

2017

INTERIM REPORT



重庆农村商业银行

CHONGQING RURAL COMMERCIAL BANK

CHONGQING RURAL COMMERCIAL BANK

Stock Code: 3618

* *The Bank holds a financial license 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 license 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 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.*

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Financial Summary

The financial information of the Group set forth in this interim report is prepared on a consolidated basis in accordance with IFRSs and expressed in Renminbi unless otherwise stated.

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Change in amount	Rate of change (%)
Operating results				
Net interest income	10,270.9	9,786.8	484.1	4.95
Net fee and commission income	1,155.2	1,178.1	(22.9)	(1.94)
Operating income	11,445.0	10,997.9	447.1	4.07
Profit before tax	6,145.3	5,658.4	486.9	8.60
Net profit	4,634.1	4,206.0	428.1	10.18
Net profit attributable to equity holders of the Bank	4,594.1	4,175.3	418.8	10.03
Basic earnings per share (Expressed in RMB per share)	0.49	0.45	0.04	8.89

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017	As at 31 December 2016	Change in amount	Rate of change (%)
Scale indicators				
Total assets	855,426.3	803,157.7	52,268.6	6.51
Among which: loans and advances to customers, net	310,395.7	288,116.4	22,279.3	7.73
Total liabilities	798,282.5	748,967.9	49,314.6	6.58
Among which: deposits from customer	569,676.7	518,185.9	51,490.8	9.94
Equity attributable to equity holders of the Bank	55,557.2	52,593.2	2,964.0	5.64
Non-controlling interests	1,586.6	1,596.6	(10.0)	(0.63)
Total equity	57,143.8	54,189.8	2,954.0	5.45

Financial Summary

(Expressed in percentage)	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Change
Profitability indicators			
Annualised return on average assets ⁽¹⁾	1.12	1.13	(0.01)
Annualised weighted average return on shareholders' equity ⁽²⁾	16.31	16.55	(0.24)
Net interest spread ⁽³⁾	2.42	2.70	(0.28)
Net interest margin ⁽⁴⁾	2.59	2.85	(0.26)
Net fee and commission income to operating income	10.09	10.71	(0.62)
Cost-to-income ratio ⁽⁵⁾	31.58	32.63	(1.05)

(Expressed in percentage)	As at 30 June 2017	As at 31 December 2016	Change
Assets quality indicators ⁽⁶⁾			
Non-performing loan ratio	0.97	0.96	0.01
Allowance to non-performing loans	425.14	428.37	(3.23)
Allowance to total loans	4.12	4.10	0.02
Capital adequacy indicators			
Core Tier 1 capital adequacy ratio ⁽⁷⁾	9.66	9.85	(0.19)
Tier 1 capital adequacy ratio ⁽⁷⁾	9.68	9.86	(0.18)
Capital adequacy ratio ⁽⁷⁾	12.41	12.70	(0.29)
Total equity to total assets	6.68	6.75	(0.07)

(Expressed in percentage)	As at 30 June 2017	As at 31 December 2016	Change
Other indicators			
Loan-to-deposit ratio ⁽⁶⁾	56.83	57.98	(1.15)

Financial Summary

Notes:

- (1) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the period.
- (2) Weighted average return on shareholders' equity is 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.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing total operating expenses (excluding taxes and surcharges) by operating income.
- (6) Non-performing loan ratio, allowances to non-performing loans, allowances to total loans and loan-to-deposit ratio were calculated on basis of the contractual amount of loans.
- (7) Calculated in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" promulgated by CBRC.

BASIS OF PREPARATION OF CERTAIN FINANCIAL INDICATORS

Under the IFRSs, the restructuring of the Bank was accounted for as an acquisition of the business from the 39 Rural Credit Unions and Chongqing Rural Credit Cooperative Union (the "CRCU") by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and the Bank before and after the restructuring.

Unless otherwise stated, the Group's financial data is expressed in RMB.

Company Information

BASIC INFORMATION OF THE COMPANY

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司（簡稱「重慶農村商業銀行」）
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as Chongqing Rural Commercial Bank)
Legal representative	LIU Jianzhong
Authorised Representatives	LIU Jianzhong XIE Wenhui
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
Company's website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Listing stock exchange, stock name and stock code	The Stock Exchange of Hong Kong Limited Stock name: CQRC Bank Stock code: 3618
Date of first incorporation and registration authority	27 June 2008 Administration for Industry and Commerce of Chongqing, the PRC
Unified social credit code of corporate legal person business license	91500000676129728J
Financial license institution number	The Bank holds a financial license number B0335H250000001 approved by CBRC
Auditors	PricewaterhouseCoopers Certified Public Accountants 22/F, Prince's Building, Central, Hong Kong

Company Information

	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC
Legal advisor as to PRC laws	Zhonghao Law Group (Chongqing) Firm 22/F, Metropolitan Tower 68 Zourong Road, Yuzhong District, Chongqing
Legal advisor as to Hong Kong laws	Clifford Chance 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Domestic Share Registrar	China Securities Depository and Clearing Co., Ltd. 17 Taipingqiao Avenue, Xicheng District, Beijing, the PRC

Management Discussion and Analysis

FINANCIAL REVIEW

In the first half of 2017, the Party's Central Committee and the State Council insisted on the overall keynote of progressing while maintaining stability, placed emphasis on leading the new normal of economic development with a new development philosophy, stuck to the main line of promoting the supply-side structural reform, with quality improvement as the main focus, deepened reform and innovation and ensured policy implementation. It was obvious that the economy has achieved steady and positive development with, stable growth, improvement in labour market, stabilized price, increasing income and optimized structure. Economic development is becoming more stable, coordinated and sustainable. Gross domestic product (GDP) amounted to RMB38,149.0 billion, representing an increase of 6.9% year-on-year. Enterprises operating at economies of scale and above throughout the country increased by 6.9% year-on-year, representing an increase of 0.1 percentage point as compared with the growth rate of the first quarter. Fixed assets investment reached RMB28,060.5 billion, an increase of 8.6% year-on-year, representing a decrease of 0.6 percentage points as compared with the growth rate of the first quarter. The balance of broad money (M2) reached RMB163.13 trillion, representing an increase of 9.4% compared with that of last year; the balance of narrow money (M1) reached RMB51.02 trillion, increased by 15% compared with that of last year. As at the end of June in 2017, the balance of RMB-denominated loans amounted to RMB114.57 trillion. Newly increased RMB-denominated loans amounted to RMB7.97 trillion, representing a year-on-year increase of RMB436.2 billion. The balance of RMB deposits amounted to RMB159.66 trillion. Newly increased RMB-denominated deposits amounted to RMB9.07 trillion, representing a year-on-year decrease in growth of RMB1.46 trillion.

In the first half of 2017, Chongqing City actively implemented the decisions and arrangements of the central government, insisted on the overall keynote of progressing while maintaining stability, coordinated and facilitated the overall arrangement of "Five-in-one" as well as the strategic arrangement of "Four comprehensives", continued to promote supply-side structural reform, focused on stable growth, structural adjustment and livelihood improvement. The economic performance of Chongqing maintained positive momentum of growth with steady progress. In the first half of 2017, the gross regional product (GRP) of Chongqing reached RMB914.364 billion, representing an increase of 10.5% year-on-year. Enterprises operating at economies of scale and above increased by 10.4%. Fixed assets investment reached RMB692.279 billion, representing an increase of 12.3% year-on-year. The operation of the financial sector was stable in general. As at the end of June in 2017, the balance of RMB-denominated deposits in the financial institutions of Chongqing amounted to RMB3,299.251 billion, representing an increase of 5.3% year on year; the balance of RMB-denominated loans amounted to RMB2,671.939 billion, representing an increase of 11.3% year-on year.

I. INCOME STATEMENT ANALYSIS

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June		Change in amount	Rate of change (%)
	2017	2016		
Net interest income	10,270.9	9,786.8	484.1	4.95
Net fee and commission income	1,155.2	1,178.1	(22.9)	(1.94)
Net trading gain or loss	23.2	(32.8)	56.0	(170.73)
Other operating gain or loss, net	(4.3)	65.8	(70.1)	(106.53)
Operating income	11,445.0	10,997.9	447.1	4.07
Operating expenses	(3,686.8)	(4,140.1)	453.3	(10.95)
Impairment losses on assets	(1,613.0)	(1,300.4)	(312.6)	24.04
Net profit on disposal of available- for-sale financial assets	0.1	64.8	(64.7)	(99.85)
Net profit on disposal of investments of debt securities classified as receivables	—	36.2	(36.2)	(100.00)
Profit before tax	6,145.3	5,658.4	486.9	8.60
Income tax expense	(1,511.2)	(1,452.4)	(58.8)	4.05
Net profit	4,634.1	4,206.0	428.1	10.18

In the first half of 2017, the Group recorded a profit before tax of RMB6,145 million, representing an increase of 8.60% year-on-year and a net profit of RMB4,634 million, representing an increase of 10.18% year-on-year. Profit before tax and net profit achieved a steady growth, primarily due to the fact that (i) in response to the effect from liberalization of interest rate and the policy of replacing business tax with value-added tax, the Group improved its capabilities in liability and cost management and control by strengthening the active management of assets and liabilities and the management of interest rate pricing, and achieved steady growth in net interest income; (ii) the Group continuously optimized its cost control and enhanced its refined management of costs with its budgeting mechanism; and (iii) the Group continuously optimized the investment structure and allocation model by closely integrating with the trend of financial market, so as to improve the investment returns on the basis of ensuring liquidity and risk control.

(I) Net interest income

In the first half of 2017, the net interest income of the Group amounted to RMB10,271 million, representing an increase of RMB484 million or 4.95% as compared to the same period of previous year and accounting for 89.74% of the total operating income.

Management Discussion and Analysis

The following table sets forth, for the periods indicated, the interest income, interest expense and net interest income of the Group:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June		Change in amount	Rate of change (%)
	2017	2016		
Interest income	18,359.9	16,472.1	1,887.8	11.46
Interest expense	(8,089.0)	(6,685.3)	(1,403.7)	21.00
Net interest income	10,270.9	9,786.8	484.1	4.95

The table below sets forth, for the periods indicated, the average balances of our interest earning assets and interest-bearing liabilities, the related interest income or interest expense and the average yields (for assets) or average costs (for liabilities). The analysis below excludes the impact of capital-preserved type of customer-driven wealth management products and non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation on the interest income/expense and average balances:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	Average balance	Interest income/ expense	Annualised average yield/cost rate (%)	Average balance	Interest income/ expense	Annualised average yield/cost rate (%)
Assets						
Loans and advances to customers	311,296.2	8,040.2	5.17	280,605.5	7,747.0	5.52
Debt securities investments	260,112.0	6,324.7	4.86	211,184.8	5,314.3	5.03
Balances with central bank	83,173.5	652.0	1.57	74,575.7	580.7	1.56
Due from banks and other financial institutions	135,951.5	2,634.8	3.88	121,312.4	2,569.1	4.24
Total interest-earning assets ⁽¹⁾	790,533.2	17,651.7	4.47	687,678.4	16,211.1	4.71
Liabilities						
Deposits from customers	546,135.5	4,201.3	1.54	506,553.8	4,177.9	1.65
Borrowings from central bank	29,003.0	438.8	3.03	16,404.2	253.7	3.09
Due to banks and other financial institutions	65,631.7	1,100.3	3.35	81,746.7	1,388.6	3.40
Bonds payable	84,394.6	1,685.9	4.00	33,294.8	604.1	3.63
Total interest-bearing liabilities ⁽¹⁾	725,164.8	7,426.3	2.05	637,999.5	6,424.3	2.01
Net interest income		10,225.4			9,786.8	
Net interest spread			2.42			2.70
Net interest margin			2.59			2.85

Note:

(1) Excluded the impact of customer-driven wealth management products.

Management Discussion and Analysis

In the first half of 2017, the average yield rate on overall interest-earning assets decreased by 24 basis points from the same period in previous year to 4.47%. The average cost rate of the overall interest-bearing liabilities increased by 4 basis points from the same period in previous year to 2.05%. The net interest spread decreased 28 basis points from the same period in previous year to 2.42%, whereas the net interest margin dropped by 26 basis points from the same period in previous year to 2.59%.

The following table sets forth the changes in the Group's interest income and interest expense as compared to the same period of the previous year due to changes in volume and interest rate. Changes in volume are measured by the movement of the average balance, while changes in the interest rate are measured by the movement of the average interest rate:

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Change in interest income/ expense
Assets			
Loans and advances to customers	793.4	(500.2)	293.2
Debt securities investments	1,188.9	(178.5)	1,010.4
Balances with central bank	67.5	3.8	71.3
Due from banks and other financial institutions	284.0	(218.3)	65.7
Changes in interest income	<u>2,333.8</u>	<u>(893.2)</u>	<u>1,440.6</u>
Liabilities			
Deposits from customers	304.8	(281.4)	23.4
Due to central bank, banks and other financial institutions	(57.3)	(45.9)	(103.2)
Issuance of debt instruments	1,022.0	59.8	1,081.8
Changes in interest expense	<u>1,269.5</u>	<u>(267.5)</u>	<u>1,002.0</u>

There were an increase of RMB1,064 million of net interest income arising from changes in the average balance of various assets and liabilities, and a decrease of RMB626 million in net interest income attributable to the changes in the average yield or the average cost rate.

1. Interest income

In the first half of 2017, the interest income of the Group amounted to RMB18,360 million, representing an increase of RMB1,888 million or 11.46% as compared to the same period of the previous year. The analysis below does not take into account of the interest income generated from the capital-preserve type of customer-driven wealth management products and non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation.

(1) Interest Income from Loans and Advances to Customers

The average balance, interest income and annualised average yield for each component of loans and advances to customers of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans	200,562.7	4,926.8	4.91	175,864.0	4,822.9	5.48
Personal loans	98,397.7	2,898.2	5.89	96,463.4	2,794.6	5.79
Discounted bills	12,335.8	215.2	3.49	8,278.1	129.5	3.13
Total loans and advances to customers	311,296.2	8,040.2	5.17	280,605.5	7,747.0	5.52

Interest income from loans and advances to customers amounted to RMB8,040 million, representing a year-on-year increase of RMB293 million or 3.78%, primarily due to (i) increase in average balance of loans and advances to customers as compared with the previous year, resulting in an increase in interest income of RMB793 million; and (ii) reduction of the impact of interest rate marketization on the Bank as it enhanced the active management on interest rate through optimizing credit structure, resulting in a decrease in interest income by only RMB500 million.

(2) Interest Income from Debt Securities Investments

In the first half of 2017, the Group's interest income from debt securities investments increased by RMB1,010 million or 19.01% to RMB6,325 million as compared to the same period of the previous year, primarily owing to the optimization of investment structure based on market conditions, the year-on-year increase in average balance of debt securities investments.

(3) Interest Income from Balances with Central Bank

In the first half of 2017, the Group's interest income from balances with central bank increased by RMB71 million or 12.22% to RMB652 million as compared to the same period of the previous year, primarily owing to the increase in statutory deposit reserve ratio, resulting in a year-on-year increase in average balance of balances with central bank of 11.53%.

Management Discussion and Analysis

(4) Interest Income from Due from Banks and Other Financial Institutions

The average balance, interest income and annualized average yield for each component of due from banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Deposits and placements with banks and other financial institutions	123,736.9	2,449.0	3.96	105,552.5	2,189.7	4.15
Financial assets held under resale agreements	12,214.6	185.8	3.04	15,759.9	379.4	4.81
Total due from banks and other financial institutions	135,951.5	2,634.8	3.88	121,312.4	2,569.1	4.24

In the first half of 2017, the interest income from deposits and placements with banks and other financial institutions of the Group amounted to RMB2,449 million, representing an increase of RMB259 million, or 11.83% year-on-year, primarily due to the Group's enhanced active management of assets and liabilities under the background of more stable interest rate in prevailing market, which resulted in an increase in deposits and placements with banks and other financial institutions.

In the first half of 2017, the interest income from financial assets held under resale agreements of the Group amounted to RMB186 million, representing a decrease of RMB193 million, or 50.92%, over the same period of the previous year, primarily due to the flexible adjustment of assets and liabilities while adapting to market changes, resulting in a decrease in average balance of financial assets held under resale agreements.

2. *Interest expense*

In the first half of 2017, the Group's interest expense increased by RMB1,404 million or 21.00% to RMB8,089 million as compared to the same period of the previous year. The analysis below does not take into account of the interest expense generated from the capital-preserve type of customer-driven wealth management products and non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation.

(1) Interest Expense on Deposits from Customers

The average balance, interest expense and annualized average cost rate for each component of deposits from customers of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Corporate deposits						
Demand	112,063.5	386.7	0.69	109,882.3	347.1	0.63
Time	25,655.8	305.8	2.38	28,158.9	367.2	2.61
Subtotal	<u>137,719.3</u>	<u>692.5</u>	<u>1.01</u>	<u>138,041.2</u>	<u>714.3</u>	<u>1.03</u>
Personal deposits						
Demand	111,965.6	169.6	0.30	103,394.2	155.0	0.30
Time	296,450.6	3,339.2	2.25	265,118.4	3,308.6	2.50
Subtotal	<u>408,416.2</u>	<u>3,508.8</u>	<u>1.72</u>	<u>368,512.6</u>	<u>3,463.6</u>	<u>1.88</u>
Total deposits from customers	<u>546,135.5</u>	<u>4,201.3</u>	<u>1.54</u>	<u>506,553.8</u>	<u>4,177.9</u>	<u>1.65</u>

In the first half of 2017, interest expense on deposits from customers of the Group amounted to RMB4,201 million, representing an increase of RMB23 million, or 0.56% year-on-year, which was mainly due to the fact that the Group enhanced its management and control of cost of liability.

Management Discussion and Analysis

(2) Interest Expense on Due to Banks and Other Financial Institutions

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Deposits and placements from banks and other financial institutions	51,900.0	899.3	3.47	56,844.4	1,049.3	3.69
Financial assets sold under repurchase agreements	13,731.7	201.0	2.93	24,902.3	339.3	2.73
Total due to banks and other financial institutions	65,631.7	1,100.3	3.35	81,746.7	1,388.6	3.40

In the first half of 2017, the Group's interest expense on deposits and placements from banks amounted to RMB899 million, representing a decrease of RMB150 million, or 14.30% over the same period of previous year, which was primarily due to the decrease in value of interbank market capitalization.

In the first half of 2017, the interest expense on financial assets sold under repurchase agreements amounted to RMB201 million, representing a year-on-year decrease of RMB138 million, primarily due to the decrease in the average balance of financial assets sold under repurchase agreements when compared to the corresponding period of last year.

(3) Payable Interest Expense on Bonds

In the first half of 2017, the payable interest expense on bonds of the Group was RMB1,686 million, representing an increase of RMB1,082 million or 179.08% as compared to the same period of the previous year, primarily due to the average amount of the Group's issuance of interbank deposits by the Group increased year-on-year.

3. Net interest spread and net interest margin

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

In the first half of 2017, the net interest spread of the Group decreased by 28 basis points to 2.42% as compared to the same period of the previous year, the decrease of which reflected a higher decrease rate in the average yield rate of interest-earning assets over the same period of the previous year than that in the average cost rate of interest-bearing liabilities over the same period of the previous year. In the first half of 2017, the net interest margin of the Group was 2.59%, representing a decrease of 26 basis points from the same period of the previous year.

(II) Non-interest Income

1. Net fee and commission income

(Expressed in RMB million, unless otherwise stated)	For the six months ended		Change in amount	Rate of change (%)
	30 June			
	2017	2016		
Fee and commission income	1,202.5	1,220.6	(18.1)	(1.48)
Settlement and clearing fees	55.6	75.8	(20.2)	(26.65)
Bank card fees	163.0	211.7	(48.7)	(23.00)
Agency and fiduciary service fees	190.6	154.1	36.5	23.69
Wealth management fees	716.7	714.5	2.2	0.31
Others	76.6	64.5	12.1	18.76
Fee and commission expense	(47.3)	(42.5)	(4.8)	11.29
Net fee and commission income	1,155.2	1,178.1	(22.9)	(1.94)

In the first half of 2017, affected by the separation treatment of price and tax under the national policy of replacing business tax with value-add tax, the net fee and commission income of the Group amounted to RMB1,155 million, representing a decrease of RMB23 million, or 1.94%, over the same period of the previous year, and its proportion to operating income decreased by 62 percentage points over the same period of the previous year, to 10.09%.

Income from settlement and clearing fees amounted to RMB56 million, representing a decrease of RMB20 million, or 26.65%, over the same period of the previous year.

Income from bank card fees amounted to RMB163 million, representing a decrease of RMB49 million, or 23.00%, over the same period of the previous year.

Income from agency and fiduciary service fees amounted to RMB191 million, representing an increase of RMB37 million, or 23.69%, over the same period of the previous year, primarily attributable to a year-on-year increase in fees driven by the increase in size of agency funds business.

Income from wealth management fees amounted to RMB717 million, representing an increase of RMB2 million, or 0.31%.

Management Discussion and Analysis

2. Net trading gain or loss

Net trading gain or loss primarily comprises changes in the fair value of held-for-trading debt securities and derivatives and profit or loss arising from trading. In the first half of 2017, the Group's net trading gain amounted to RMB23 million, which was primarily attributable to the changes in the fair value of derivatives.

3. Other operating gain or loss, net

In the first half of 2017, other operating loss, net, amounted to RMB4 million, representing a decrease of RMB70 million, or 106.53%, over the same period of the previous year.

(III) Operating expenses

In the first half of 2017, the operating expenses of the Group decreased by RMB453 million, or 10.95% to RMB3,687 million as compared to the same period of the previous year.

