, deposits from banks and other financial institutions	(14,244,867)	33,198,832
Increase in borrowings from central bank	5,515,395	10,380,140
(Decrease)/Increase in placements from banks and other financial institutions	(2,456,683)	1,317,745
Decrease in other operating assets	159,130	194,940
Decrease in other operating liabilities	(1,226,840)	(1,742,262)
	<u>(41,577,203)</u>	<u>(13,694,709)</u>
Cash used in operating activities		
Income tax paid	(527,693)	(525,556)
	<u>(42,104,896)</u>	<u>(14,220,265)</u>
Net cash used in operating activities		

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the three months ended 31 March 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	For the three months ended 31 March	
	2017 (Unaudited)	2016 (Unaudited)
Investing activities		
Cash received from disposal and redemption of investment securities	83,416,221	46,167,252
Cash received from disposal of property and equipment and other assets	14,162	16,985
Interest income received from investment securities	3,151,597	2,399,241
Cash paid for purchase of property and equipment and other assets	(92,046)	(238,373)
Cash paid for purchase of investment securities	(85,107,102)	(57,688,690)
Cash paid for acquisition of additional interest in subsidiaries	(42,420)	—
Net cash from/(used in) investing activities	<u>1,340,412</u>	<u>(9,343,585)</u>
Financing activities		
Cash received from issuance of debt securities	68,890,720	20,141,621
Capital contribution by non-controlling interest shareholder	—	20,000
Cash paid for redemption of bonds issued	(34,150,000)	(26,600,000)
Dividends paid to shareholders of the Bank	(962)	(2,087)
Cash paid for interest on debt securities issued	—	(79,750)
Net cash from/(used in) financing activities	<u>34,739,758</u>	<u>(6,520,216)</u>
Net decreased in cash and cash equivalents	(6,024,726)	(30,084,066)
Cash and cash equivalents as at 1 January	69,664,471	83,209,705
Effect of foreign exchange rate changes	(3,081)	(8,690)
Cash and cash equivalents as at 31 March	<u>63,636,664</u>	<u>53,116,949</u>
	For the three months ended 31 March	
	2017 (Unaudited)	2016 (Unaudited)
Net cash from/(used in) operating activities include:		
Interest received	5,829,897	5,934,809
Interest paid	(4,205,728)	(4,092,797)
Net interest received from operating activities	<u>1,624,169</u>	<u>1,842,012</u>