(Expressed in RMB million, unless otherwise stated)	For the six months ended		Change in amount	Rate of change (%)
	30 June 2017	2016		
Staff costs	2,498.1	2,560.3	(62.2)	(2.43)
Taxes and surcharges	72.3	551.3	(479.0)	(86.89)
Depreciation and amortisation	371.4	333.0	38.4	11.53
Others	745.0	695.5	49.5	7.12
Total operating expenses	3,686.8	4,140.1	(453.3)	(10.95)

1. *Staff costs*

Staff costs are the largest component of operating expenses of the Group, accounting for 67.76% and 61.84% of its total operating expenses for the six months ended 30 June 2017 and for the six months ended 30 June 2016 respectively.

(Expressed in RMB million, unless otherwise stated)	For the six months ended		Change in amount	Rate of change (%)
	30 June			
	2017	2016		
Salaries, bonuses and allowances	1,804.9	1,636.3	168.6	10.30
Staff welfare, social insurance and housing funds	595.1	597.1	(2.0)	(0.33)
Others	98.1	326.9	(228.7)	(69.99)
Total staff costs	2,498.1	2,560.3	(62.2)	(2.43)

In the first half of 2017, staff costs of the Group amounted to RMB2,498 million, representing a decrease of RMB62 million, or 2.43%, over the same period of the previous year.

2. *Taxes and surcharges*

Taxes and surcharges mainly relate to revenue generated from lending (interest income), transfer of securities and gains arising from the provision of other financial products and services. In the first half of 2017, taxes and surcharges amounted to RMB72 million, representing a decrease of RMB479 million, or 86.89%, over the same period of the previous year, primarily attributable to the replacement of business tax by value-added tax.

3. *Depreciation and amortisation*

In the first half of 2017, depreciation and amortisation of the Group was RMB371 million, representing an increase of RMB38 million, or 11.53%, over the same period of the previous year, primarily due to greater investment in properties equipment in support of business development.

4. *Others*

For the six months ended 30 June 2017, other expenses increased by RMB49 million to RMB745 million, compared to RMB696 million for the same period of the previous year, primarily due to business expansion and the increase in premium of deposit insurance.

Management Discussion and Analysis

(IV) Impairment losses on assets

Impairment losses on assets consist primarily of provisions charged on loans and advances to customers and other assets. Provisions charged for impairment losses on assets were RMB1,613 million for the first half of 2017, representing an increase of RMB313 million or 24.04% over the same period of the previous year.

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended		Change in amount	Rate of change (%)
	30 June			
	2017	2016		
Loans and advances to customers	1,251.7	1,194.5	57.2	4.79
Other assets	361.3	105.9	255.4	241.17
Total provisions for impairment losses on assets	1,613.0	1,300.4	312.6	24.04

In the first half of 2017, provisions for impairment losses on loans and advances to customers were RMB1,252 million, representing an increase of RMB57 million over the same period of the previous year, primarily due to an increase in the scale of Group's loan. In the first half of 2017, provisions for impairment on other assets were RMB361 million, representing an increase of RMB255 million over the same period of the previous year.

(V) Income tax expense

In the first half of 2017, income tax expense amounted to RMB1,511 million, representing an increase of RMB59 million over the same period of the previous year. The effective income tax rate was 24.59%.

II. ANALYSIS ON STATEMENT OF FINANCIAL POSITION

(I) Assets

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	% of Total (%)	Amount	% of Total (%)
Total loans and advances to customers	323,730.1	37.84	300,421.4	37.40
Allowances for impairment losses on loans and advances to customers	(13,334.4)	(1.55)	(12,305.0)	(1.53)
Loans and advances to customers, net	310,395.7	36.29	288,116.4	35.87
Investment securities ⁽¹⁾	288,295.2	33.70	259,135.3	32.26
Cash and balances with the central bank	101,026.8	11.81	85,836.0	10.69
Deposits with banks and other financial institutions	41,892.2	4.90	34,582.8	4.31
Placements with banks and other financial institutions	94,705.2	11.07	112,571.4	14.02
Financial assets held under resale agreements	3,205.8	0.37	3,699.9	0.46
Financial assets held for trading	925.6	0.11	3,511.9	0.44
Financial assets designated as at fair value through profit or loss	–	–	1,009.4	0.13
Goodwill	440.1	0.05	440.1	0.05
Other assets ⁽²⁾	14,539.7	1.70	14,254.5	1.77
Total assets	855,426.3	100.00	803,157.7	100.00

Note:

- (1) Investment securities consist of available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.
- (2) Other assets consist of property and equipment, deferred tax assets and other assets.

Management Discussion and Analysis

As at 30 June 2017, the Group's total assets amounted to RMB855,426 million, representing an increase of RMB52,269 million, or 6.51%, as compared to the end of the previous year. Among which:

The gross amount of loans and advances to customers increased by RMB23,309 million, or 7.76%, as compared to the end of the previous year. This was primarily due to the fact that the Group further optimised the credit structure, reasonably allocated credit resources, focused on supporting the strategic new industries and industries with traditional advantages which have good prospects for development and are advocated by the government, continuing to increase the support to small and micro enterprises, and Sannong business, rooted in the financial business in towns and rigorously developing the retail loan business.

Investment securities increased by RMB29,160 million, or 11.25%, as compared to the end of the previous year, primarily due to the increase in debt securities classified as available-for-sale debt securities caused by the reasonable adjustment of investment structure based on risks and benefits;

Cash and balances with central bank increased by RMB15,191 million, or 17.70%, as compared to the end of the previous year, primarily because of the growth in reserve deposits with central bank following the increase in deposits from customers;

The total amount of deposits with banks and other financial institutions and placements with banks and other financial institutions decreased by RMB10,557 million, or 7.17%, as compared to the end of the previous year primarily due to the decrease in deposits with banks and other financial institutions as compared to the beginning of the year;

Financial assets held under resale agreements decreased by RMB494 million, or 13.35%, as compared to the end of the previous year. This was mainly due to the decrease in trust income right investment business.

1. *Loans and advances to customers*

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate loans	208,735.2	64.48	189,912.3	63.22
Short-term loans ⁽¹⁾	84,583.1	26.13	76,785.7	25.56
Medium-and long-term loans ⁽²⁾	124,152.1	38.35	113,126.6	37.66
Personal loans	102,336.5	31.61	98,181.6	32.68
Residential mortgage and personal commercial property loans ⁽³⁾	45,834.7	14.16	43,614.6	14.52
Personal business and re-employment loans ⁽⁴⁾	34,844.7	10.76	35,054.0	11.67
Others ⁽⁵⁾	21,657.1	6.69	19,513.0	6.49
Discounted bills	12,658.4	3.91	12,327.5	4.10
Total loans and advances to customers	323,730.1	100.00	300,421.4	100.00

Notes:

- (1) Short-term loans primarily consist of loans with contractual maturities of one year or less.
- (2) Medium and long-term loans primarily consist of loans with contractual maturities over one year.
- (3) Residential mortgage and personal commercial property loans primarily consist of personal mortgage loans, second mortgage loans, renovation loans and loans to personal customers to acquire property for small business purposes, such as store premises.
- (4) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans and employment and re-employment related small amount loans.
- (5) Other loans mainly include personal commercial property mortgage loans, personal residential maximum mortgage loans, credit card loans, personal car loans, loans for personal durables, personal education loans, rural cross-guaranteed loans and credit loans.

As at 30 June 2017, the amount of gross loans and advances to customers of the Group increased by RMB23,309 million, or 7.76%, to RMB323,730 million as compared to the end of the previous year.

Management Discussion and Analysis

Corporate loans (excluding discounted bills) increased by RMB18,823 million, or 9.91%, to RMB208,735 million as compared to the end of the previous year. During the period, on the basis of complying with the national industrial policy, the Group actively adjusted the credit structure, and focused on real economic development, mainly extending to industries such as manufacturing, water conservation, environmental and public utility management, wholesale and retail, which were increased by RMB8,245 million, RMB4,594 million and RMB2,268 million, respectively, as at 30 June 2017 as compared to the end of the previous year.

Personal loans increased by RMB4,155 million, or 4.23%, to RMB102,337 million as compared to the end of the previous year. This is due to the fact that the Group focused on meeting the credit needs of consumer spending, devoted efforts in supporting personal business and employment and greatly promoted housing mortgage, automobile mortgage, credit card, travel, education and other value-added services, by following the principle of prudent operations and adapting to the changing market condition.

Discounted bills increased by RMB331 million, or 2.68%, to RMB12,658 million as compared to the end of the previous year, largely due to the satisfaction of short-term financing needs of real economy on the basis that the asset and liability management objectives could be satisfied.

Distribution of Loans and Advances by Type of Collateral

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Credit loans	35,078.7	10.84	29,521.7	9.83
Guaranteed loans	93,432.0	28.86	77,858.0	25.92
Collateralised loans	152,763.5	47.18	156,242.7	52.00
Pledged loans	42,455.9	13.12	36,799.0	12.25
Total loans and advances to customers	323,730.1	100.00	300,421.4	100.00

Allowances for Impairment Losses on Loans and Advances to Customers

The following table sets forth, for the dates indicated, the impairment losses on loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	Allowance for impairment losses on loans and advances which is collectively assessed ⁽¹⁾	Impaired loans and advances identified ⁽²⁾		Total
		For which allowance is collectively assessed	For which allowance is individually assessed	
As at 1 January 2017	10,346.0	1,190.9	768.1	12,305.0
Provision for the period	4,016.2	284.1	278.3	4,578.6
Release for the period	(3,005.1)	(263.3)	(58.5)	(3,326.9)
Written-off	–	(207.0)	(89.0)	(296.0)
Recovery of loans and advances previously written off	(0.1)	84.2	21.1	105.2
Unwinding of discount on allowance	–	(10.9)	(20.6)	(31.5)
The balance as at 30 June 2017	<u>11,357.0</u>	<u>1,078.0</u>	<u>899.4</u>	<u>13,334.4</u>

Management Discussion and Analysis

Notes:

- (1) Loans and advances to customers for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.
- (2) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

In the first half of 2017, the Group always adhered to sound and prudent business principles, complied strictly with the relevant requirements of accounting standards, gave full consideration to changes in the external economic situation and the macro-control policies, and fully provided for impairment of loans and advances. As at 30 June 2017, balance of allowances for impairment losses on loans and advances to customers increased by RMB1,029 million to RMB13,334 million over the end of the previous year. The allowance for non-performing loans coverage was 425.14%, representing a decrease of 3.23 percentage points as compared to the end of the previous year.

2. Investments

The following table sets forth, for the dates indicated, the composition of investments of the Group:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets held for trading	925.6	0.32	3,511.9	1.33
Financial assets designated as at fair value through profit or loss	–	–	1,009.4	0.38
Available-for-sale financial assets	147,826.4	51.12	90,141.8	34.19
Held-to-maturity investments	68,961.5	23.84	67,842.2	25.74
Debt securities classified as receivables	71,507.3	24.72	101,151.3	38.36
Total investment	289,220.8	100.00	263,656.6	100.00

As at 30 June 2017, total investments increased by RMB25,564 million, or 9.70%, to RMB289,221 million as compared to the end of the previous year, which was mainly attributable to the Group's constant optimization of investment structure and configuration pattern combined with asset and liability management objectives as the Group constantly maintained its liquidity requirements and risk controllability, so as to achieve flexible allocation of assets while maximizing the operating revenue.

Management Discussion and Analysis

Debt securities investments

The following table sets forth, for the dates indicated, the composition of debt securities investments of the Group:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Government bonds Public sector, and quasi-government bonds	26,003.8	8.99	19,869.8	7.54
Financial institution bonds	21,632.2	7.48	24,015.4	9.11
Corporate bonds	8,861.4	3.07	10,847.0	4.12
Debt instruments issued by financial institutions	45,454.4	15.73	45,520.0	17.28
Interbank deposit	183,946.4	63.64	160,991.3	61.10
	3,150.6	1.09	2,236.9	0.85
Total	289,048.8	100.00	263,480.4	100.00

(II) Liabilities

The following table sets forth, for the dates indicated, the composition of total liabilities of the Group:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits from customers	569,676.7	71.36	518,185.9	69.19
Deposits and placements from banks and borrowings from the central bank	107,849.3	13.51	149,992.5	20.03
Financial assets sold under repurchase agreements	11,322.1	1.42	8,965.5	1.20
Debt securities issued	96,519.6	12.09	58,487.0	7.81
Other liabilities ⁽¹⁾	12,914.8	1.62	13,337.0	1.77
Total liabilities	798,282.5	100.00	748,967.9	100.00

Note:

(1) Other liabilities consist of accrued staff costs, taxes payable, interest payable and other payables.

Management Discussion and Analysis

As at 30 June 2017, the total liabilities increased by RMB49,315 million, or 6.58%, to RMB798,283 million as compared to the end of the previous year. The deposits from customers were the Group's largest source of capital, which grew by RMB51,491 million or 9.94% as compared to the end of the previous year.

1. Deposits from customers

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate deposits	143,402.4	25.17	128,854.1	24.87
Demand deposits	119,927.0	21.05	110,898.2	21.40
Time deposits	23,475.4	4.12	17,955.9	3.47
Personal deposits	416,758.3	73.16	380,985.5	73.52
Demand deposits	107,761.7	18.92	106,221.8	20.50
Time deposits	308,996.6	54.24	274,763.7	53.02
Pledged deposits	9,409.5	1.65	8,232.3	1.59
Other deposits	106.5	0.02	114.0	0.02
Total deposits from customers	569,676.7	100.00	518,185.9	100.00

As at 30 June 2017, the deposits from customers increased by RMB51,491 million, or 9.94%, to RMB569,677 million as compared to the end of the previous year. The percentage of personal deposits accounted for 73.16% with respect to the customer structures of the Group, and the balance of deposits increased by RMB35,773 million or 9.39% as compared to the end of the previous year. The percentage of corporate deposits (exclude the pledged deposits) accounted for 25.17%, and the balance of deposits increased by RMB14,548 million or 11.29% as compared to the end of the previous year. With respect to the maturity structure, demand deposits accounted for 39.97% of total deposits from customers, representing a decrease of 1.93 percentage points from the end of previous year, while the time deposits accounted for 58.36%, representing an increase of 1.87 percentage points over the end of the previous year.

(III) Shareholders' Equity

The following table sets forth, for the dates indicated, the composition of shareholders' equity of the Group:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	9,300.0	16.27	9,300.0	17.16
Capital reserve	9,203.5	16.11	9,202.0	16.98
Investment revaluation reserve	164.4	0.29	53.2	0.10
Actuarial changes reserve	(196.2)	(0.34)	(313.4)	(0.58)
Surplus reserve	8,580.2	15.02	8,580.2	15.83
General reserve	10,726.3	18.77	9,473.9	17.48
Retained earnings	17,779.0	31.10	16,297.3	30.08
Equity attributable to equity holders of the Bank	55,557.2	97.22	52,593.2	97.05
Non-controlling interests	1,586.6	2.78	1,596.6	2.95
Total equity	57,143.8	100.00	54,189.8	100.00

As at 30 June 2017, paid-in capital recorded RMB9,300 million and capital reserve reached RMB9,204 million. General reserve increased by RMB1,252 million as compared to the end of the previous year, as the general reserve was required to be not less than an additional reserve of 1.50% of balance of risk assets at the end of the previous year. Retained earnings increased by RMB1,482 million as compared to the end of the previous year, mainly due to profit growth in the first half of 2017, as well as deducting the dividends for the previous year which should be allocated and increasing provision for general risks.

III. LOAN QUALITY ANALYSIS

(I) Breakdown of Loans by the Five-Category Classification

The following table sets forth, as at the dates indicated, 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.

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	% of Total (%)	Amount	% of Total (%)
Normal	311,585.7	96.25	289,426.1	96.34
Special mention	9,007.9	2.78	8,122.8	2.70
Substandard	1,804.0	0.56	1,464.9	0.49
Doubtful	1,284.4	0.40	1,407.6	0.47
Loss	48.1	0.01	–	–
Total loans and advances to customers	<u>323,730.1</u>	<u>100.00</u>	<u>300,421.4</u>	<u>100.00</u>
Amount of non-performing loans	3,136.5		2,872.5	
Non-performing loan ratio (%)	<u>0.97</u>		<u>0.96</u>	

In the first half of 2017, subject to the increasingly complicated economic and financial circumstances in China and overseas, the Group upheld our baseline of thinking (底線思維) and further promoted reform on the credit structure. Investigations on credit asset risks were expanded. Early warning, tracking and post-loan management were strengthened. The application of internal rating of non-retailing sector in management of quotas for credit access and press testing were implemented. Proactive actions were taken to prevent and resolve the risks in advance. Greater efforts were devoted to collect, dispose of and write off non-performing assets. The quality of the Bank's credit assets was stable with risks under control. As at 30 June 2017, the balance of non-performing loans increased by RMB264 million from the end of the previous year to RMB3,137 million; while the non-performing loan ratio was 0.97% which was 0.01 percentage points higher than that of the end of the previous year. The portion of special mention loans accounted for 2.78%, representing an increase of 0.08 percentage points as compared to the end of the previous year.

(II) Concentration of Loans

1. Concentration by Industry and Distribution of Non-performing Loans

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017				As at 31 December 2016			
	Loan amount	Percentage of total (%)	Nonperforming loan amount	Nonperforming loan ratio (%)	Loan amount	Percentage of total (%)	Nonperforming loan amount	Nonperforming loan ratio (%)
Corporate loans	208,735.2	64.48	1,704.8	0.82	189,912.3	63.22	1,482.7	0.78
Manufacturing	63,816.9	19.71	813.7	1.28	55,572.1	18.50	719.1	1.29
Production and supply of electricity, gas and water	12,180.9	3.76	0.6	-	11,679.6	3.89	0.9	0.01
Real estate	11,940.9	3.69	13.9	0.12	14,132.8	4.70	13.9	0.10
Leasing and commercial service	15,815.7	4.89	44.0	0.28	13,675.8	4.55	19.5	0.14
Water conservation, environment and public utilities management	45,704.1	14.12	-	-	41,109.9	13.68	-	-
Construction	7,447.2	2.30	77.3	1.04	6,400.5	2.13	36.3	0.57
Retail and wholesale	22,971.0	7.10	531.6	2.31	20,703.3	6.89	474.7	2.29
Others	28,858.5	8.91	223.7	0.78	26,638.3	8.88	218.3	0.82
Personal loans	102,336.5	31.61	1,431.7	1.40	98,181.6	32.68	1,389.8	1.42
Discounted bills	12,658.4	3.91	-	-	12,327.5	4.10	-	-
Total	323,730.1	100.00	3,136.5	0.97	300,421.4	100.00	2,872.5	0.96

In the first half of 2017, faced with the complex and ever-changing external economic conditions, the Group continued to optimise industry investment guidance, strictly controlled credit lending and exit criteria and further refined the management of industry quotas. With stringent execution of relevant PRC control policies, the amount of loan balances and percentage of the real estate industry reduced as compared to the beginning of this year and non-performing amount remained stable.

Management Discussion and Analysis

2. Concentration of Borrowers

In the first half of 2017, the Group's total loans to its largest single borrower accounted for 7.24% of its net capital while the total loans to its top ten clients accounted for 34.78% of its net capital; both of which were in compliance with regulatory requirements. As at 30 June 2017, the Group's loans to top ten largest single borrowers were not non-performing loans

(1) Indicators of concentration

Major Regulatory Indicators	Regulatory standard	As at 30 June 2017	As at 31 December 2016	As at 31 December 2015
Loan ratio for the largest single borrower (%)	≤10%	7.24	6.11	6.21
Loan ratio for the single group borrower (%)	≤15%	8.98	6.97	6.79

(2) Loans to top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	As at 30 June 2017	
		Amount	Percentage of the total amount of loans (%)
Borrower A	Manufacturing	5,160.0	1.59
Borrower B	Water conservation, environmental and public utility management	3,250.0	1.00
Borrower C	Water conservation, environmental and public utility management	3,067.8	0.95
Borrower D	Manufacturing	1,995.0	0.62
Borrower E	Real estate	1,978.0	0.61
Borrower F	Real estate	1,955.0	0.60
Borrower G	Water conservation, environmental and public utility management	1,917.0	0.59
Borrower H	Leasing and commercial service	1,911.0	0.59
Borrower I	Water conservation, environmental and public utility management	1,825.0	0.56
Borrower J	Manufacturing	1,745.8	0.54

(III) Distribution of Loans and Non-performing Loans by Product Type

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017			As at 31 December 2016		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	208,735.2	1,704.8	0.82	189,912.3	1,482.7	0.78
Short-term loans	84,583.1	1,259.4	1.49	76,785.7	1,110.2	1.45
Medium-and long-term loans	124,152.1	445.4	0.36	113,126.6	372.5	0.33
Personal Loans	102,336.5	1,431.7	1.40	98,181.6	1,389.8	1.42
Housing mortgages and personal loans for commercial real estate property	45,834.7	332.4	0.73	43,614.6	301.2	0.69
Personal business and re-employment loans	34,844.7	583.2	1.67	35,054.0	622.2	1.77
Other loans	21,657.1	516.1	2.38	19,513.0	466.4	2.39
Discounted bills business	12,658.4	-	-	12,327.5	-	-
Total	323,730.1	3,136.5	0.97	300,421.4	2,872.5	0.96

As at 30 June 2017 non-performing ratio of corporate loans increased by 0.04 percentage points to 0.82% as compared with the end of the previous year, whereas non-performing ratio of personal loans decreased by 0.02 percentage points to 1.40% as compared with the end of the previous year.

(IV) Rescheduled Loans and Advances to Customers

The following table sets forth, for the dates indicated, the Group's rescheduled loans and advances to customers:

Management Discussion and Analysis

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017 of the total amount of loans and advances		As at 31 December 2016 of the total amount of loans and advances	
	Amount	Percentage (%)	Amount	Percentage (%)
Rescheduled loans and advances to customers	<u>174.4</u>	<u>0.05</u>	<u>298.2</u>	<u>0.10</u>

(V) Overdue Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017 of the total amount of loans and advances		As at 31 December 2016 of the total amount of loans and advances	
	Amount	Percentage (%)	Amount	Percentage (%)
Past due within 3 months	5,757.3	1.78	1,862.0	0.62
Past due for 3 months to 1 year	1,846.8	0.57	1,338.4	0.45
Past due for over 1 year and within 3 years	1,730.5	0.53	1,273.7	0.42
Past due for more than 3 years	<u>118.3</u>	<u>0.04</u>	<u>118.1</u>	<u>0.04</u>
Total overdue loans and advances to customers	<u>9,452.9</u>	<u>2.92</u>	<u>4,592.2</u>	<u>1.53</u>

As at 30 June 2017, the total overdue loans amounted to RMB9,453 million, representing an increase of RMB4,861 million from the end of the previous year. Overdue loans accounted for 2.92%, representing an increase of 1.39 percentage points from the end of the previous year.

IV. ANALYSIS OF CAPITAL ADEQUACY RATIO

Since 1 January 2013, the Group has commenced the implementation of Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the CBRC. The following table sets forth, for the date indicated, the relevant information of the Group's capital adequacy ratio, among which, the credit risk was measured at weight method, the market risk was measured at standard method and the operational risk was measured at basic indicator approach.

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017	As at 31 December 2016
Core tier 1 capital adequacy ratio (%)	<u>9.66</u>	9.85
Tier 1 capital adequacy ratio (%)	<u>9.68</u>	9.86
Capital adequacy ratio (%)	<u>12.41</u>	12.70
Components of capital base		
Core tier 1 capital:		
Portion of paid-in capital that may be included	9,300.0	9,300.0
Portion of capital reserve that may be included	9,171.6	8,941.7
Surplus reserve and general risk reserve	19,306.6	18,054.1
Unappropriated profit	17,779.0	16,297.4
Non-controlling interests	<u>502.3</u>	<u>667.6</u>
Total core tier 1 capital	<u>56,059.5</u>	53,260.8
Deductible items:		
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	<u>(69.0)</u>	<u>(70.6)</u>
Core tier 1 capital, net	<u>55,550.4</u>	52,750.1
Other tier 1 capital:		
Non-controlling interests	<u>67.0</u>	<u>46.9</u>
Net tier 1 capital	<u>55,617.4</u>	52,797.0
Tier 2 capital:		
Tier 2 capital instruments and related premium that may be included	9,000.0	9,000.0
Excessive loan allowances	6,569.0	6,098.6
Non-controlling interests	<u>130.6</u>	<u>95.9</u>
Net capital	<u>71,317.0</u>	67,991.5

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(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017	As at 31 December 2016
Total risk-weighted assets	574,778.8	535,338.7
Credit risk weighted assets	532,089.1	493,986.7
Market risk weighted assets	3,264.4	1,926.7
Operational risk weighted assets	39,425.3	39,425.3

As at 30 June 2017, the capital adequacy ratio of the Group was 12.41%, representing a decrease of 0.29 percentage points as compared with the end of the previous year, which was 1.91 percentage points higher than the regulatory requirement of 10.50%. The core tier 1 capital adequacy ratio and tier 1 capital adequacy ratio of the Group were 9.66% and 9.68%, respectively, representing a decrease of 0.19 and 0.18 percentage points as compared with the end of the previous year respectively. At the end of the first half of 2017, the decrease in the capital adequacy ratio of the Group as compared with the beginning of the year was mainly due to the fact that although the stable growth in net profit effectively replenished the core tier 1 capital, it was, to a certain extent, offset by the distribution of dividends arising from profits in the previous year to a certain extent, and meanwhile the asset scale expanded moderately and the increase of risk weighted assets was lower than the increase of net capital.

According to the Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》) issued by CBRC, the information concerning the capital composition statements, detailed explanation on relevant items and the main characteristics of the capital instrument of the Reporting Period will be further disclosed in the investor relations column on the website of the Bank (<http://www.cqrcb.com>).

V. ANALYSIS OF LEVERAGE RATIO

As at 30 June 2017, the Group measured and disclosed its leverage ratio in accordance with Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》).

The following table sets out the Group's related accounting items corresponding with the regulatory items of leverage ratio and the differences between regulatory items and accounting items:

(Expressed in RMB million, unless otherwise stated)		As at 30 June 2017
No.	Item	
1	Consolidated total assets	855,426.3
2	Consolidated adjustments	–
3	Customer assets adjustments	–
4	Derivatives adjustment	–
5	Securities financing transactions adjustments	–
6	Off balance sheet item adjustments	26,753.5
7	Other adjustments	(509.1)
8	The balance of assets on and off-balance sheet after adjustments	<u>881,670.7</u>

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The following table sets out information of the Group's leverage ratio, net tier 1 capital, assets on and off-balance sheet after adjustments and relevant details:

(Expressed in RMB million, unless otherwise stated)		As at 30 June 2017
No.	Item	
1	Assets on the balance sheet (excluding derivatives and securities financing transactions)	852,135.4
2	Less: tier 1 capital deduction	(509.1)
3	The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	<u>851,626.3</u>
4	Replacement cost of various types of derivatives (net of qualified margins)	–
5	Potential risk exposure in various derivatives	85.1
6	The sum of collaterals deducted from the balance sheet	–
7	Less: assets receivables formed due to qualified margins	–
8	Less: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	–
9	Notional principal for sold credit derivatives	–
10	Less: the balance of sold credit derivatives assets which can be deducted	–
11	The balance of derivatives assets	<u>85.1</u>
12	The balance of accounting assets for securities financing transactions	3,205.8
13	Less: the balance of securities financing transactions assets which can be deducted	–
14	Counterparty credit risk exposure to securities financing transactions	–
15	The balance of securities financing transactions assets formed due to securities financing transactions by proxy	–
16	The balance of securities financing transactions assets	<u>3,205.8</u>
17	The balance of items off balance sheet	37,634.0
18	Less: the balance of items off balance sheet reduced due to credit conversion	(10,880.5)
19	The balance of items off balance sheet after adjustments	<u>26,753.5</u>
20	Tier 1 capital, net	55,617.4
21	The balance of assets on and off-balance sheet after adjustments	881,670.7
22	Leverage ratio (%)	<u>6.31</u>

As at 30 June 2017, the Group's leverage ratio was 6.31%, representing a decrease of 0.1 percentage points as compared with the end of the previous year. The lowering of leverage ratio was mainly due to the enlarging size of assets on and off current balance sheet, the increase of which was larger than the increase of net tier 1 capital, resulting in the decrease in the leverage ratio.

VI. SEGMENT INFORMATION

(I) Summary of Geographical Segment

(Expressed in percentage)	As at 30 June 2017		As at 31 December 2016	
	County Area	Urban Area	County Area	Urban Area
Deposits	67.58	32.42	67.54	32.46
Loans	44.74	55.26	46.98	53.02
Assets	45.69	54.31	48.59	51.41
Loan-deposit ratio	37.62	96.88	40.33	94.70

(Expressed in percentage)	For the six months ended 30 June 2017		For the six months ended 30 June 2016	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.12	1.12	1.10	1.16
Net fee and commission income to operating income	8.68	11.44	9.29	12.13
Cost-to-income ratio	34.02	29.25	33.85	31.42

County Area refers to regions other than urban area of Chongqing City. The information of County Area also includes the information of 12 subsidiaries such as Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司), Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司), Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司), Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行有限責任公司), Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行有限責任公司), Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限責任公司), Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限責任公司), Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司), Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司), Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭渝農商村鎮銀行有限責任公司), Fujian Shishi CQRC Village and Township Bank Co., Ltd. (福建石獅渝農商村鎮銀行有限責任公司) and Yunnan Xishan CQRC Village and Township Bank Co., Ltd. (雲南西山渝農商村鎮銀行有限責任公司), as well as the information of Qujing Branch of Chongqing Rural Commercial Bank (重慶農村商業銀行曲靖分行).

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(II) Summary of Business Segment

Operating income

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2017		For the six months ended 30 June 2016	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate banking business	3,724.5	32.54	3,606.8	32.80
Personal banking business	3,751.1	32.78	3,645.5	33.15
Financial market business	3,964.0	34.63	3,740.0	34.00
Unallocated	5.4	0.05	5.6	0.05
Total operating income	<u>11,445.0</u>	<u>100.00</u>	<u>10,997.9</u>	<u>100.00</u>

VII. ANALYSIS OF OFF-BALANCE-SHEET ITEMS

Off-balance-sheet items of the Group include acceptances, issuance of letters of credit, issuance of letters of guaranteed funds, receivables under export letters of credit, collection of foreign exchange funds receivables, collection of foreign exchange funds, foreign letters of credit by faith and wealth management and undrawn credit card limit. Among these items, non-guaranteed WMPs, acceptances and undrawn credit card limit were the key components. As at 30 June 2017, the balances of non-guaranteed WMPs, acceptances and undrawn credit card limit were RMB103,557 million, RMB12,739 million and RMB11,041 million, respectively.

VIII. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In determining the carrying amounts of some assets and liabilities and the related profit or loss during the Reporting Period, the Group makes estimates and judgments in certain aspects according to its accounting policies. These estimates and judgments involve assumptions about items such as risk adjustment to cash flows or discount rates used, and future changes in prices which affect other costs. The Group makes estimates and assumptions based on historical experience and expectations of future events, and reviews them on a regular basis. In addition, the Group needs to make further judgments in respect of the application of accounting policies. The Group's management believes that the estimates and judgments made by the Group reflect appropriately the economic context the Group is subject to. The major areas affected by the estimates and judgments include impairment loss on financial assets, liabilities related to supplementary retirement benefit and early retirement benefit, fair value of financial instruments, scope of consolidation, and income taxes.

BUSINESS OPERATION

I. Corporate banking business

The table below sets forth the major operating figures of the corporate banking business and changes thereof:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Change (%)
Net interest income	3,412.3	3,350.1	1.86
Net fee and commission income	343.5	243.6	41.01
Other operating loss or gain, net	<u>(31.3)</u>	<u>13.1</u>	(338.93)
Operating income	3,724.5	3,606.8	3.26
Operating expenses	(1,293.9)	(1,540.6)	(16.01)
Impairment losses on assets	<u>(1,069.6)</u>	<u>(771.5)</u>	38.64
Profit before tax	<u><u>1,361.0</u></u>	<u><u>1,294.7</u></u>	5.12

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017	As at 31 December 2016	Change (%)
Segment assets	<u><u>206,791.3</u></u>	<u><u>181,361.6</u></u>	14.02

In the first half of 2017, the total profit before tax from the corporate banking business increased by 5.12% over the same period previous year to RMB1,361 million, accounting for 22.15% of the Group's profit before tax. The overall growth in corporate loans of the Group had driven the asset of the corporate business to increase by 14.02% as compared with the previous year.

(I) Corporate Deposits and Loans Business

The Group strived to expand the corporate deposit market and continued to maintain steady growth in corporate deposits. As at 30 June 2017, the balance of corporate deposits (including pledged deposits and other deposits) of the Group reached RMB152,918 million, ranking the third in Chongqing, which accounted for 26.84% of the outstanding balance of total deposits of the Group whilst posting a growth of RMB15,718 million or 11.46% as compared with the end of the previous year, ranking the first in Chongqing in respect of increment.

For the loan policy on extending corporate loans, the Group persisted in operating in compliance with laws and abided by the principle. The Group effectively observed the macroeconomic control policy of the country and the local economic operation situation, and expanded

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its corporate loan business in a prudent, steady and appropriate manner. As at 30 June 2017, the outstanding balance of corporate loans (including discounted bills) amounted to RMB221,390 million, representing an increase of RMB19,154 million or 9.47% as compared with the end of the previous year. Meanwhile, corporate loans (including discounted bills) outstanding non-performing loans amounted to RMB1,705 million and the non-performing loan ratio was 0.77%, representing an increase of RMB222 million or 0.04 percentage point as compared with the end of the previous year.

In respect of the structure of loan, in response to the policy of Supply-Side Structural Reform, with focus on the construction of infrastructure, the transformation and upgrading of traditional industries and the development of ten strategic emerging industries, the Group focused on extending loans to the industries such as manufacturing, water conversation, environmental and public utility management, wholesale and retail, leasing and commercial services, real estate, production and supply of electricity, gas and water, which accounted for 19.71%, 14.12%, 7.10%, 4.89%, 3.69%, 3.76% of the total amount of loans of the Group as of 30 June 2017, respectively.

With respect to customer's profile, leveraging on the improving organization structure, product system and the customer management team with comprehensive quality cultivated, the Group remained committed to forging closer collaboration with quality enterprises among the top 500 enterprises in the world, top 500 enterprises of China, top 100 enterprises of Chongqing, industry leaders as well as government institutions whilst continuously maintaining and strengthening its partnership with prime SME customers.

(II) *Institutional Business*

The Bank continued to strengthen its cooperation channel construction with functional departments of the Chongqing Municipal Government, the financial industry and institutions at different levels. Being one of the joint founders of the technology and financial services in Chongqing, the Bank was appointed as the vice-president unit. The Bank launched a regulatory system of pre-sale proceeds and became the first bank commencing online collaboration with Chongqing Construction Administration Committee. The Bank actively established collaboration platforms in respect of insurance, securities and trust among industry players. The increasing abundance of collaboration channel will effectively facilitate continuous healthy development of the Bank's corporate banking business. In addition, the Bank was the only financial services bank to handle urban and rural pension insurance for residents in Chongqing City. 12 million people in the city have already paid and been distributed pension insurance through the Bank.

(III) *Small and Micro Enterprise Business*

Small and micro enterprises business was growing steadily. As of 30 June 2017, according to specifications prescribed by CBRC, the number of small and micro enterprise loans customers of the Bank (including small and micro enterprises, individual business owners, and the main operations of small and micro enterprises according to specifications prescribed by four ministries and commissions of the nation) amounted to 100,111, representing a decrease of 9,817 as compared with the same period of the previous year; the outstanding balance of small and micro enterprise loans according to specifications prescribed by CBRC amounted to RMB98.697 billion, representing an increase of RMB5.263 billion as compared to the beginning of the year or an increase of 14.97% and the growth rate is 7.53 percentage points higher than the average loan growth rate of the Bank; the success rate of applying for small and micro enterprise loans according to specifications prescribed by CBRC amounted to 99.12%. The number of small and micro enterprise loans customers according to specifications prescribed by CBRC accounted for 43.90% of the small and micro enterprise loans customers of Chongqing banking institutions; the outstanding balance of small and micro enterprise loans according to specifications prescribed by CBRC accounted for 16.10% of the outstanding balance of small and micro enterprise loans of Chongqing banking institutions.

1. Characteristic operation of specialised branches for small and micro enterprises

The Bank continuously learnt from the experience of operation and management of specialised branches for small and micro enterprises, supervised specialised branches to ensure further consolidation of business position, exploitation of advantages and implementation of characteristic operation. Two specialised branches for small and micro enterprises, namely Hechuan Branch and Jiangjin Branch, were selected for the pilot of automatic renewal function of personal loans for business purposes with a stock amount under RMB500,000, fully leveraging to the role of specialised branches as “testing fields” for new products and new businesses. By the end of June 2017, the number of loans customers of the 14 specialised branches increased by 578 as compared to the beginning of the year; the balance of loans increased by RMB462 million as compared to the beginning of the year; yields of new loans was 6.68%.

2. Strengthened innovation and diversified and comprehensive services

Since this year, based on the business transformation and upgrade driven by market demand, the Bank enhanced innovation of characteristics and differentiation of products and services and fully adapted to changes in financing demand of small and micro enterprise customers to strengthen the competitiveness of its small and micro enterprises business. Firstly, the Bank adopted innovative approaches such as value-added loan for manufacturing industry, income-secured loan for small hydropower, rent-secured loan, unsecured loan, value-added loan for personal customers. According to the actual needs of business expansion and target customers of specialised branches, the Bank adapted to the financing needs of customers by way of financing projects based on its existing products. By the end of June 2017, 21 personalized financing projects were approved for 23 branches. Secondly, through technological innovation,

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the Bank strengthened the foundation for business development and completed the development of automatic renewal function of personal loans for business purposes with a stock amount under RMB500,000, which was launched in July 2017. Meanwhile, the Bank is developing self-service borrowing and repayment for personal loans for business purposes under RMB500,000, which commenced trial operation in July 2017, to further improve customers' experience and enhance its own competitiveness against other banks as well as to reduce the workload of loan renewal of customer managers and spare their efforts in exploring new customers. Thirdly, the Bank launched the innovative "Right Credit" product to further improve and diversify the product system for small and micro enterprises and satisfy customers' needs.

3. Enhanced cooperation between banking and government and built a marketing platform

In the first half of 2017, the Bank commenced cooperation and negotiation with the Municipal Science and Technology Commission, the Municipal Council of the Communist Youth League, Free Trade Area, the Municipal Transportation Commission and other departments and associations. Guidance was given on certain cooperation projects between specialised branches and the government, and through enhanced cooperation between banking and government, a marketing platform was built for small and micro enterprises business. Firstly, the Bank was selected as a pilot bank for knowledge-based unsecured loans of technological enterprises, standing out from 16 financial institutions and being one of the only two pilot banks in Chongqing to commence the operation of knowledge-based unsecured loans of technological enterprises. Since the commencement of operation in May 2017, within one month, 32 customers had invested in knowledge-based unsecured loans with an amount of RMB40.40 million. Secondly, the Bank entered into formal agreement with Chongqing Municipal Transportation Commission and Transportation Guarantee Company in respect of the "transport-guarantee-loan" business cooperation in support of construction of highway in administrative villages and village arterial highway in Chongqing. Thirdly, guidance was given on the "credit loans to small and micro enterprises" cooperation between Fengdu, Fuling and Changshou Branches and local governments. Currently, there were 8 branches handling credit loans to small and micro enterprises.

(IV) *International business*

The international business achieved stable development. In the first half of 2017, the international settlement (inclusive of RMB cross-border settlement) of the Bank amounted to USD2,412 million, representing a year-on-year increase of 13.83%; foreign exchange settlement (inclusive of cooperative forward foreign exchange settlement) amounted to USD1,229 million, a year-on-year increase of 33.15%. The accumulated amount international trade financing issued amounted to USD995 million, representing a year-on-year increase of 33.20%. The interbank collaboration was further expanded. The Bank has established correspondent banking relationship with 537 banks at home and abroad and has newly added a number of financial institution credit at home and abroad, thus broadening the channels

for foreign capital inflow and utilisation. The progress in product innovation has improved steadily, which facilitates the research and development of innovative products such as structured deposit, gold forwards and swaps and customer-driven forwards and swaps, as well as the launch of new business such as self-operated foreign exchange swaps, interbank forfeiting, letter of credit for NRA foreign currency account and acceptance of forfeiting. Foreign exchange fund business recorded a continuous increase, making the Bank into the list of top 100 in terms of interbank transactions denominated in foreign currency in the PRC.

II. Personal Banking Business

The table below sets forth the major operating figures of the personal banking business and changes thereof:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Rate of change (%)
Net interest income	3,341.5	3,169.0	5.44
Net fee and commission income	404.0	468.2	(13.71)
Other operating loss or gain, net	5.6	8.3	(32.53)
Operating income	3,751.1	3,645.5	2.90
Operating expense	(1,399.9)	(1,305.1)	7.26
Impairment losses on assets	(182.1)	(423.2)	(56.97)
Profit before tax	<u>2,169.1</u>	<u>1,917.2</u>	13.14
	As at 30 June 2017	As at 31 December 2016	Rate of change (%)
Segment assets	<u>98,556.0</u>	<u>98,585.8</u>	0.00

Personal banking business recorded a profit before tax of RMB2,169 million, representing 35.30% as a proportion of the Bank's profit. Personal loans, customer-driven wealth management, banking card and agency business, etc. have been on steady growth, thus contributing to the increase in profit from personal banking business of the Bank in the first half of 2017.

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(I) Personal Deposits

To address China's macro-economic adjustment and intense market competitions, the Bank positioned itself by aligning its brand value services with key marketing campaigns, highlighting streamlined management and taking full advantage of the regional competitiveness of its brands whilst formulating with targeted sales and marketing strategies. On the one hand, the Bank laid its emphasis on marketing and attracting deposits in the peak season of the first quarter. With migrant workers who went home to visit their families as the target, the Bank continued to organise the public campaign named "Serving Fellow Townsman and Delivering Geniality Along the Way Back Home" (服務眾鄉親情暖回鄉路) during the travel rush in the Chinese New Year. Apart from setting up "townsman's post house" (鄉情驛站) in railway stations to provide travellers with advisory service and release supplies, the Bank expanded its service channel through organizing service campaign on high speed trains between Chongqing and Wanzhou. On the other hand, the Bank deployed the "Including Financial Services, and Rooting Wealth Management Awareness" (普惠金融 紮根行動) marketing campaign, through carrying out the "Five To-s" campaign to promote financial knowledge to villages, to communities, to companies, to the market and to the sites of workers and by means of "Five Deliver-s" activities to "deliver health", "deliver love", "deliver fortune", "deliver growth" and "deliver knowledge" without interruption, with an aim to consolidate its customer base. Meanwhile, we continue to standardise our services, promote the reputation on the services and constantly deepen the transformation and enhance competitiveness of outlets.

As of 30 June 2017, the Bank continued to maintain a stable and rapid growth in personal deposits, which amounted to RMB416,758 million, representing an increase of RMB35,772 million, or 9.39%, in personal deposits over the end of the previous year. The Bank continued to set itself apart from its peers in the region in terms of the total amount, growth and market share of personal deposits.

(II) Personal loans

In order to enlarge and strengthen its sales, the Bank established its brands for the personal consumption loan business, namely "Easy Loans" (嘿好貸), "Vehicles Parking Loans" (車停易), "Vehicles Modification Loans" (車改易) and "Property and Easy Loan" (房貸易) by proactively making use of regional advantages and strengthening marketing management on personal consumption loans, so as to support the rigid demand for daily consumption of urban and rural residents and improve the living consumption. The Bank deepened the collaboration with WeBank of Shenzhen to promote the Tiny Loan, taking into account the Internet+Concept and based on the analysis of the model of social data; conducted in-depth analysis on property loan market to support rigid demand of customers and upgraders and real demand for housing. The Bank disclosed the responsibilities of its personal loan center. Initiatives were further introduced to equip its personal loan centres with consolidated services and to optimise the process of personal consumption loan business for more efficient and better services, thereby optimizing credit structure and maintaining steady growth of personal consumption loans.

As at 30 June 2017, the balance of personal loans of the Group amounted to RMB102,337 million, representing an increase of RMB4,155 million over the beginning of the year, among which the balance of general consumption loans which aimed at supporting general consumption of urban and rural residents amounted to RMB17,073 million, representing an increase of RMB2,731 million over the end of the previous year.

(Note: General consumption excludes housing mortgage loans, with data from regulatory statements)

(III) *Bank Cards*

The Bank made persistent efforts to the innovation of bank card business, and was committed to branding bank card products with distinctive features. As for the credit card business, the Bank adjusted its organizational structure and established direct sale and product research and development teams; rebuilt its business process and delegated the approval authority of piloting to branches; enhanced product innovation, made invitation to apply credit cards, adopted active marketing approach for premium customers by a list system, and expedited the research and development of products such as exclusive card for house mortgage customers, cash installment, parking space instalment and direct car instalment; expanded marketing channels and carried out trial telemarketing calls; promoted brand building, initiated online and offline personalized campaigns for preferential merchants in collaboration with high-quality merchants, and enhanced customer loyalty; exerted strict risk control, enhanced risk identification of new customers and further optimized its asset structure; reversed its core system and led the way ahead of other similar financial institutions in China, with a view to improve its competitiveness in future market.

As of 30 June 2017, the number of credit cards in issue accumulated to 521.5 thousand, representing an increase of 61.4 thousand or 13.34% over the end of the previous year; while spending related to credit cards amounted to RMB14,410 million; total revenue of credit cards amounted to RMB130 million; the balance of credit card overdraft amounted to RMB4,458 million.

(IV) *Debit Card Business*

Targeting at those aged under 16, the Bank launched “Jiangyu Growth Card” based on their characteristics and demands, which equips with traditional functions such as deposit and withdrawal, consumption and transfer. Beyond that, three promotional savings products, namely “Jiangyu Red Pocket”, “Jiangyu Education Fund” and “Jiangyu Pocket Money”, are included during the event.

With respect to the debit card business, the product brand awareness of financial IC cards and social insurance cards were continuously enhanced. As of 30 June 2017, the total number of debit cards in issue accumulated to 18,634.7 thousand, representing an increase of 362.3 thousand, or 1.98%, as compared with that at the end of the previous year; spending related to debit cards amounted to RMB44,931 million.

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(V) Agency Business

The structure of revenue of intermediary business was optimised with enriched sales techniques. Great efforts were made to establish an online+offline marketing platform for community finance. The Bank consolidated and enlarged its quality customer base via the “Happy New Years’ Eve Dinner with Delight of Red Pocket” (幸福年夜飯 紅包樂翻天) special event for community customers, the “Introduction of the Brand “All-round payment (全能繳)” and “Easy Pay for Tuition fee” (繳學易) for Collection and Disbursement Services” (推出代收代付業務品牌“全能繳”) and other products and activities. As of 30 June 2017, the physical sales of precious metals of the Group amounted to RMB16.4192 million, representing a year-on-year decrease of 25%. The income from the agency sale of insurance was RMB732 million, representing a year-on-year decrease of 72%. The income from the agency sale of funds was RMB10,287 million, representing a year-on-year increase of 82%.

III. Financial market business

The following table sets forth the major operating figures of the financial market business of the Group and the changes thereof:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Rate of change (%)
Net interest income	3,517.1	3,267.7	7.63
Net fee and commission income	407.7	466.3	(12.57)
Net trading loss or gain	23.2	(32.8)	(170.73)
Other operating loss or gain, net	16.0	38.8	(58.76)
Operating income	3,964.0	3,740.0	5.99
Operating expense	(993.0)	(1,294.4)	(23.28)
Impairment losses on assets	(361.3)	(105.7)	241.82
Net loss or gain on disposal of available-for-sale financial assets	0.1	64.8	(99.85)
Net gain on disposal of debt investments classified as receivables	-	36.2	(100.00)
Profit before tax	2,609.8	2,440.9	6.92

Management Discussion and Analysis

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017	As at 31 December 2016	Rate of change (%)
Segment assets	541,677.8	514,776.3	5.23

In the first half of 2017, the Chinese economy slowed down but progressed towards stability and positive development. The financial market remained stable. Under a favourable external environment, increasingly stricter regulatory policies and a series of documents regulating the financial market were promulgated. With high-handed regulation, the effect of removal of leverage and bubbles has begun to show. Market volatility increased and interest rate in the interbank market showed an upward trend in the second quarter. Capital business was facing tough challenges because scale and scope of investment are restricted and the growth rate of the cost of the liability side was higher than that of the revenue of the asset side. In this regard, the Bank withstood the pressure to respond flexibly, and took the initiative to have a forecast of the market and make arrangement in advance. It also flexibly adjusted its business structure according to the objective environment, so as to secure the steady growth in capital business in a compliant manner.

The financial market business recorded profit before tax of RMB2,610 million in June 2017, representing an increase of RMB169 million or 6.92% as compared with the corresponding period of the previous year.

(1) Segment assets

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage %	Amount	Percentage %
Debt securities investments	289,048.8	53.36	263,480.4	51.18
Financial assets held under resale agreements	3,205.8	0.59	3,699.9	0.72
Cash and balances with central bank	101,026.8	18.65	85,836.0	16.67
Deposits and placements with banks and other financial institutions	136,597.4	25.22	147,154.2	28.59
Discounted bills	6,970.2	1.29	9,218.6	1.79
Other assets	4,828.8	0.89	5,387.2	1.05
Total assets	541,677.8	100.00	514,776.3	100.00

Management Discussion and Analysis

As at 30 June 2017, the total size of operating assets was RMB541,678 million, representing an increase of RMB26,902 million, or 5.23%, as compared with the end of the previous year. In particular, debt securities investments increased by RMB25,568 million, or 2.18 percentage points, in proportion to total assets; cash and balances with central bank increased by RMB15,191 million, or increased by 1.98 percentage points, in proportion to total assets; financial assets held under resale agreements decreased by RMB494 million, or 0.13 percentage points, in proportion to total assets; deposits and placements with banks and other financial institutions decreased by RMB10,557 million, or decreased by 3.37 percentage points, in proportion to total assets; discounted bills decreased by RMB2,248 million, or 0.50 percentage points, in proportion to total assets.

(II) Debt securities investments

1. Distribution of Debt Securities Investments by Holding Purpose

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage %	Amount	Percentage %
Held-to-maturity debt securities	68,961.5	23.86	67,842.2	25.75
Debt securities classified as receivables	71,507.3	24.74	101,151.3	38.39
Debt securities at fair value	925.6	0.32	4,521.3	1.72
Available-for-sale debt securities	147,654.4	51.08	89,965.6	34.14
Total	289,048.8	100.00	263,480.4	100.00

In the first half of 2017, the Group continued to implement the classification management of its debt securities investment accounts. Apart from taking debt securities classified as receivables as the major investment target, the Bank took the market condition into consideration and moderately invested in certain held-to-maturity debt securities and available-for-sale debt securities. As at 30 June 2017, the Group saw an increase of RMB1,119 million, or a decrease of 1.89 percentage points, in proportion to total debt securities investments in held-to-maturity debt securities as compared with the end of the previous year, an decrease of RMB29,644 million, or 13.65 percentage points, in proportion to total debt securities investments in debt securities classified as receivables over the end of the previous year, a decrease of RMB3,596 million, or 1.40 percentage points, in proportion to total debt securities investments in debt securities at fair value over the end of the previous year as well as an increase of RMB57,689 million, or a increase of 16.94 percentage points, in proportion to total debt securities investments in debt securities classified as available for sale over the end of the previous year.

2. Distribution of Debt Securities Investments by Credit Rating

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage %	Amount	Percentage %
AAA	17,799.9	6.16	21,261.8	8.07
AA	12,087.6	4.18	12,168.4	4.62
A and below	483.6	0.17	441.2	0.17
Unrated	258,677.7	89.49	229,609.0	87.14
Total	289,048.8	100.00	263,480.4	100.00

In the first half of 2017, according to the policy guidance of the central government on risk prevention and de-leveraging, the Group continued to further analysed on the policy and market. With the expectation of a macro situation in which regulatory documents on bond market will be introduced and prudent monetary policy and de-leveraging measures will be maintained, the Group determined the bond investment strategy of “risk prevention, appropriate allocation, delicate selection”.

With respect to operation, given the increasing interest rate in the interbank market, the main objective of the strategy was to enhance the prevention of credit risk and liquidity risk, select medium-term notes with better quality and higher coupon rate at higher interest rate for investments well as appropriately allocate bonds issued by local government with better liquidity and AAA rating.

As at 30 June 2017, debt securities investment with a rating of AA and above decreased by RMB3,543 million, or 2.35 percentage points, in proportion to total debt securities investment as compared with the end of the previous year, while unrated debt securities investment increased by RMB29,069 million, or 2.35 percentage points, in proportion to total debt securities investment over the end of the previous year. Unrated debt securities investment are mainly government bonds, public sector bonds, quasi-government bonds, certificate treasury bonds and debt instruments issued by financial institutions.

Management Discussion and Analysis

3. Distribution of Debt Securities Investments by Remaining Maturity

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017		As at 31 December 2016	
	Amount	Percentage %	Amount	Percentage %
Within 3 months	53,926.2	18.66	91,672.6	34.80
3 to 12 months	116,511.1	40.31	65,563.7	24.88
1 to 5 years	95,921.6	33.19	85,475.9	32.44
Over 5 years	22,689.9	7.84	20,768.2	7.88
Total	289,048.8	100.00	263,480.4	100.00

As at 30 June 2017, the Group's investments in debt securities with a remaining maturity of less than 12 months increased by RMB13,201 million, or 0.71 percentage point decrease, in proportion to total debt securities investments from the end of the previous year. The Group's investments in debt securities with a remaining maturity of over 5 years increased by RMB1,922 million, or 0.04 percentage points decrease, in proportion to total debt securities investments as compared with the end of the previous year. The Group's investments in debt securities with a remaining maturity of 1-5 years increased by RMB10,446 million, or 0.75 percentage points increase, in proportion to total debt securities investments as compared with the end of the previous year. These mainly due to the Group's improvement in the maturity structure of the investment portfolio given a proper build-up of investments in short-term debt securities with higher interest rates and relatively higher investment value in accordance with the changes in the bond market and the reasonable allocation of the maturity and yield of its investment portfolio.

4. Holding of Financial Bonds

Financial bonds refer to the marketable securities issued by policy banks, banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. As of 30 June 2017, the outstanding balance of the Group's financial bonds amounted to RMB26,299 million, which mainly consisted of the financial bonds issued by policy banks. The table below sets out the top ten financial bonds in terms of nominal value held by the Group as at the dates indicated:

(Expressed in RMB million, unless otherwise stated)

Name of debt securities	Nominal value	Interest rate per annum (%)	Maturity date	Impairment
Debt securities issued by policy banks in 2013	1,000.0	4.02	2018/7/18	–
Debt securities issued by policy banks in 2013	950.0	4.07	2020/4/11	–
Debt securities issued by policy banks in 2016	800.0	3.24	2023/2/25	–
Debt securities issued by policy banks in 2016	800.0	3.43	2021/12/8	–
Asset-backed security issued in 2015	700.0	5.20	2018/7/12	–
Debt securities issued by policy banks in 2010	700.0	2.09	2020/2/25	–
Debt securities issued by policy banks in 2005	650.0	3.60	2020/11/29	–
Debt securities issued by policy banks in 2014	600.0	5.10	2021/8/7	–
Debt securities issued by policy banks in 2012	590.0	3.97	2019/7/9	–
Debt securities issued by policy banks in 2006	<u>570.0</u>	<u>3.79</u>	<u>2021/6/28</u>	<u>–</u>

(III) Assets Management Business

The wealth management business achieved steady and continuous development. The Bank always adheres to the principle of customer-oriented. Two Series of special wealth management products, “Building up Your Fortune” and “Happy life in the Ba-Yu Region” were launched to enrich the period, flexibility and term of products, thus satisfied diversified demand of investors. Efforts are also made to improve the management level of wealth management business through actively preventing exposures and promoting the compliant development of it.

Management Discussion and Analysis

In the first half of 2017, the Bank issued 982 tranches of wealth management products in total with the issue amount of RMB268,578 million, representing a year-on-year growth of RMB2,820 million or 1.06%. As at the end of June 2017, the outstanding balance of wealth management products amounted to RMB137,653 million, representing a decrease of RMB12,731 million or 8.47% over the end of the previous year, mainly due to the inclusion of MPA control in off-balance wealth management products, which restricted the scale of wealth management business.

IV. Distribution Channels

(I) Physical Outlets

Operating outlets are the primary distribution channels of the Bank. As at 30 June 2017, the Bank had 1,777 branches of various kinds, including one headquarter, three branches, one business department, 41 sub-branches, 23 tier-two sub-branches, 1,706 branch outlets and two community branch outlets, among which Qujing Branch in Yunnan became the first cross-region branch among the domestic rural commercial banks. The network of sub-branches covers all the 38 administrative districts and counties of Chongqing with 1,462 distribution outlets in the County Area of Chongqing, covering all the blank areas in Chongqing and with 313 outlets in the city's urban area. The Bank ranked first in the number of branches in both County Area and the urban area among its peers.

The Bank has put the construction of distribution channels into its medium-and long-term strategic development plan and stepped up optimising the layout of outlets and restructuring to improve its service coverage, service capabilities and operational efficiency. In the first half of 2017, the Bank planned to reallocate 29 existing branches and refurbish 79 existing branches, with over half of the progress completed.

(II) Self-service Banking

In order to expand the scope of customer services and provide customers with more convenient services, as at 30 June 2017, the Bank established 163 24-hour self-service centers and the number of ATMs and self-service inquiry terminals increased to 4,888 (including Qujing City). The proportion of machine to outlet was nearly 2.75:1, among which the number of ATMs put into use increased by 93 units to 3,930 units over the end of the previous year and self-service inquiry terminals put into use decreased by 1 unit to 958 units over the end of the previous year.

The establishment of new convenient rural financial self-service terminals was under rational control whilst the withdraw mechanism was enhanced. As at 30 June 2017, 585 convenient rural financial self-service centres had been established and commenced on-line operation across the organization, down by 46 as compared with the previous year. As such, the Bank extended its financial service coverage whilst bringing convenience and benefits to the people in rural area. It won widespread recognition from the local government and the general public, achieving both social and economic benefits.

(III) *Electronic Internet Finance*

The Group, being fully aware of the significance of the function of electronic internet finance business, leveraged its comprehensive electronic internet finance business to establish an internet finance platform and build an all-rounded electronic internet finance service system, in the hope of continuously exploring convenient finance service. In the meantime, the Bank continued to improve the brand awareness and influence of its electronic internet finance brand through carrying out various marketing activities, which further improved customer satisfaction.

1. Mobile banking

The Bank continued to innovate its mobile banking, launched encrypted SMS authentication for mobile bank card, online bonus point redemption, login pattern password, as well as services and functions for the convenience of the customers including card-free cash withdrawal, Cloud Loans for Micro Enterprises, school bill payment, payment of cable bill, traffic fines, public rental, ETC top-up, agency purchase of car insurance, outlet reservation and queuing, online appointment register, etc.

As at 30 June 2017, the number of mobile banking customers of the Bank reached 6,123,300, representing an increase of 795,100 new customers, or 14.92%, as compared to the end of the previous year. The aggregate number of financial transactions for the first half of the year amounted to 37,019,000, and the amount of transactions was RMB486.406 billion.

2. WeChat banking

With a customer-oriented approach, the Group launched a new personal Wechat banking, created an innovative “all-around comprehensive service platform integrating financial service and living service” and improved the interactive model of WeChat banking and UI Style, which upgraded the operational and visual experience of customers. As at 30 June 2017, WeChat banking has attracted the attention of 384.2 thousand customers, with 13,776.4 thousand messages received.

The Group also launched corporate WeChat banking equipped with bank reconciliation, account enquiry, to-do-list notice, business processing guidance and other functions, which provided corporate customers with convenient business process and effective information access.

On 30 March 2017, the Bank’s news delivery on WeChat was granted the “Attractive Award” of the third Chinese financial brand “Gold Chestnut Award” organised by China Financial Certification Authority (CFCA).

3. Internet banking

Corporate internet banking

The Group promoted the direct connection and access between the Bank and the enterprises among the Public Resources Trading Centre in districts/counties and major customers, which further enhanced the comprehensive service level for the corporate customers. During the year, there were 6 more customers of direct connection and access between the Bank and the enterprises and the number of customers of the Bank reached 109. As at 30 June 2017, the number of corporate internet banking customers of the Bank increased by 14.55% over the end of the previous year to 37.0 thousand; 2,357.2 thousand financial transactions have occurred in this year; the amount of transactions was RMB667,031 million.

Personal internet banking

The Group has been actively engaged in improving customers' experience. It has strengthened security for E-banking to improve the security in using E-banking. In the meantime, the Bank has been enriching the functions of the products, in order to meet the multi-layered and diversified customers' needs for financial services. As at 30 June 2017, the number of personal internet banking customers was 2,649.5 thousand, representing an increase of 6.75% over the end of the previous year. 63,389.6 thousand financial transactions have occurred in the year, representing an increase of 89.20% over the same period of the previous year; the amount of transactions occurred in the year was RMB88,108 million, representing an increase of 22.39% over the same period of the previous year.

Online payment

The Group continued to strengthen risk control of online payment business and included third-party payments such as Alipay and Tenpay in the control of joint anti-fraud system. It enhanced the cooperation against financial-type fraudulent cases and carried out transformation of fast payment business and construction of provision system in strict compliance with regulatory requirements.

Online payment business continued to develop. As at 30 June 2017, there had been 61,919.0 thousand financial transactions in the year which were settled through online payment, representing an increase of 92.86% over the same period of the previous year. The transaction amount was RMB22,587 million, representing an increase of 87.06% over the same period of the previous year.

4. Internet finance platform

“Jiangyuhui” (江渝惠) Online-to-Offline (“O2O”) consumption service platform

The Group continued to optimize “Jiangyuhui” platform, relocated the data to the Bank and launched “Jiangyuhui” Version 3.0. From the point of view of user experience, activity display and page layout, it added new channel bit rates, optimized the display of activity and gathered business access, so as to provide an optimal experience. As of 30 June 2017, “Jiangyuhui” consumption service platform had 70,400 users. Valid merchants (outlets) reached 71,000 units, increased by 13,200 units. Number of transactions in the year reaching 709,200, with a transaction amount of RMB16,173.9 thousands.

“Jiangyuer” (江魚兒) internet banking platform

“Jiangyuer” (江魚兒) internet banking platform of the Group is a platform utilising internet to carry out integration of direct sales business of banks’ financial products. It is a breakthrough of banks’ reliance on outlet expansion to expand business scale and adopts the mode of internet finance for trans-outlet and trans-regional sales of bank products. “Jiangyuer” (江魚兒) internet banking provides customers with “Jiangyu FOF” (江渝基金寶) product, fund product, intelligent deposits product, bank wealth management product payment of living expenses, loan application and other financial services through its official website, mobile banking client, and other channels. As at 30 June 2017, “Jiangyuer” internet banking had 806.2 thousand users with 38.6 thousands transaction and aggregate transaction amount of RMB773 million.

5. Mobile integrated terminal

To optimize business process and increase business efficiency, the Group officially launched the mobile integrated terminal platform 3A services in March 2016 and commenced the construction of the second phase of mobile integrated terminal platform in the first half of the year to include non-cash business such as online risk assessment on wealth management products, withholding contract for intermediate business and “Jiangyuhui” merchant application. Through expansion of mobile integrated terminal, customer demands were adequately met. The Group strived to extend the coverage to marketing, access and operation to further expand the scope and improve the ability of customer service of the Bank. As at 30 June 2017, the number of contracted clients during the year were 196,600, among which 49,200 were contracted debit card users, 74,200 were mobile banking users, 25,000 were personal online banking users, and 48,200 were contracted SMS service users.

Management Discussion and Analysis

6. Telephone and SMS banking

The service capacity of telephone banking continuously strengthened. The service quality of telephone banking was enhanced through establishing the function of 360°-view system of customer services, strengthening telephone data monitoring and analysis, intensifying site management, etc. and thus strengthened the business. As at 30 June 2017, the Bank had offered services to 4,714.0 thousand customers via telephone banking. The growth of SMS banking is promising. As at 30 June 2017, the accounts of SMS amounted to 10,580.5 thousand, while contracts signed by high-end customers accounted for 79.34%.

7. Marketing campaign

All-rounded large scale marketing campaigns were successively carried out for electronic internet finance business, including “Money-saving Alliance, New Year Force” (省錢聯盟、新春總動員), “One Dollar for Noodles” (一元吃小面), “One-Dollar Group-buying Car Wash voucher” (一元團購洗車券) which stimulated the enthusiasm of engagement of customers and merchants, enhanced the popularity of electronic internet finance business brand and received good social response.

The electronic internet finance of the Group achieved sustainable and effective development through relentless efforts and bold innovations. As at 30 June 2017, the substitution rate of E-banking account transactions of the Bank reached 89.50%, representing an increase of 1.83 percentage points as compared to the end of the previous year.

V. Principal Subsidiaries

CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as a major promoter. The establishment of village and township banks is of great significance to the performance of social responsibility, broadening and deepening the service to new rural construction, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. As at the end of the Reporting Period, the Bank has established 12 CQRC Village and Township Banks with aggregate capital amounting to RMB3,654 million and the outstanding balance of deposits and loans in aggregate amounting to RMB1,587 million and RMB2,260 million, respectively.

In September 2014, CQRC Financial Leasing Co., Ltd. was incorporated with the registered capital of RMB2,500 million to be mainly engaged in financial leasing related business. The Bank was the major promoter and held 68.00% of its shares.

VI. Information Technology

In the first half of 2017, the information technology work of the Bank was guided by the principle of “Independent and Controllable, Sustainable Development, and Technological Innovation”, and steadily propelled the establishment of information system and continuously intensified the supporting role of information technology in the development of banking business. In the first half of 2017, the new generation of core system commenced its operation. Each important information system of the Bank was operating stably; no unplanned system interrupt accidents occurred; and the network operation was stable.

(I) Technological governance

In the first half of 2017, a total of three working meetings were organized and convened by the IT Strategic Development Committee, to approve and adopt a series of important proposals including Construction Plan on Information Technology Project and Information Technology Budget for the Year 2017, preparation and conclusion for the commencement of operation the new generation of core system. The Bank commenced the post-assessments of technology line system, finished 2 information technology systems and operation specifications amendments to continuously improve the information technology control system; continuously deepened and promoted the project construction assessment mechanism, standardized the project quality review mechanism, intensified the demand guide and test review and intensified the information technology project life-cycle management.

(II) Information security guarantee

The Bank adopted three-layer risk prevention system structure, implemented the information safety guarantee work; effectively promoted the operation and maintenance capacity of the information system by optimizing the operation and maintenance process, promoting the basic skills of personnel, reasonably allocating the site duty, etc., to ensure the efficiency of response to the system failure treatment; implemented the rolling inspections and special inspections on the risks in the technology line cases and carried out the key inspections on holidays and festivals and during the peak season of marketing to ensure the comprehensive, safe and stable operation of the information system.

(III) Business continuity management

The Bank paid high attention to the business continuity management, and continuously optimized and perfected the contingency plan for the business continuity. In the first half of 2017, the drill of Unionpay data line switch, the drill of three-level network switch, the drill of mobile 3G/4G line emergency switch and other service continuity emergency drills were completed as scheduled, which fully verified the effectiveness of relevant plans. The Bank continued to push forward the construction of a new data center in Yu Zui, which will apply emerging technologies such as virtualisation, modularization and low-energy consumption, building a green and smart data center.

Management Discussion and Analysis

(IV) *Information system construction*

The Bank steadily propelled the establishment of a reframed new generation of core system based on the open platform and the new generation of core system commenced its operation in the first half of the year. The new generation of core system applied “product-oriented” system and “customer-oriented” customer management approach with fully independent and controllable intellectual properties. After the commencement of operation, the processing capacity increased from 10.00 million to 60.00 million transactions per day, with a success rate of above 99.99%. The bank has applied for 3 national invention patents and the overall structure level of its system was ahead of other similar financial institutions in China. In the first half of 2017, a total of 9 online information technology projects were completed. Apart from the new generation of core system, the system development and testing for card replacement with same number, upgrading and transformation of WeChat banking, transformation of type II and type III accounts, mobile OA, the fourth phase of remote authorization, bond business system, customer-driven derivatives etc.

(V) *Technological innovation research*

The Bank focused on the technology of new core system and enhancement of the protection of independent intellectual property rights and applied for 3 national invention patents. It actively participated in the innovative project research and development organised by the People’s Bank of China and CBRC. In the first half of 2017, it carried out various research projects including the “Design and Implementation of Open-architecture Core System on the basis of Independent and Controllable Technology of Regional Banks” of the Head Office of the People’s Bank of China and CBRC.

VII. Employees and Human Resources Management

(I) *Basic Information on Employees*

As of 30 June 2017, the Bank had 15,966 regular employees, 10,994 of whom held bachelor’s degrees or above, representing 68.86% of all the Bank’s regular employees. In addition, the Bank had 507 dispatch workers, 911 internally retired employees and 5,510 retired employees.

(II) *Overview of Human Resources Management*

During the first half of 2017, the Group earnestly implemented the “Three-Transformation” strategy, focused on major works of the Bank, actively explored new mechanism and new measures for employment, training, deployment, incentives and constraints of human resources of the Bank under the new situation, showing a sound momentum with reform conducted in an orderly manner, team structure being optimized continuously and talent efficiency being improved stably.

(III) Training

The Bank was devoted to the business development and the improvement of the occupational quality of staff, enhancing staff training with continuous efforts, integrating educational training resources, resulting in comprehensive trainings for different levels and categories. Staff's comprehensive quality was completely upgraded. In the first half of 2017, the Bank held 689 sessions of training of all kinds with attendances of 41 thousand.

FINANCIAL BUSINESS IN COUNTY AREA

County Area is the principal base for carrying out Sannong financial service by the Group. The financial business in County Area has been a long-term strategic focus of the Group, and also one of the Group's major sources of revenue. The Group provides diversified financial services for customers in County Area through 2 branch, 31 sub-branches, 9 tier-two sub-branches and their 1,420 distribution outlets as well as 12 village and township banks located in the County Area. During the Reporting Period, the Group took advantage of interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, actively innovated products, and strived to enhance the financial service in County Area, all of which have led to the rapid growth of financial services in County Area.

As at 30 June 2017, the loan balance of the financial business⁽¹⁾ of the Bank in County Area amounted to RMB144,827 million, representing an increase of RMB3,684 million, or 2.61%, over the end of the previous year. In particular, the corporate loan balance of the financial business in the County Area amounted to RMB68,340 million which accounted for 30.87% of the corporate loan balance of the Group, representing an increase of RMB449 million, or 0.66%, over the end of the previous year. The personal loan balance of the financial business in the County Area amounted to RMB76,487 million, representing an increase of RMB3,235 million, or 4.42%, over the end of the previous year, accounting for 74.74% of the personal loan balance of the Group. The deposit balance in County Area amounted to RMB385,005 million, representing an increase of RMB35,020 million, or 10.01%, over the end of the previous year.

In adherence to the new development concepts, the focus of financial services was determined with an emphasis on propelling the agricultural supply-side structural reform. Sannong financial services were coordinated based on the general keytone of making progress while maintaining stability. Based on the new industries, new business normal and new dominance in county areas, channelling of financial resources was propelled to enhance the efficiency of the Bank's Sannong financial services. As of 30 June 2017, the outstanding balance of agricultural loans⁽²⁾ of the Group amounted to RMB139,614 million.

Notes:

- (1) The loan of the financial business in County Area refers to loans released by branches of the Bank in Chongqing City, other than loans released in major districts. It also includes loans released by 12 village and township banks and Qujing Branch.
- (2) The agricultural loans refer to loans to farmers, loans to rural enterprises and various organizations, loans to urban enterprises and various organizations directing to activities related to agriculture, forestry, husbandry and fishery industry as well as supporting agriculture and rural development in accordance with the "Special Statistics System of Agricultural Loans" (Yin Fa [2007] No. 246).

I. Reform and Innovation

(I) *Management Reinforcement*

During the Reporting Period, the Bank has actively and steadily pushed forward the construction of Sannong service system, with an aim to improve capability and level of such service. A meeting was held by Sannong Financial Service Committee of the Board of Directors to consider Sannong financial service plan of the year, and focus on reinforcing the strategic move on Sannong financial services. Financial Service Committee for Sannong and Poverty Alleviation reviewed proposals in relation to Sannong service to enhance the guidance and support for Sannong and poverty alleviation work of the Bank. By introducing Sannong Business Management Department to functional departments and leading Sannong financial services among the Bank, the Bank set up secondary departments or professional posts under the Corporate and Personal Banking business lines to be responsible for the “Sannong” business marketing guidance, product innovation, etc. It has set up specialised institutions in respective county branches, to be responsible for the specific promotion of “Sannong” business. In addition, the Bank further regulated and enhanced the agriculture-related credit approval procedures to improve service quality and performance.

(II) *Incentive Intensification*

The Bank further improved financial service capacity and independently prepared financial business credit plan in the County Area to carry out differentiated incentive policies. More resources including staff, expenditures, ATM machines were given to county business branches to ensure the convenient, timely and effective satisfaction of the county financial services.

(III) *Product Innovation*

With a focus on the improving inclusive financial services, the Bank organised innovation contest to encourage its branches to innovate financial service products or service models to meet the customer demands in rural area based on the local conditions. During the Reporting Period, credit offerings such as targeted poverty alleviation and small hydropower service were innovated to help facilitate agricultural efficiency, better income for farmers and more green areas for rural areas. In accordance with the new situation, changes and features of the rural areas, the Bank revised the management practices and operational procedures of “Sannong” credit to promote the integration of products and markets

II. Corporate Banking Business in County Area

During the Reporting Period, centering on the key corporate banking businesses in the County Area such as the industrialisation and modernisation of agriculture, rural urbanisation and commodity flow of the County Area, the Bank continued to, with leading enterprises in such industries as its major target customers, tighten classified management of corporate customers, step up efforts in marketing and strive to foster core customer groups. For flagship companies of different industries, the Bank developed integrated banking service plans, improved its banking services, consolidated and deepened its cooperative relations with enterprises.

III. Personal Banking Business in County Area

During the Reporting Period, the Bank devised and implemented special marketing plans in a bid to drive the growth of personal banking business in County Area. Targeting at the county's individual and private business owners, farmer entrepreneurs the wealthy people and other excellent customers, the Bank vigorously developed personal products for specific areas and promoted loans secured by rural residential housing and contractual management rights of rural lands as well as loans for individual consumption and employment assistance at a steady pace in order to satisfy diversified credit needs in County Area effectively. In the meantime, the Bank earnestly implemented the state precise poor supporting requirement, and precisely launched credit support to assist industries, education, employment and electricity suppliers via product, assessment and demonstration innovation, so as to help farmers to get rid of poverty.

As the only bank in Chongqing offering the social pension insurance services for urban and rural residents, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11,140 thousand people. Departments of finance and social insurance of the city and districts/counties have opened social insurance accounts with the Bank, with a capital balance of RMB10,395 million as at 30 June 2017. In the first half of 2017, the number of individual pensions withheld by the Bank amounted to 4,289.2 thousand, totaling RMB962 million; the number of individual pensions paid by the Bank as an agent amounted to 22,578.4 thousand, totaling RMB2,593 million. These services provided the Bank with an extensive customer base and helped stabilise the customer resources and facilitate the development of the Bank's businesses.

The Bank made greater efforts in the construction of electronic channels in County Area and vigorously marketed the Jiangyu Card (江渝卡), the Jiangyu Xiangqing Card (江渝乡情卡), the Farmer's Fortune Card (福农卡), credit card, personal internet banking and mobile banking. As at 30 June 2017, the Bank operated 2,742 ATMs, 774 multi-media enquiry machines in County Area and established and operated 585 convenient rural financial self-service centres. The number of debit cards and credit cards issued by the Bank in County Area also increased by 274.9 thousand and 48.8 thousand over the end of the previous year, respectively, to 14,594.4 thousand and 402.4 thousand, respectively, which accounted for 78.32% of the debit cards issued by the Bank and 77.15% of the credit cards issued by the Bank, respectively. 1,839.6 thousand customers in County Area opened for personal internet banking service, accounting for 69.58% of the number of customers opening for personal internet banking service of the Bank and representing an increase in 123.2 thousand customers over the end of the previous year. 4,914.1 thousand customers in County Area opened for mobile phone banking service, accounting for 80.49% of the number of customers opening for mobile phone banking service of the Bank and representing an increase of 646.7 thousand customers over the end of the previous year. With the gradual enhancement in electronic equipment, the increase in the number of cards and the promotion and marketing on E-banking products, the Bank is well poised to keep expanding its customer base in County Area, increase the penetration of banking business in County Area, and build good business relationship with customers.

Management Discussion and Analysis

IV. Summary of Information on Geographical Segments

When information is prepared based on the geographical segments, total operating income is allocated in accordance with the locations of branches recording gains. The table below sets forth the total operating income attributable to County Area branches and urban area branches for the periods indicated:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	1,994.9	8,276.0	10,270.9	1,549.5	8,237.3	9,786.8
Net fee and commission income	486.5	668.7	1,155.2	508.8	669.3	1,178.1
Net trading gain or loss	–	23.2	23.2	–	(32.8)	(32.8)
Other operating gain or loss, net	34.9	(39.2)	(4.3)	31.0	34.8	65.8
Total operating income	2,516.3	8,928.7	11,445.0	2,089.3	8,908.6	10,997.9
Internal transfer of income and expense	3,085.9	(3,085.9)	–	3,390.3	(3,390.3)	–
Gain after adjustment	5,602.2	5,842.8	11,445.0	5,479.6	5,518.3	10,997.9

For the six months ended 30 June 2017, the gain of County Area segment after adjustment was RMB5,602 million. Net interest income of Country Area segment experienced fast growth, increasing by 28.74% over the previous year.

RISK MANAGEMENT

In the first half of 2017, guided by New Basel Capital Accord and the comprehensive risk management, the Group continued to improve risk management policies and tools, set risk limit, promoted the application of internal rating, regularly conducted pressure testing, carried out more proactive and prospective risk prevention and management, diversified information technology risk management tools, conducted self-inspection and strictly implemented the strict management of banking. During the Reporting Period, the Group has sufficient capital, with stable asset quality, sound liquidity, effective internal control, and constantly improved refinement level of risk management.

I. Credit Risk Management

Credit risks refer to the risk of economic loss arising from the failure of the borrower of the Bank or counter-party to a transaction to fulfill the corresponding responsibilities in compliance with contractual agreements due to various reasons.

Confronted with the macro-economic and financial environment in the first half of 2017, the Group earnestly implemented the macro-economic control policy of the country, focused on the overall objective of the “Three-Transformation” strategy, implemented the philosophy of “focusing on the basis, strengthening the management, adjusting the structure, controlling risks, making innovations and steady development” in a serious manner, and continued to optimise the regime credit risk management. The Bank facilitated, in a down-to-earth manner, the reform and innovation, implemented a differentiated authorization mechanism for credit granting, and set the guidelines for setting up credit in accordance with the year, continued to speed up the structural adjustment, strengthened the management and prevention of risks. It adjusted the credit policy timely and strengthened the risk management and control in key areas, especially in key industries and areas like local debts (the governmental financing platforms), the real estate sector, industries with high pollution, high energy consumption and excess capacity, with reference to both the macro changes and the trend of industry restructuring. The Group implemented the list management for the large risk clients and followed up the risk situation, carried out the post-loan management team system and the large-scale risk loan linkage management. It also reinforced its efforts in risk inspection and solution for the Group to actively identify and resolve potential risks. The greater efforts were made to terminate loans to customers with potential risks and to strongly clear, dispose and write off non-performing loans. The loan portfolio thus gradually improved and the functions and scope of applications of the credit business management system were optimised continuously, resulting in enhanced credit risk management on all fronts.

II. Liquidity Risk Management

Liquidity risk refers to the risk of inability in getting sufficient funds at reasonable costs in a timely manner to meet the liabilities due or other obligations for payments or other capital needs required for the conduction of normal business. The objective of liquidity risk management of the Group is to meet the liquidity needs of asset, liability and off-balance sheet activities and meet its payment obligation to external parties on a timely basis and to effectively balance fund profitability and security during the normal operation or at a highly stressed condition, through the development of a scientific and comprehensive liquidity risk management mechanism and the implementation of effective identification, measurement, monitoring and reporting measures on liquidity risk.

Management Discussion and Analysis

The Asset and Liability Management Commission of the Group is responsible for establishing policies and strategies relating to the Group's overall management of liquidity risk. The Risk Management Department and the Financial Planning Department of the Group are responsible for implementing the liquidity risk management policies and strategies, monitoring and evaluating the liquidity risks. Each business line cooperated with each other in active engagement in liquidity management.

In the first half of 2017, the Group insisted on the business ideology of prudence and compliance, prioritised asset safety and mobility in its operation and adopted a series of measures to improve its asset and liability structure. By formulating the work opinions of liquidity risk management in 2017, the Group continued to promote the implementation of liquidity risk quota management, strengthened the management of liquidity risks, and steadily promoted the establishment of the liquidity risk management information system to facilitate the refined management.

The Group, leveraging on its unremitting efforts in strengthening liquidity monitoring and forecast as well as the application of the FTP, a system for internal fund transfer pricing, had improved the management of internal fund allocation under the system. The Group carried out liquidity pressure tests regularly to examine the ability of the Group to withstand risks under extreme pressure. The results showed that the management of liquidity risks under pressure, though more difficult, was controllable.

Liquidity Risk Analysis

In the first half of 2017, despite prudent monetary policies, continuous introduction of tighter regulation and de-leveraging policies, stricter MPA assessment, upward adjustment of interest rate by the FED and balance sheet shrinking, resulting in possible tightened liquidity, the central bank introduced a series of stabilization policies to ensure adequate liquidity in the banking system and maintain overall stability of market liquidity. The Bank actively managed provisions, increased the excess reserve ratio and strictly complied with the liquidity quota management mechanism and therefore, its liquidity was improved.

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. At the end of June 2017, the liquidity gap analysis of the Group by remaining maturity is as follows:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017							Total
	Past due/Undated	On demand	1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Net position of assets and liabilities	<u>89,552.0</u>	<u>(231,418.8)</u>	<u>5,238.3</u>	<u>(3,085.9)</u>	<u>(15,469.7)</u>	<u>114,540.6</u>	<u>94,762.3</u>	<u>54,118.8</u>

The Group measured and disclosed its liquidity coverage ratio in accordance with the relevant requirements of Methods for Liquidity Risk Management in Commercial Banks (Provisional) (《商業銀行流動性風險管理辦法(試行)》) issued by the CBRC. As at the end of June 2017, the liquidity coverage ratio of the Group is as follows:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017
Qualified and high-quality current assets	52,057.53
Net cash outflows in future 30 days	37,532.97
Liquidity coverage (%)	<u>138.70</u>

III. Market Risk Management

Market risk refers to the risk of losses from on-balance-sheet and off-balance-sheet businesses of the Group arising from adverse changes in the market price (such as interest rate, exchange rate, stock price and commodity price, etc.).

The Group manages its interest rate risk and exchange rate risk in accordance with the requirements of the Guidelines of Market Risk Management of Commercial Banks (《商業銀行市場風險管理指引》), the Guidelines of Internal Control of Commercial Banks (《商業銀行內部控制指引》) and the Guidelines for Stress Testing of Commercial Banks (《商業銀行壓力測試指引》) promulgated by the CBRC and with reference to the relevant provisions in the “New Basel Capital Accord”. The Group has also formulated a management system for market risk through regulations, monitoring, reporting and other measures to govern authorisation, credit extension and limit of risks.

Interest Rate Risk Analysis

Interest rate risk is the major market risk faced by the bank accounts. The Group measures 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 2017, the monetary market maintained a tight balance, and the terminal interest rate experienced increased. On the other hand, the tightly balanced capital market and financial deleveraging led to a flat upward trend in bond yield. The fading expectation on strengthening of market regulation and the weaker-than-expected economic data eased the nerves of institution, leading to decrease in bond yield. In response to the complex market situation, the Group kept a close eye on the changes in macro monetary policy and domestic and foreign financial markets. By applying the FTP internal fund transfer pricing system properly, the Group further improved the management of interest rate pricing, duly adjusted the pricing of funds and effectively controlled the fall of interest rates for loans and interest costs for deposits with a view to improving the proactiveness of risk management and ensuring the sustained growth in the revenue and market value of the Group.

Management Discussion and Analysis

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2017						Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Interest rate gap	<u>(100,545.5)</u>	<u>12,383.4</u>	<u>107,479.3</u>	<u>25,801.7</u>	<u>5,441.3</u>	<u>3,558.6</u>	<u>54,118.8</u>

As at 30 June 2017, the Group's accumulated interest rate gaps for all maturities amounted to RMB54,119 million, representing an increase of RMB2,451 million from the end of the previous year.

Exchange Rate Risk Analysis

Exchange rate risk primarily results from mismatches in the currency denomination of the Group's assets and liabilities and currency position mismatches caused by currency mismatched between capitals and foreign currency transactions. The Group mainly adopts foreign exchange exposure analysis, sensitivity analysis and other means to measure exchange rate risk. The Group is mainly engaged in the Renminbi business with certain transactions related to US dollars and HK dollars but seldom conducts transactions in other currencies. Transactions in foreign currencies are mainly the Group's business of agency sale and purchase of foreign exchange.

In the first half of 2017, the PRC's economy and financial market maintained overall stable operation with reasonable economic growth rate. The world economy continued the in-depth adjustment after the global financial crisis, and the international financial market was still exposed to potential risks. Under such circumstance, the PRC further facilitated the systematic reform of RMB exchange rate to maintain the RMB exchange rate at a reasonable and balanced level. The Group strengthened its management capability of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilisation of foreign exchange capital reasonably. It also actively explored the usage of financial instruments for exchange rate to hedge against exchange rate risk.

IV. Operational Risk Management

Operational risk refers to the risk of loss resulting from incompleteness or faults in internal procedures, human error and system failure, or external events. The operational risk of the Group mainly comprises internal and external risks. Internal risks mainly include risks arising from errors made by the personnel, inappropriate procedures and operation flow, and failure of IT system. External risks include risks arising from external contingencies.

In the first half of 2017, the Group strengthened the internal management in the comprehensive risk management system according to the New Basle Capital Accord, implemented effective control measures in the important risk areas and continuously enhanced its prevention and control over operational risks. Firstly, the Group strengthened daily risk management by strengthening the analysis and identification of risk exposure in the process of business management activities through carrying out the “year of consolidating the management of employees’ behaviour”, annual risk case examination and other activities to strengthen the long-term mechanism of rectification. The Group also organized and carried out various special inspection on accounting business, counter operation and seal management, continuously monitored the practices and took measures to mitigate and control the risks. Secondly, the business continuity management was implemented in a stable manner. We formulated the drill plan for business continuity of the Bank for the year, formulated the emergency plan for the launch of new generation core system, reviewed and recorded the business emergency plans submitted by different departments, and comprehensively improved the business continuity management system. Thirdly, the Group facilitated the risk management of information technology. The Group engaged professional institutions to conduct risk assessment on the new generation core system before the implementation to ensure safe operation. It also gradually issued the list of non-functional requirements and inspection plan for information security and diversified the risk identification and management tools. In addition, the Group established an information technology risk monitoring indicator system to collect indicator information on a quarterly basis and analyze the risk trend. Fourthly, the Group organized all departments to implement regular monitoring and management of operation risks, designed and determined the key risk monitoring indicators for different business management activities, and gradually implemented the operation risk monitoring and analysis mechanism within the Bank. Fifthly, the Group improved the systematic assessment mechanism, strengthened the approving procedures for innovative products, fully reviewed the compliance, applicability and operability of the system, carried out self-inspection of internal control system and followed up based on the system assessment results, thereby directing and facilitating the overall enhancement of the quality of the Bank’s internal control system.

V. Implementation of New Basel Capital Accord

The Group further promoted the establishment of new capital accord in accordance with the requirements of regulatory authorities. In the first half of 2017, the Group completed the annual update on the internal rating of non-retailing sector, and continued to promote the application of internal assessment. The implementation of limited amount for single account based on non-retailing internal rating provided quantitative tool for credit facility approval. The non-retailing internal rating analysis report was prepared to provide comprehensive quantitative analysis on the Bank's credit risk through the analysis on the distribution and change of ratings from different perspectives such as industries, regions, institutions and products. The Group continuously carried out model verification monitoring to ensure the normal operation of internal rating system. The Group facilitated the establishment of retail auto credit granting and internal rating system to gradually implement the combined management of retail business; facilitated the construction of risk data collection and completed the construction target of phase one, which provided a platform for the subsequently risk statistical analysis and various risk applications; and facilitated the construction of risk-weighted assets (RWA) system to enable an automated measurement of RWA and the function of capital planning and RWA planning and management, thereby providing an effective tool for enhancing the capital management ability of the Bank.

VI. Anti-money Laundering

In the first half of 2017, the Bank adhered to the philosophy of risk orientation, diligently performed the responsibility and obligation of anti-money laundering, and enhance the work efficiency in a practical manner based on the "Order No.3" issued by the People's Bank of China. During the Reporting Period, the Bank formulated annual working opinions and facilitated the implementation of various tasks based on relevant plans; established the mechanism for assessment of money laundering risks of the products covering all business sectors, and amended and improved the measures for reporting and management of significant and suspicious transactions; received the on-site supervision and guidance on anti-money laundering performed by the Chongqing Operation Management Department of the People's Bank of China; diligently carried out anti-money laundering classification and self-assessment, actively cooperated with the People's Bank of China on anti-money laundering administrative investigation, and submitted true, complete and accurate working information in strict accordance with relevant regulatory requirements; conducted review on suspicious cases and special inspection on reporting, and effectively improved the quality of report on suspicious transactions; actively facilitated the implementation of the "Order No.3", formulated schedule, identified the responsible departments, optimized the functions of anti-laundering system and ensured the timely implementation of new policies; continuously improved the suspicious funding monitoring indicator and model, and enhanced the ability in anti-money laundering monitoring and warning; convened two joint task meetings, issued three working contact lists and four Risk Notices, submitted eight working status report to prevent money laundering risk in a practical manner; continuously carried out various anti-money laundering promotions, organized serial promotion activities based on the "3.15" World Consumers Rights Day to create a positive environment for anti-money laundering works; a total of 6,899 staff of the Bank participated in various on-site and distant learning and training programs to improve their business quality and skills, which effectively facilitated the enhancement of the Bank's anti-money laundering efficiency and the implementation of the anti-money laundering internal control system.

INTERNAL AUDIT

The Group has established an independent and objective internal audit system. The Group has an Audit Committee under the Board of Directors. The Audit Committee is accountable to the Board of Directors, and organizes and guides the internal audit work of the Bank based on the authorisation of the Board of Directors. The internal audit department is accountable to the Board of Directors and the Audit Committee, and reports the audit work to the Board of Directors, Board of Supervisors and senior management regularly, as well as, reports any significant circumstances on a timely basis. The headquarter, branches and sub-branches have set up an internal audit department respectively. The internal audit departments of branches and sub-branches are operated under a dual leadership system; while the internal audit department of the headquarter can deploy and utilize the internal audit personnel of branches and sub-branches centrally, and arranged the audit work of the internal audit departments of branches and sub-branches. The Bank's controlled village and township banks and financial leasing companies employed full-time audit personnel. Through inspection and evaluation, the internal audit department continued to improve risk management, internal controls and corporate governance, so as to facilitate the achievement of corporate goals.

During the Reporting Period, in accordance with the Group's strategic goal, the internal audit department continuously improved the audit system and accelerated the transformation of internal audit and technological innovation. The department organized self-inspection of "Three Kinds of Violation", "Three Types of Arbitrage", "Four Types of Improper Behavior", and "banking chaos control" etc. The department adhered to the risk-oriented and issue-focused approaches, with the use of systematic and standardized audit methods, with an emphasis on prevention of major risks such as risks in cases and credit risks, to carry out evaluation of internal control, operation objective audit, investigation into criminal risks, comprehensive audit, economic responsibility audit and other projects. The department conducted specific audit investigation on wealth management business, information safety, credit risks, off-balance business, collateral management, security force, outsourcing business, reputation risk, operational risk, anti-laundering, business continuity, derivatives, consumer right protection and three-lines of defence as well as special check specialised branches for small and micro enterprises; propelled the construction of long-term rectification mechanism and conducted subsequent audit investigation on internet finance, international business, credit card business, agency and channel business. Greater efforts were devoted to the consolidated supervision and regulation. The department carried out internal control assessments and operation objective audit. The department enhanced the review on audit quality, strengthened the control of the audit process and improved the quality and effect of audit projects. The department continued to optimize the audit information system, to improve the support for field audit and to increase the informationisation level of audit. It also pushed forward the professionalism and competence of auditors. The bottom line of risks was kept. It played a supervisory and value-added role on audit, which effectively improved the overall internal control of the Group, whereby promoting the sustainable and stable development of all businesses.

OUTLOOK

In the first half of 2017, recovery of the world economy improved continuously. The economic growth of the developed economies recovered to a steady state that the economy in the US, eurozone and Japan generally improved, while China and India kept leading growth in the emerging economies. However, the recovery of the world economy was not balance and the strong structural growth has not yet appeared. There are still many risks and uncertainties. In the first half of 2017, the GDP in China grew year-on-year by 6.9%, the overall economic development was in a good pattern in steady growth, good employment, stable prices and improving international balance of payments and the stability of economic growth has enhanced significantly. In the second half of the year, the economic growth will continue with the layout of cyclical stability as seen in the first half of the year, and ultimately achieved the expected full year growth targets.

The performance of the Group in the first half of 2017 with respect to different division was strong as a whole, leading to steady development in asset scale, overall stability in asset quality and ongoing stability in profitability. In the second half of the year. The Group will enhance the analysis of macroeconomic situation, fully understand the potential impact of complicated environment, follow the target set by directors, actively cope with challenges, establish the strategy of “Three- Transformation”, adhere to the basis of seeking progress while maintaining stability and achieving sound development, adhere to the risk bottom line, increase management level, accelerate the listing on A share market, practically prevent financial risks, so as to complete the whole year’s task.

Changes in Share Capital and Particulars of Shareholders

MOVEMENT IN SHARES

Unit: share, %

	1 January 2017		Increase/(decrease) +/- during the Reporting Period						30 June 2017	
	Number of shares	Percentage	Private placement	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
(I) Shares not subject to trading restrictions										
1. Non-overseas listed shares held by legal persons	5,225,048,559	56.18	-	-	-	-	-	-	5,225,048,559	56.18
Including: ① Shares held by state-owned legal person shareholders ¹	2,109,362,459	22.68	-	-	-	-	2,500,000	2,500,000	2,111,862,459	22.71
② Share held by private legal person shareholders	3,115,686,100	33.50	-	-	-	-	(2,500,000)	(2,500,000)	3,113,186,100	33.48
2. Non-overseas listed shares held by natural persons	1,561,615,400	16.79	-	-	-	-	-	-	1,561,615,400	16.79
Including: ① Shares held by natural persons who are employees	151,953,910	1.63	-	-	-	-	27,800	27,800	151,981,710	1.63
② Shares held by natural persons other than employees	1,408,547,305	15.15	-	-	-	-	(12,170)	(12,170)	1,408,535,135	15.15
③ Shares held by shareholders without affirmed ownership ²	1,114,185	0.01	-	-	-	-	(15,630)	(15,630)	1,098,555	0.01
3. Overseas listed foreign shares	2,513,336,041	27.03	-	-	-	-	-	-	2,513,336,041	27.03
(II) Total number of shares	9,300,000,000	100.00	-	-	-	-	-	-	9,300,000,000	100.00

Note:

- Shareholding of state-owned legal person refers to non-overseas listed shares of the Bank held by 14 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司).
- During the Reporting Period, Chongqing Liangjiang Holiday Hotel Management Co., Ltd., a state-owned legal person, was granted 2,500,000 non-overseas listed shares held by legal person shareholder of the Bank, which was originally private owned. The number of state-owned legal person shareholders of the Bank increased to 14.
- Shareholders without affirmed ownership refer to untraceable shareholders of the Bank. Share interests held by them are shares of the former rural credit cooperatives, and they have not affirmed their ownership in the shares of the Bank. (Note: During the Reporting Period, 15,630 shares held at the time of the former rural credit cooperatives have their ownership affirmed in the shares of the Bank, whereby leaving 1,098,555 shares held by shareholders without affirmed ownership).

Changes in Share Capital and Particulars of Shareholders

ISSUE, PURCHASE, SALE AND REDEMPTION OF SECURITIES

Neither the Bank nor its subsidiaries had purchased, sold or redeemed any securities of the Bank during the Reporting Period.

ISSUED BONDS

During the Reporting Period, there had not been any default by the Bank in respect of repayment of the principal and interests of the RMB5 billion callable tier 2 capital bonds issued on 19 June 2014 in the PRC inter-bank bond market or any matters in connection therewith; there had not been any default by the Bank in respect of repayment of the principal and interests of the RMB4 billion callable tier 2 capital bonds issued on 7 December 2016 in the PRC inter-bank bond market or any matters in connection therewith.

PARTICULARS OF SHAREHOLDINGS

As at the end of the Reporting Period, the Bank had a total of 9,300,000,000 shares, comprising 6,786,663,959 non-overseas listed shares and 2,513,336,041 overseas listed H shares.

PARTICULARS OF SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF NON-OVERSEAS LISTED SHARES

Unit: share, %

No.	Name of shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage	Numbers of shares pledged	Type of share
01	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	state-owned	629,304,418	6.77	–	Non-overseas listed shares
02	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	state-owned	621,435,221	6.68	–	Non-overseas listed shares
03	Loncin Holding Co., Ltd. (隆鑫控股有限公司)	private enterprise	570,000,000	6.13	470,000,000	Non-overseas listed shares
04	Chongqing Casin Group Co., Ltd (重慶財信企業集團有限公司)	private enterprise	443,100,000	4.76	221,500,000	Non-overseas listed shares
05	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	state-owned	423,431,972	4.55	–	Non-overseas listed shares
06	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	private enterprise	300,000,000	3.23	149,900,000	Non-overseas listed shares
07	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	private enterprise	200,000,000	2.15	–	Non-overseas listed shares
08	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	private enterprise	150,000,000	1.61	120,000,000	Non-overseas listed shares
09	Jiangsu Huaxi Group Corporation Limited (江蘇華西集團有限公司)	private enterprise	150,000,000	1.61	120,000,000	Non-overseas listed shares
10	Chongqing Wate Group Co., Ltd (重慶水務集團股份有限公司)	state-owned	125,000,000	1.34	–	Non-overseas listed shares
	Total		3,612,271,611	38.84	1,081,400,000	

Changes in Share Capital and Particulars of Shareholders

Note:

- As at 30 June 2017, the aforesaid shareholding percentage of non-overseas listed shares is based on the total share capital of the Bank of RMB9.3 billion;
- Jiangsu Huaxi Group Corporation has changed its name as Jiangsu Huaxi Group Corporation Limited.
- During the Reporting Period, 16,000 thousand shares and 12,000 thousand shares of the non-overseas listed shares of the Bank are involved in judicial freezing and judicial sales respectively, representing 0.17% and 0.13% of the total share capital of the Bank, respectively.

SUBSTANTIAL INTERESTS AND SHORT POSITIONS

As at the end of the Reporting Period, to the knowledge of the Bank, the interests and short positions of substantial shareholders other than directors and supervisors (within the meaning of the SFO of Hong Kong) in the shares and underlying shares of the Bank as recorded in the register required to be kept under section 336 of the SFO of Hong Kong were as follows:

Domestic Shares

		<i>Unit: share, %</i>		
Name of shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	629,304,418	9.27	6.77
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	621,435,221	9.16	6.68
Loncin Holding Co., Ltd (隆鑫控股有限公司)	Beneficial Owner	570,000,000	8.40	6.13
Chongqing Casin Group Co., Ltd (重慶財信企業集團有限公司)	Beneficial Owner	443,100,000	6.53	4.76
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Beneficial Owner	423,431,972	6.24	4.55

Changes in Share Capital and Particulars of Shareholders

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Blackrock, Inc.	Interest of controlled corporations	353,769,022(L)	14.08(L)	3.80
BlackRock Global Funds	Beneficial Owner	177,899,000(L)	7.08(L)	1.91

Note: (L) – Long position

MAJOR SHAREHOLDERS OF THE BANK

At the end of the Reporting Period, Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Loncin Holdings Co., Ltd. (隆鑫控股有限公司) held 629,304,418 shares, 621,435,221 shares and 570,000,000 shares of the Bank respectively, representing 6.77%, 6.68% and 6.13% of total share capital of the Bank respectively, and are major shareholders of the Bank.

Except for the aforesaid shareholders, there were no other legal person shareholders holding 5% or more of the total share capital of the Bank, nor were there any other employees or natural persons other than employees holding 5% or more of the shares of the Bank.

Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (formerly known as “Chongqing Yufu Assets Management Company Limited” (重慶渝富資產經營管理有限公司)), which was established on 27 February 2004, is a solely state-owned comprehensive assets operation and management company organised under the approval of Chongqing Municipal Government. It was under supervision of Chongqing State-owned Assets Supervision and Administration Commission as a municipal state-owned key enterprise. Under the approval of the Administration for Industry and Commerce of Chongqing, it was renamed as its current name on 28 June 2011. On 25 August 2016, the type of this company was changed to sole proprietorship, and its investor was Chongqing Yufu Holding Group Co., Ltd (重慶渝富控股集團有限公司). It currently has a registered capital of RMB10 billion.

Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) (formerly known as Chongqing City Construction Investment Company (重慶市城市建設投資公司)) is a solely state-owned enterprise established under the approval of Chongqing Municipal Government on 26 February 1993 and authorised to raise and manage capital for city construction. Under the approval of the Administration for Industry and Commerce of Chongqing, it was renamed as its current name on 7 January 2011, with a current registered capital of RMB20 billion.

Changes in Share Capital and Particulars of Shareholders

Loncin Holding Co., Ltd (隆鑫控股有限公司) is a key private enterprise in Chongqing city. It was established on 22 January 2003 and currently has a registered capital of RMB1 billion. It has been listed among “Top 500 Chinese Enterprises”.

As at the end of the Reporting Period, there were no substantial shareholders holding 10% or more of the shares (as defined under the Listing Rules) of the Bank.

DIRECTORS’, SUPERVISORS’ AND THE CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK

As at the end of the Reporting Period, the interests or short positions of the directors, supervisors and the chief executive of the Bank or their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Zuo Ruilan	Beneficial Owner	11,900	0.00017	0.00013
Zhu Yuzhou	Beneficial Owner	37,600	0.00055	0.00040

Other than as disclosed above, none of the directors, supervisors and the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations during the Reporting Period.

Directors, Supervisors and Senior Management

DIRECTORS OF THE BANK

As at the end of the Reporting Period, the Board of Directors comprised a total of eleven directors, including two executive directors, namely Mr. Liu Jianzhong (Chairman of the Board of Directors and Secretary to the Party Committee) and Mr. Xie Wenhui (President and Deputy Secretary to the Party Committee); five non-executive directors, namely Mr. He Zhiming, Mr. Sun Lida, Mr. Duan Xiaohua, Ms. Chen Xiaoyan and Mr. Wen Honghai; and four independent non-executive directors, namely, Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting and Mr. Cao Guohua.

On 5 May 2017, the Bank convened the 2016 AGM and elected Mr. Chen Jianwei, Mr. Lai Shengping, Mr. Luo Yuxing as non-executive Directors and Mr. Song Qinghua as an independent non-executive Director, all of which to take effect upon the approval of his qualification by banking regulatory authority of China.

On 23 August 2017, the Board of Directors has been notified by its shareholder, Chongqing Water Group Co., Ltd. (“Chongqing Water”), that Mr. Lai Shengping (“Mr. Lai”) has resigned from the position of vice president of Chongqing Water with effect from 10 August 2017 due to other work commitments. As such, Chongqing Water will not nominate Mr. Lai as a candidate for the non-executive director of the Bank. The Bank will also not make application to the banking regulatory authorities of the PRC for the qualification approval of non-executive director of the Bank for Mr. Lai. Accordingly, Mr. Lai will not serve as the non-executive director of the Bank. For details, please refer to the announcement of the Bank dated on 23 August 2017.

SUPERVISORS OF THE BANK

As at the end of the Reporting Period, the Board of Supervisors comprised a total of eight supervisors, including two shareholder representative supervisors, namely Mr. Zeng Jianwu and Ms. Zuo Ruilan; three external supervisors, namely Mr. Wang Hong, Mr. Pan Like and Mr. Hu Shuchun; and three employee representative supervisors, namely Ms. Ni Yuemin (Chairwoman of the Board of Supervisors), Mr. Zheng Yi and Mr. Zhu Yuzhou.

SENIOR MANAGEMENT OF THE BANK

On 12 January 2017, the Bank received the approval document from China Banking Regulatory Commission Chongqing Regulatory Bureau, which approved the qualification of Mr. Zhang Peizong and Mr. Gao Song as the Vice President of the Bank.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted a code of conduct regarding securities transactions by directors and supervisors and relevant employees no less exacting than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors of the Bank confirmed that they have complied with the aforesaid code throughout the six months ended 30 June 2017.

Major Events

CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to refine its corporate governance mechanism and improved its corporate governance in strict compliance with laws and regulations such as the Company Law of the PRC, the Commercial Banking Law of the PRC as well as the Listing Rules and in line with actual conditions of the Bank.

For the six months ended 30 June 2017, the Bank had been observing and complying with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Meanwhile, the Bank had been complying with most of the recommended best practices set out in the aforementioned code.

IMPLEMENTATION OF DIVIDENDS DISTRIBUTION

Upon the approval of the 2016 AGM of the Bank, the Bank distributed final cash dividends for 2016 on 27 June 2017 of RMB0.20/HK\$0.225783 per share (tax inclusive) and RMB1,860 million (tax inclusive) in aggregate to the holders of H shares and the holders of domestic shares whose names appeared on the register of members of the Bank as at 16 May 2017.

The Bank did not declare on interim dividend in 2017 (2016: Nil).

MATERIAL RELATED PARTY TRANSACTIONS

As at the end of the Reporting Period, the loan balance of material related party transactions with related parties amounted to 13,007 million, accounting for 4.02% of the total loans of the Bank. Loans under the material related party transactions between the Bank and related parties had no negative impact on operating results and the financial position of the Bank.

MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

During the Reporting Period, there were no material legal proceedings or arbitrations which had substantial impact on the operating activities of the Bank.

As at the end of the Reporting Period, pending legal proceedings in which the Bank was involved as a defendant or a third party amounted to RMB18,460 thousand. In the opinion of the Bank, it would not have any material impact on the Bank's operating activities.

PENALTIES IMPOSED ON THE BANK AND DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

During the Reporting Period, the Bank, and all directors, the supervisors and the senior management were not subject to any investigation, administrative penalty or public criticism by the China Securities Regulatory Commission (the "CSRC"), or any public censure by Hong Kong Stock Exchange, or any punishment by any other regulatory authorities which would have a material impact on the Bank's operations.

Major Events

PERFORMANCE OF UNDERTAKINGS BY THE BANK AND SHAREHOLDERS HOLDING 5% OR MORE OF THE SHARES

During the Reporting Period, neither the Bank nor the shareholders holding 5% or more of the total shares in issue of the Bank gave any undertakings.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the Reporting Period, the Bank had not entered into any material contracts nor performed such contracts.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

During the Reporting Period, the Bank had no material acquisition and disposal of assets and merger of enterprises.

MAJOR CAPITAL OPERATION

The resolutions regarding the Bank's A Share initial public offering and listing were considered and approved at the Bank's 2015 AGM, and the Bank has been making progress in this respect in an orderly manner.

On 23 August 2017, the Bank entered into a subscription agreement with Chongqing Yufu Assets Management Group Company Limited, Chongqing City Construction Investment (Group) Company Limited and Chongqing Transport and Travel Investment Group Company Limited (collectively referred to as the "Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe for and the Bank has conditionally agreed to conduct the directional additional issuance of 700,000,000 Domestic Shares at the Subscription Price of RMB5.75 per share. The Subscription Shares are 700,000,000 new Domestic Shares to be issued pursuant to the Specific Mandate and the Subscription Agreement. The closing of this subscription is conditional upon the fulfillment or waiver of the condition that the Chongqing Office of the China Banking Regulatory Commission has approved the directional additional issuance and the subscription. For details, please refer to the announcement of the Bank dated on 23 August 2017.

SUBSEQUENT EVENTS

On 23 August 2017, the Board of Directors has been notified by its shareholder, Chongqing Water Group Co., Ltd. ("Chongqing Water"), that Mr. Lai Shengping ("Mr. Lai") has resigned from the position of vice president of Chongqing Water with effect from 10 August 2017 due to other work commitments. As such, Chongqing Water will not nominate Mr. Lai as a candidate for the non-executive director of the Bank. The Bank will also not make application to the banking regulatory authorities of the PRC for the qualification approval of non-executive director of the Bank for Mr. Lai. Accordingly, Mr. Lai will not serve as the non-executive director of the Bank. For details, please refer to the announcement of the Bank dated on 23 August 2017.

On 23 August 2017, the Bank entered into a subscription agreement with Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for and the Bank has conditionally agreed to conduct the directional additional issuance of 700,000,000 Domestic Shares at the Subscription Price of RMB5.75 per share. The Subscription Shares are 700,000,000 new Domestic Shares to be issued pursuant to the Specific Mandate and the Subscription Agreement. The closing of this subscription is conditional upon the fulfillment or waiver of the condition that the Chongqing Office of the China Banking Regulatory Commission has approved the directional additional issuance and the subscription. For details, please refer to the announcement of the Bank dated on 23 August 2017.

As of the reporting date, other than as disclosed above, the Bank had no other material subsequent event.

THE REVIEW

The Bank's interim condensed consolidated financial information for the six months ended 30 June 2017 prepared in accordance with International Financial Reporting Standards had been reviewed by PricewaterhouseCoopers, who had issued an unqualified review opinion.

The Bank's interim report for the six months ended 30 June 2017 had been reviewed by the Audit Committee under the Board of Directors of the Bank and the Board of Directors.

Report on Review of Interim Financial Information

To the board of Directors of Chongqing Rural Commercial Bank Co., Ltd.

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 81 to 142, which comprises the condensed consolidated statement of financial position of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

30 August 2017

Condensed Consolidated Statement of Income

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Interest income	5	18,359,943	16,472,075
Interest expense	5	(8,089,040)	(6,685,318)
Net interest income		<u>10,270,903</u>	<u>9,786,757</u>
Fee and commission income	6	1,202,463	1,220,568
Fee and commission expense	6	(47,256)	(42,492)
Net fee and commission income		<u>1,155,207</u>	<u>1,178,076</u>
Net trading gain/(loss)	7	23,186	(32,768)
Other operating income, net	8	(4,280)	65,817
Operating income		<u>11,445,016</u>	<u>10,997,882</u>
Operating expenses	9	(3,686,811)	(4,140,119)
Impairment loss on assets	10	(1,613,018)	(1,300,374)
Net gain on disposal of available-for-sale financial assets		68	64,760
Net gain on disposal of debt securities classified as receivables		13	36,187
Profit before tax		6,145,268	5,658,336
Income tax expense	11	(1,511,179)	(1,452,380)
Profit for the period		<u>4,634,089</u>	<u>4,205,956</u>
Attributable to:			
Shareholders of the Bank		4,594,073	4,175,292
Non-controlling interests		40,016	30,664
		<u>4,634,089</u>	<u>4,205,956</u>
Earnings per share (Expressed in Renminbi ("RMB") Yuan per share)			
– Basic/Diluted	12	<u>0.49</u>	<u>0.45</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Profit for the period	4,634,089	4,205,956
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
– Actuarial gain on defined benefit plans	156,330	30
– Income tax relating to actuarial gain	(39,083)	(8)
	<u>117,247</u>	<u>22</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale financial assets		
– fair value gain for the period	148,271	224,064
– amount reclassified to profit or loss upon disposal	(68)	(64,760)
Income tax relating to available-for-sale financial assets	(37,051)	(39,826)
	<u>111,152</u>	<u>119,478</u>
Other comprehensive income for the period (net of tax)	<u>228,339</u>	<u>119,500</u>
Total comprehensive income for the period	<u>4,862,488</u>	<u>4,325,456</u>
Total comprehensive income attributable to:		
Shareholders of the Bank	4,822,472	4,294,792
Non-controlling interests	<u>40,016</u>	<u>30,664</u>
Total comprehensive income for the period	<u>4,862,488</u>	<u>4,325,456</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

		30 June 2017 (Unaudited)	31 December 2016 (Audited)
	NOTE		
ASSETS			
Cash and balances with central bank	14	101,026,751	85,835,992
Deposits with banks and other financial institutions	15	41,892,151	34,582,759
Placements with banks and other financial institutions	16	94,705,214	112,571,397
Financial assets held for trading	17	925,600	3,511,939
Financial assets designated at fair value through profit or loss	18	–	1,009,400
Derivative financial assets	19	85,076	52,261
Financial assets held under resale agreements	20	3,205,750	3,699,871
Loans and advances to customers	21	310,395,719	288,116,411
Available-for-sale financial assets	22	147,826,397	90,141,757
Held-to-maturity investments	23	68,961,520	67,842,199
Investments classified as receivables	24	71,507,255	101,151,277
Property and equipment	25	5,092,968	5,198,481
Goodwill	26	440,129	440,129
Deferred tax assets	35	2,855,608	2,781,708
Other assets	27	6,506,210	6,222,151
Total assets		855,426,348	803,157,732
LIABILITIES			
Borrowings from central bank	28	30,419,640	24,954,500
Deposits from banks and other financial institutions	29	57,261,115	104,282,525
Placements from banks and other financial institutions	30	20,168,569	20,755,494
Derivative financial liabilities	19	38,073	52,211
Financial assets sold under repurchase agreements	31	11,322,072	8,965,463
Deposits from customers	32	569,676,668	518,185,883
Accrued staff costs	33	4,119,069	4,682,378
Income tax payable		865,579	764,802
Debt securities issued	34	96,519,553	58,487,030
Other liabilities	36	7,892,174	7,837,609
Total liabilities		798,282,512	748,967,895

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	30 June 2017 (Unaudited)	31 December 2016 (Audited)
EQUITY			
Share capital	37	9,300,000	9,300,000
Capital reserve	38	9,203,465	9,201,954
Investment revaluation reserve	39	164,371	53,219
Actuarial changes reserve		(196,187)	(313,434)
Surplus reserve	40	8,580,210	8,580,210
General reserve	41	10,726,344	9,473,893
Retained earnings		<u>17,779,000</u>	<u>16,297,378</u>
Equity attributable to shareholders of the Bank		55,557,203	52,593,220
Non-controlling interests		<u>1,586,633</u>	<u>1,596,617</u>
Total equity		<u>57,143,836</u>	<u>54,189,837</u>
Total equity and liabilities		<u>855,426,348</u>	<u>803,157,732</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

The condensed consolidated financial statements on pages 81 to 142 were approved and authorised for issue by the Board of Directors on 30 August 2017 and are signed on its behalf by:

LIU JIANZHONG

CHAIRMAN

XIE WENHUI

EXECUTIVE DIRECTOR AND PRESIDENT

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Bank								Non-Controlling Interests	Total	
	NOTE	Share capital	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings			Subtotal
As at 1 January 2017		9,300,000	9,201,954	53,219	(313,434)	8,580,210	9,473,893	16,297,378	52,593,220	1,596,617	54,189,837
Profit for the period		-	-	-	-	-	-	4,594,073	4,594,073	40,016	4,634,089
Other comprehensive income		-	-	111,152	117,247	-	-	-	228,399	-	228,399
Total comprehensive income for the period		-	-	111,152	117,247	-	-	4,594,073	4,822,472	40,016	4,862,488
Acquisition of additional interests of subsidiaries		-	1,511	-	-	-	-	-	1,511	(50,000)	(48,489)
Appropriation to general reserve	41	-	-	-	-	-	1,252,451	(1,252,451)	-	-	-
Dividend distribution	13	-	-	-	-	-	-	(1,860,000)	(1,860,000)	-	(1,860,000)
As at 30 June 2017 (Unaudited)		9,300,000	9,203,465	164,371	(196,187)	8,580,210	10,726,344	17,779,000	55,557,203	1,586,633	57,143,836
As at 1 January 2016		9,300,000	9,201,954	105,835	(111,729)	7,798,116	8,017,146	12,451,471	46,762,793	1,525,008	48,287,801
Profit for the period		-	-	-	-	-	-	4,175,292	4,175,292	30,664	4,205,956
Other comprehensive income		-	-	119,478	22	-	-	-	119,500	-	119,500
Total comprehensive income for the period		-	-	119,478	22	-	-	4,175,292	4,294,792	30,664	4,325,456
Contribution from non-controlling shareholders		-	-	-	-	-	-	-	-	20,000	20,000
Appropriation to general reserve	41	-	-	-	-	-	1,398,781	(1,398,781)	-	-	-
Dividend distribution	13	-	-	-	-	-	-	(1,860,000)	(1,860,000)	-	(1,860,000)
As at 30 June 2016 (Unaudited)		9,300,000	9,201,954	225,313	(111,707)	7,798,116	9,415,927	13,367,982	49,197,585	1,575,672	50,773,257

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Operating activities		
Profit before tax	6,145,268	5,658,336
Adjustments for:		
Depreciation and amortisation	371,431	333,008
Impairment loss on assets	1,613,018	1,300,374
Interest income arising from investment securities	(6,589,946)	(5,304,616)
Interest income arising from impaired financial assets	(31,527)	(35,805)
Interest expense arising from debt securities issued	1,685,861	604,071
Net gain on disposal of investment securities	(81)	(100,947)
Net gain on disposal of property and equipment	(8,410)	(2,555)
Net (gain)/loss on financial assets held for trading	(25,315)	20,560
Exchange loss/(gain)	40,183	(17,770)
Operating cash flows before movements in working capital	<u>3,200,482</u>	<u>2,454,656</u>
Increase in balances with central bank, deposits with banks and other financial institutions	(15,851,965)	(9,897,498)
(Increase)/Decrease in placements with banks and other financial institutions	(10,368,002)	1,004,229
Decrease in financial assets held under resale agreements	2,999,871	9,149,911
Decrease in financial assets held for trading	2,564,701	1,226,040
Increase in loans and advances to customers	(23,604,597)	(30,633,102)
Decrease in financial assets designated at fair value through profit or loss	1,009,400	1,900,300
Increase/(Decrease) in financial assets sold under repurchase agreements	2,356,609	(22,869,867)
Increase in deposits from customers, deposits from banks and other financial institutions	4,469,375	39,295,147
Increase in borrowings from central bank	5,465,140	14,104,590
(Decrease)/Increase in placements from banks and other financial institutions	(586,925)	5,532,977
Decrease in other operating assets	325,809	763,327
Decrease in other operating liabilities	(918,013)	(1,016,464)
Cash (used)/generated by operating activities	(28,938,115)	11,014,246
Income tax paid	(1,560,435)	(1,698,301)
Net cash (used)/generated by operating activities	<u>(30,498,550)</u>	<u>9,315,945</u>

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Investing activities			
Cash received from disposal and redemption of investment securities		284,818,866	165,147,920
Interest income received from investment securities		6,874,432	5,475,046
Cash received from disposal of property and equipment and other assets		49,529	52,563
Cash paid for purchase of investment securities		(314,191,876)	(201,554,814)
Cash paid for purchase of property and equipment and other assets		(296,149)	(459,084)
Net cash used in investing activities		(22,745,198)	(31,338,369)
Financing activities			
Contribution from non-controlling shareholders		–	20,000
Debt securities issued		73,022,163	67,461,444
Dividends paid to shareholders of the Bank		(1,965,050)	(5,888)
Redemption of bonds issued		(36,440,000)	(51,930,000)
Interest paid on subordinated bonds issued		(319,000)	(319,000)
Acquisition of additional interests of subsidiaries		(48,489)	–
Net cash from financing activities		34,249,624	15,226,556
Net decrease in cash and cash equivalents		(18,994,124)	(6,795,868)
Cash and cash equivalents as at 1 January		69,664,471	83,209,705
Effect of foreign exchange rate changes		(86,125)	44,065
Cash and cash equivalents as at 30 June	42	<u>50,584,222</u>	<u>76,457,902</u>
Net cash from operating activities include:			
Interest received		11,586,589	11,527,389
Interest paid		(7,877,336)	(7,741,027)
Net interest received from operating activities		<u>3,709,253</u>	<u>3,786,362</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

Chongqing Rural Commercial Bank Co., Ltd. (the “Bank”) is a joint-stock commercial bank incorporated in the People’s Republic of China (the “PRC”) on 27 June 2008. Prior to its incorporation, the business acquired by the Bank (the “Business”) was carried out by 38 rural credit cooperative unions and Chongqing Wulong Rural Cooperative Bank in Chongqing of the PRC (collectively, the “39 Rural Credit Unions”). All of them were managed by the Chongqing Rural Credit Cooperative Union (the “CRCCU”) at the municipal level of Chongqing, the PRC.

Pursuant to the promoters’ agreement among the promoters of the Bank, the Bank acquired all the assets and liabilities of the 39 Rural Credit Unions and the CRCCU on 27 June 2008, and the Business was transferred to the Bank.

The Bank was listed on The Stock Exchange of Hong Kong Limited on 16 December 2010.

The Bank has financial services certificate No. B0335H250000001 issued by the China Banking Regulatory Commission (the “CBRC”), and a corporate legal person business license with a unified social credit code 91500000676129728J issued by the Chongqing Administration of Industry and Commerce.

The principal activities of the Bank and its subsidiaries (together referred to as the “Group”) comprise the provision of banking services, which includes deposit taking, loan lending, payment and settlement services, financial leasing and other services as approved by the CBRC.

The condensed consolidated financial information is presented in Renminbi (“RMB”), which is also the functional currency of the Bank.

2. BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 (“IAS 34”) Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated financial information contains selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2016. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards. Therefore the condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Except for those described below, the accounting policies and methods of computation used in preparing the condensed consolidated financial information for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

New and revised IFRSs effective by 1 January 2017 adopted by the Group

Amendments to IAS 7	Cash flow statements: Amendments on Disclosure initiative	1 January 2017
Amendments to IAS 12	Income tax: Amendments on recognition of deferred tax assets for unrealized losses	1 January 2017

The application of these new and revised IFRSs do not have significant impacts on the Group's operating results, comprehensive income and financial position.

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

(1) IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The Group is now investigating and analysing on the business models of financial assets, key contract terms of loans and other financial assets, to assess the potential impacts on classification and measurement of its financial assets under IFRS 9.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, at this stage the Group does not expect to identify any new hedge relationships. It would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and so forth.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

(1) IFRS 9 *Financial Instruments* (Continued)

The Group is analysing the changes to its existing credit exposures to assess the potential impact on its consolidated financial statements resulting from the adoption of ECL model. The Group is also starting to carry out an assessment of the need for any system modification related to ECL model, updating financial instruments impairment policies and procedures as well as launching relevant staff training.

(2) IFRS 15 *Revenue from contracts with customers*

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

The Group does not expect the adoption of IFRS 15 to have a significant impact on consolidated financial statements of the Group.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

(3) IFRS 16 *Leases*

IFRS 16 was issued in May 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB233.8 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability 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.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(4) IFRS 17 *Insurance Contracts*

IFRS 17 "Insurance Contracts" was issued in May 2017, it will replace IFRS 4 and fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The Group is currently assessing the impact of IFRS 17 upon initial application.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

4. SUBSIDIARIES

As at 30 June 2017, details of the Bank's subsidiaries are set out below:

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital (Renminbi: million)	Proportion of equity interest (%)	Proportion of voting power in the board of directors (%)	Principal activities
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.	23 April 2010	Jiangsu	200	51.00	51.00	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.	12 November 2010	Sichuan	100	51.00	51.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd.	14 December 2010	Yunnan	200	51.00	51.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.	4 December 2012	Yunnan	100	51.00	51.00	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd.	9 January 2013	Yunnan	100	51.00	51.00	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.	9 January 2013	Guangxi	100	51.00	51.00	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd.	4 February 2013	Fujian	100	93.00	93.00	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd.	5 February 2013	Fujian	200	55.00	55.00	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.	23 April 2013	Yunnan	62	82.26	82.26	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd.	9 August 2013	Fujian	100	51.00	51.00	Banking
Fujian Shishi CQRC Village and Township Bank Co., Ltd.	2 September 2015	Fujian	200	51.00	51.00	Banking
Yunnan Xishan CQRC Village and Township Bank Co., Ltd.	5 January 2016	Yunnan	200	90.00	90.00	Banking
CQRC Financial Leasing Co., Ltd.	19 December 2014	Chongqing	2,500	68.00	68.00	Financial Leasing

During the six months ended 30 June 2017, the Bank has increased its proportion of equity interest and proportion of voting right in Fujian Shaxian CQRC Village and Township Bank Co., Ltd., and Fujian Fu'an CQRC Village and Township Bank Co., Ltd. to 93% and 55%, respectively.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET INTEREST INCOME

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Interest income		
Loans and advances to customers	8,040,189	7,746,941
Including: Corporate loans and advances	4,926,832	4,822,865
Personal loans and advances	2,898,170	2,794,587
Discounted bills	215,187	129,489
Available-for-sale financial assets	2,602,466	166,804
Investments classified as receivables	2,478,966	3,540,282
Placements with banks and other financial institutions	2,064,293	1,405,000
Held-to-maturity investments	1,508,514	1,597,530
Deposits with banks and other financial institutions	740,175	935,958
Balances with central bank	651,984	580,689
Financial assets held under resale agreements	185,955	379,424
Financial assets held for trading	60,325	46,212
Financial assets designated at fair value through profit or loss	27,076	73,235
Subtotal	<u>18,359,943</u>	<u>16,472,075</u>
Interest expense		
Deposits from customers	(4,275,309)	(4,221,142)
Debt securities issued	(1,685,861)	(604,071)
Deposits from banks and other financial institutions	(1,121,204)	(1,004,737)
Borrowings from central bank	(438,791)	(253,700)
Placements from banks and other financial institutions	(366,862)	(262,418)
Financial assets sold under repurchase agreements	(201,013)	(339,250)
Subtotal	<u>(8,089,040)</u>	<u>(6,685,318)</u>
Net interest income	<u>10,270,903</u>	<u>9,786,757</u>
Included: interest income on impaired financial assets (Note 21.(3))	<u>31,527</u>	<u>35,805</u>
Included in interest income		
Interest income on listed investments	2,529,478	2,735,126
Interest income on unlisted investments	<u>4,147,869</u>	<u>2,688,937</u>
Total	<u>6,677,347</u>	<u>5,424,063</u>

Listed investments include debt securities traded on the China Domestic Interbank Bond Market and stock exchanges.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Fee and commission income		
Wealth management fees	716,662	714,477
Bank card fees	162,957	211,642
Agency and custodian service commissions	190,538	154,118
Settlement and clearing fees	55,577	75,815
Collection and payment service fees	5,193	7,625
Others	71,536	56,891
Subtotal	<u>1,202,463</u>	<u>1,220,568</u>
Fee and commission expense		
Bank card fees	(18,660)	(28,806)
Settlement and clearing fees	(12,263)	(4,072)
Other service fees	(16,333)	(9,614)
Subtotal	<u>(47,256)</u>	<u>(42,492)</u>
Total	<u>1,155,207</u>	<u>1,178,076</u>

7. NET TRADING GAIN OR LOSS

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Net loss on held-for-trading financial assets	(23,767)	(32,781)
Net gain on derivatives	46,953	13
Total	<u>23,186</u>	<u>(32,768)</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

8. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Government subsidies	22,810	29,426
Net gain on disposal of property and equipment	8,410	2,555
Rental income	4,249	4,532
Exchange (loss)/gain	(40,183)	17,770
Others	434	11,534
Total	<u>(4,280)</u>	<u>65,817</u>

9. OPERATING EXPENSES

	NOTE	Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Staff costs	(1)	2,498,145	2,560,260
General operating and administrative expenses		549,948	544,659
Depreciation and amortisation		371,431	333,008
Tax and surcharges		72,263	551,311
Auditor's remuneration		1,614	1,585
Others		193,410	149,296
Total		<u>3,686,811</u>	<u>4,140,119</u>

(1) Staff costs

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Salaries, bonuses and allowances	1,804,933	1,636,334
Social insurance	384,636	368,984
Housing funds	148,275	161,165
Staff welfare	57,241	66,941
Labour union fees and staff education expenses	62,180	55,986
Supplementary retirement benefits (Note 33(1))	41,370	326,620
Early retirement benefits (Note 33(2))	(490)	(55,770)
Total	<u>2,498,145</u>	<u>2,560,260</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

10. IMPAIRMENT LOSS ON ASSETS

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Loans and advances to customers	1,251,665	1,194,480
Debt securities classified as receivables	374,726	142,897
Foreclosed assets	–	486
Held-to-maturity investments	(13,373)	(37,489)
Total	1,613,018	1,300,374

11. INCOME TAX EXPENSE

(1) Income tax expense

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	1,661,213	1,512,796
Deferred tax (Note 35)	(150,034)	(60,416)
Total	1,511,179	1,452,380

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the current and prior periods.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

11. INCOME TAX EXPENSE (Continued)

(2) Reconciliation between income tax expense and accounting profit:

The tax charges for the six months ended 30 June 2017 and 30 June 2016 can be reconciled to the profit before tax per the condensed consolidated statement of income as follows:

	Six months ended 30 June		
	NOTE	2017 (Unaudited)	2016 (Unaudited)
Profit before tax		<u>6,145,268</u>	<u>5,658,336</u>
Tax calculated at applicable statutory tax rate of 25%		1,536,317	1,414,584
Difference of income tax calculated at subsidiaries' applicable statutory tax rate of 15%		(15,671)	(12,321)
Tax effect of expenses not deductible for tax purpose		39,840	106,384
Tax effect of income not taxable for tax purpose	(i)	<u>(49,307)</u>	<u>(56,267)</u>
Income tax expense		<u>1,511,179</u>	<u>1,452,380</u>

- (i) Income not taxable for tax purpose mainly represents interest income arising from treasury bonds, railway bonds, rural microfinance, which is income tax free in accordance with the relevant PRC tax regulations.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

12. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Earnings:		
Profit for the period attributable to shareholders of the Bank	<u>4,594,073</u>	<u>4,175,292</u>
Numbers of shares:		
Weighted average number of shares in issue (<i>thousand</i>)	<u>9,300,000</u>	<u>9,300,000</u>
Basic and diluted earnings per share (<i>RMB Yuan</i>)	<u>0.49</u>	<u>0.45</u>

There were no potential dilutive ordinary shares outstanding during the current and prior periods. Accordingly, diluted earnings per share were same as basic earnings per share.

13. DIVIDENDS

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Dividends recognised as distribution during the period		
Year 2016 – RMB20 cents per share	1,860,000	–
Year 2015 – RMB20 cents per share	<u>–</u>	<u>1,860,000</u>

A dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2016, in total of RMB1,860 million, has been proposed by the board of directors on 17 March 2017, and was approved by the shareholders in the 2016 annual general meeting held on 5 May 2017.

A dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2015, in total of RMB1,860 million, has been proposed by the board of directors on 18 March 2016, and was approved by the shareholders in the 2015 annual general meeting held on 17 June 2016.

The Bank does not propose interim dividend for 2017.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

14. CASH AND BALANCES WITH CENTRAL BANK

		As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
	<i>NOTE</i>		
Cash		3,263,552	3,604,439
Mandatory reserve deposits with central bank	(1)	80,455,503	69,847,282
Surplus reserve deposits with central bank	(2)	15,260,587	10,549,341
Other deposits with central bank	(3)	<u>2,047,109</u>	<u>1,834,930</u>
Total		<u>101,026,751</u>	<u>85,835,992</u>

- (1) The Group places mandatory reserve deposits with the People's Bank of China (the "PBOC"). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group's daily operations.

As at 30 June 2017, mandatory reserve deposits with the PBOC were calculated at 14.5% (31 December 2016: 13.5%) of eligible RMB deposits for the Bank, while for the subsidiaries at 9%, 8% or 7% (31 December 2016: 9%, 8% or 7%); and 5% for foreign currency deposits from customers (31 December 2016: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits maintained with the PBOC are mainly for the purpose of clearing and position transferring.
- (3) Other deposits with central bank mainly represents the required fiscal deposits placed with the PBOC, which are non-interest bearing.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

15. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Deposits with:		
Domestic banks and other financial institutions	41,726,104	34,389,943
Overseas banks	<u>166,047</u>	<u>192,816</u>
Total	<u>41,892,151</u>	<u>34,582,759</u>

16. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Placements with:		
Other domestic financial institutions	77,546,074	75,965,999
Domestic banks	<u>17,159,140</u>	<u>36,605,398</u>
Total	<u>94,705,214</u>	<u>112,571,397</u>

17. FINANCIAL ASSETS HELD FOR TRADING

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Debt securities issued by:		
Interbank deposit certificates	635,088	2,236,909
Public sector and quasi-governments Corporations	<u>290,512</u>	<u>1,173,201</u>
	<u>—</u>	<u>101,829</u>
Total	<u>925,600</u>	<u>3,511,939</u>

All held-for-trading financial assets are traded on the China Interbank Bond Market.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

18. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Unlisted debt instruments issued by financial institutions	—	1,009,400

There were no significant changes in the fair value of the debt instruments that were attributable to changes in the credit risk during the six months ended 30 June 2017.

19. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 30 June 2017 (Unaudited)			As at 31 December 2016 (Audited)		
	Contract/ Nominal amount	Assets	Liabilities	Contract/ Nominal amount	Assets	Liabilities
Currency forward	6,052,204	38,760	(38,073)	4,367,846	52,261	(52,211)
Foreign exchange swap	5,203,591	46,316	—	—	—	—
Total	11,255,795	85,076	(38,073)	4,367,846	52,261	(52,211)

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	NOTE	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Analysed by collateral type:			
Debt securities		3,205,750	1,299,840
Trust beneficial rights and assets management plans	(1)	—	2,400,031
Total		3,205,750	3,699,871

(1) The underlying investments were debt instruments with fixed or determinable return and fixed maturity.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Gross loans and advances	323,730,053	300,421,435
Less: Allowance for impairment loss		
– Collectively assessed	(12,434,969)	(11,536,868)
– Individually assessed	(899,365)	(768,156)
Allowance for impairment loss	(13,334,334)	(12,305,024)
Net loans and advances to customers	310,395,719	288,116,411

(2) Analysis of loans and advances to customers by collective and individual assessments

	Loans and advances for which allowance is collectively assessed (i)	Identified impaired loans and advances (ii)			Total	Identified impaired loans and advances as a % of total gross loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total		
As at 30 June 2017 (Unaudited)						
Gross loans and advances	320,593,577	1,431,635	1,704,841	3,136,476	323,730,053	0.97
Allowance for impairment loss	(11,356,926)	(1,078,043)	(899,365)	(1,977,408)	(13,334,334)	
Loans and advances to customers, net	309,236,651	353,592	805,476	1,159,068	310,395,719	
As at 31 December 2016 (Audited)						
Gross loans and advances	297,548,903	1,389,845	1,482,687	2,872,532	300,421,435	0.96
Allowance for impairment loss	(10,346,006)	(1,190,862)	(768,156)	(1,959,018)	(12,305,024)	
Loans and advances to customers, net	287,202,897	198,983	714,531	913,514	288,116,411	

(i) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(ii) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss, and assessed either individually or collectively.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(3) Movements of allowance for impairment loss on loans and advances to customers

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2017	768,156	11,536,868	12,305,024
Charge for the period	278,341	4,300,301	4,578,642
Reversal for the period	(58,538)	(3,268,439)	(3,326,977)
Written off	(89,004)	(206,975)	(295,979)
Reversal for receiving written-off loans and advances	21,086	84,065	105,151
Unwinding of discount	(20,676)	(10,851)	(31,527)
As at 30 June 2017	<u>899,365</u>	<u>12,434,969</u>	<u>13,334,334</u>
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2016	667,294	10,377,498	11,044,792
Charge for the year	1,155,523	8,874,255	10,029,778
Reversal for the year	(533,481)	(7,123,382)	(7,656,863)
Written off	(597,882)	(726,380)	(1,324,262)
Reversal for receiving written-off loans and advances	111,063	172,125	283,188
Unwinding of discount	(34,361)	(37,248)	(71,609)
As at 31 December 2016	<u>768,156</u>	<u>11,536,868</u>	<u>12,305,024</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

- (4) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows:

	As at 30 June 2017 (Unaudited)		As at 31 December 2016 (Audited)	
	Amount	%	Amount	%
Corporate loans and advances				
Manufacturing	65,478,851	29.58	56,850,024	28.11
Water, environment and public utilities management	45,705,274	20.64	41,116,149	20.33
Retail and wholesale	25,946,094	11.72	22,017,081	10.89
Leasing and commercial services	15,899,122	7.18	13,740,713	6.79
Production and supply of electricity, gas and water	12,209,886	5.52	11,764,109	5.82
Real estate	11,940,951	5.39	14,142,799	6.99
Financial industry	9,132,703	4.13	9,654,281	4.77
Transportation, logistics and postal service	8,840,889	3.99	7,803,289	3.86
Construction	8,057,494	3.64	6,683,862	3.30
Agriculture, forestry, animal husbandry and fishery	4,241,895	1.92	4,137,074	2.05
Healthy and social work	3,313,604	1.50	3,097,541	1.53
Education	3,144,907	1.42	3,391,127	1.68
Others	7,481,797	3.37	7,841,728	3.88
Subtotal	221,393,467	100.00	202,239,777	100.00
Personal loans and advances				
Mortgages	45,834,741	44.79	43,614,637	44.42
Loans to private business and employment assistance loans	34,844,725	34.05	35,053,951	35.70
Credit card overdraft	4,458,391	4.36	5,072,244	5.17
Others	17,198,729	16.80	14,440,826	14.71
Subtotal	102,336,586	100.00	98,181,658	100.00
Total	323,730,053		300,421,435	

As at 30 June 2017, the contract amount of discounted bills included in corporate loans and advances is RMB12,658 million (31 December 2016: RMB12,327 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

- (5) The composition of loans and advances to customers by contractual maturity and collateral type is analysed as follows:

	As at 30 June 2017 (Unaudited)			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	19,153,505	11,230,106	4,695,038	35,078,649
Guaranteed loans	40,098,250	31,324,891	22,008,811	93,431,952
Collateralised and other secured loans				
– loans secured by property and other immovable assets	57,070,469	35,226,009	60,467,036	152,763,514
– other pledged loans	<u>18,528,423</u>	<u>5,772,608</u>	<u>18,154,907</u>	<u>42,455,938</u>
Total	<u>134,850,647</u>	<u>83,553,614</u>	<u>105,325,792</u>	<u>323,730,053</u>
	As at 31 December 2016 (Audited)			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	17,070,678	7,524,076	4,926,981	29,521,735
Guaranteed loans	38,619,756	21,468,206	17,770,077	77,858,039
Collateralised and other secured loans				
– loans secured by property and other immovable assets	54,758,237	40,503,919	60,980,496	156,242,652
– other pledged loans	<u>15,966,799</u>	<u>5,686,095</u>	<u>15,146,115</u>	<u>36,799,009</u>
Total	<u>126,415,470</u>	<u>75,182,296</u>	<u>98,823,669</u>	<u>300,421,435</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(6) Past due loans at contractual amount

	As at 30 June 2017 (Unaudited)				Total
	Up to 90 days	91-360 days	361 days to 3 years	Over 3 years	
Unsecured loans	80,223	237,862	15,956	13,153	347,194
Guaranteed loans	1,784,764	371,160	283,128	22,911	2,461,963
Collateralised and other secured loans					
– loans secured by property and other immovable assets	2,743,877	1,226,089	1,403,336	82,262	5,455,564
– other pledged loans	<u>1,148,485</u>	<u>11,650</u>	<u>28,075</u>	<u>–</u>	<u>1,188,210</u>
Total	<u>5,757,349</u>	<u>1,846,761</u>	<u>1,730,495</u>	<u>118,326</u>	<u>9,452,931</u>

	As at 31 December 2016 (Audited)				Total
	Up to 90 days	91-360 days	361 days to 3 years	Over 3 years	
Unsecured loans	114,834	206,538	13,270	16,742	351,384
Guaranteed loans	376,891	216,343	197,599	21,989	812,822
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,290,479	886,775	1,062,788	79,346	3,319,388
– other pledged loans	<u>79,948</u>	<u>28,706</u>	<u>–</u>	<u>–</u>	<u>108,654</u>
Total	<u>1,862,152</u>	<u>1,338,362</u>	<u>1,273,657</u>	<u>118,077</u>	<u>4,592,248</u>

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(7) Credit quality of loans and advances to customers at contractual amounts

	NOTE	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Neither past due nor impaired	(i)	314,217,450	295,635,435
Past due but not impaired	(ii)	6,376,127	1,913,468
Impaired	(iii)	3,136,476	2,872,532
Gross loans and advances to customers		323,730,053	300,421,435
Less: Allowance for impairment loss		(13,334,334)	(12,305,024)
Net loans and advances to customers		<u>310,395,719</u>	<u>288,116,411</u>

(i) Loans and advances neither past due nor impaired

	As at 30 June 2017 (Unaudited)		
	Normal	Special mention	Total
Corporate loans and advances	209,493,141	5,616,194	215,109,335
Personal loans and advances	<u>98,017,921</u>	<u>1,090,194</u>	<u>99,108,115</u>
Total	<u>307,511,062</u>	<u>6,706,388</u>	<u>314,217,450</u>

	As at 31 December 2016 (Audited)		
	Normal	Special mention	Total
Corporate loans and advances	194,532,744	5,656,928	200,189,672
Personal loans and advances	<u>94,287,675</u>	<u>1,158,088</u>	<u>95,445,763</u>
Total	<u>288,820,419</u>	<u>6,815,016</u>	<u>295,635,435</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(7) Credit quality of loans and advances to customers at contractual amounts (continued)

(i) Loans and advances neither past due nor impaired (continued)

The Group generally measures and manages the quality of credit risk-bearing assets based on the Guideline for Loan Credit Risk Classification issued by the CBRC, which requires the Group to classify loans into the following five categories: normal, special mention, sub-standard, doubtful and loss. The definition for normal and special mention is set out as below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special mention: Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.

(ii) Loans and advances past due but not impaired

	As at 30 June 2017(Unaudited)				Total
	Up to 30 days	31 – 60 days	61 – 90 days	Over 90 days	
Corporate loans and advances	2,848,978	920,684	386,579	423,051	4,579,292
Personal loans and advances	<u>1,032,042</u>	<u>323,877</u>	<u>217,520</u>	<u>223,396</u>	<u>1,796,835</u>
Total	<u>3,881,020</u>	<u>1,244,561</u>	<u>604,099</u>	<u>646,447</u>	<u>6,376,127</u>

	As at 31 December 2016 (Audited)				Total
	Up to 30 days	31 – 60 days	61 – 90 days	Over 90 days	
Corporate loans and advances	360,369	61,849	39,682	105,518	567,418
Personal loans and advances	<u>789,901</u>	<u>267,837</u>	<u>188,489</u>	<u>99,823</u>	<u>1,346,050</u>
Total	<u>1,150,270</u>	<u>329,686</u>	<u>228,171</u>	<u>205,341</u>	<u>1,913,468</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(7) Credit quality of loans and advances to customers at contractual amounts (continued)

(iii) Impaired loans and advances

	As at 30 June 2017 (Unaudited)		
	Contractual amount	Allowance for Impairment loss	Carrying value
Individually assessed	1,704,841	(899,365)	805,476
Collectively assessed	1,431,635	(1,078,043)	353,592
Total	3,136,476	(1,977,408)	1,159,068

	As at 31 December 2016 (Audited)		
	Contractual amount	Allowance for Impairment loss	Carrying value
Individually assessed	1,482,687	(768,156)	714,531
Collectively assessed	1,389,845	(1,190,862)	198,983
Total	2,872,532	(1,959,018)	913,514

Including:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Individually assessed and impaired	1,704,841	1,482,687
Individually assessed and impaired loans and advances as percentage of gross loans and advances	0.53%	0.49%
Fair value of collateral	3,040,409	2,712,226

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	NOTE	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Debt Instruments:			
– Interbank deposit certificates		1,092,220	–
– Corporate bonds		5,764,604	1,546,906
– Trust and asset management plans		9,413,037	10,094,571
– WMPs issued by other banks		<u>131,384,563</u>	<u>78,324,089</u>
Subtotal		<u>147,654,424</u>	<u>89,965,566</u>
Equity instruments			
– At cost	(1)	113,563	113,563
– At fair value		<u>58,410</u>	<u>62,628</u>
Subtotal		<u>171,973</u>	<u>176,191</u>
Total		<u>147,826,397</u>	<u>90,141,757</u>
Analysed as:			
– Unlisted		140,911,163	88,532,223
– Listed outside Hong Kong	(2)	6,856,824	1,546,906
– Listed in Hong Kong		<u>58,410</u>	<u>62,628</u>
Total		<u>147,826,397</u>	<u>90,141,757</u>

(1) The unlisted equity securities are measured at cost because their fair values cannot be reliably measured.

(2) All available-for-sale debt securities traded on the China Domestic Interbank Bond Market are included in “Listed outside Hong Kong”.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

23. HELD-TO-MATURITY INVESTMENTS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Debt securities issued by:		
– Government	20,891,780	16,097,775
– Public sector and quasi-governments	21,341,651	22,842,152
– Interbank deposit certificates	1,423,246	–
– Financial institutions	7,921,780	10,097,398
– Corporations	<u>17,740,980</u>	<u>19,176,164</u>
Subtotal	<u>69,319,437</u>	<u>68,213,489</u>
Less: Individually assessed allowance for impairment		
Individually assessed allowance for impairment loss	(30,000)	(15,000)
Collectively assessed allowance for impairment loss	<u>(327,917)</u>	<u>(356,290)</u>
Total	<u><u>68,961,520</u></u>	<u><u>67,842,199</u></u>

Held-to-maturity investments are mainly traded on the China Domestic Interbank Bond Market.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

24. INVESTMENTS CLASSIFIED AS RECEIVABLES

	NOTE	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Government bonds		5,112,000	3,772,000
Financial institution bonds		939,629	749,628
Corporate bonds		22,761,928	25,577,828
Trust and asset management plans	(1)	44,455,526	30,347,062
WMPs issued by other banks	(1)	—	42,091,861
Subtotal		<u>73,269,083</u>	<u>102,538,379</u>
Less: Individually assessed allowance for impairment loss		(30,852)	—
Collectively assessed allowance for impairment loss		<u>(1,730,976)</u>	<u>(1,387,102)</u>
Total		<u>71,507,255</u>	<u>101,151,277</u>
Analysed as:			
Unlisted		43,148,898	71,563,221
Listed outside Hong Kong	(2)	<u>28,358,357</u>	<u>29,588,056</u>
Total		<u>71,507,255</u>	<u>101,151,277</u>

- (1) Trust and asset management plans and WMPs issued by other banks are non-callable before maturity with fixed interest rates and not quoted in an active market.
- (2) Debt securities classified as receivables included bonds with fixed or determinable payments that are not quoted in an active market. They are traded on the China Domestic Interbank Bond Market and are included in "Listed outside Hong Kong".

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

25. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2016	5,016,647	1,018,551	113,771	661,775	942,800	7,753,544
Additions	162,616	65,114	7,731	48,674	400,962	685,097
Transferred in	373,420	428	–	4,315	(378,163)	–
Transferred to other assets	–	–	–	–	(13,583)	(13,583)
Disposals	(103,149)	(14,575)	(4,483)	(6,071)	–	(128,278)
As at 31 December 2016	5,449,534	1,069,518	117,019	708,693	952,016	8,296,780
Additions	77,974	11,070	2,195	17,917	166,389	275,545
Transferred in	948,674	12,812	–	1,918	(963,404)	–
Transferred to other assets	–	–	–	–	(2,686)	(2,686)
Disposals	(46,818)	(50,080)	(3,157)	(3,692)	–	(103,747)
As at 30 June 2017	6,429,364	1,043,320	116,057	724,836	152,315	8,465,892
Accumulated depreciation						
As at 1 January 2016	(1,562,919)	(576,298)	(74,773)	(328,357)	–	(2,542,347)
Charge for the year	(425,492)	(114,707)	(14,967)	(81,766)	–	(636,932)
Disposals	65,299	6,353	3,880	5,448	–	80,980
As at 31 December 2016	(1,923,112)	(684,652)	(85,860)	(404,675)	–	(3,098,299)
Charge for the period	(227,053)	(55,215)	(6,792)	(51,880)	–	(340,940)
Disposals	29,021	32,976	2,424	1,894	–	66,315
As at 30 June 2017	(2,121,144)	(706,891)	(90,228)	(454,661)	–	(3,372,924)
Carrying amount						
As at 30 June 2017	4,308,220	336,429	25,829	270,175	152,315	5,092,968
As at 31 December 2016	3,526,422	384,866	31,159	304,018	952,016	5,198,481

According to the relevant laws and regulations, subsequent to the Group's transformation into a joint stock company, the legal title of properties previously held by the predecessor entities are to be transferred to the Group. As at 30 June 2017, the registration transfer process of certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

26. GOODWILL

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

As at 30 June 2017, based on assessment performed by the Bank, there is no impairment for the goodwill (31 December 2016: Nil).

27. OTHER ASSETS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Interest receivable	4,758,496	4,859,575
Land use rights	449,324	458,624
Pre-paid tax	354,319	–
Foreclosed assets	114,563	114,563
Intangible assets	69,005	70,592
Others	<u>760,503</u>	<u>718,797</u>
Total	<u>6,506,210</u>	<u>6,222,151</u>

28. BORROWINGS FROM CENTRAL BANK

As at 30 June 2017, borrowings from central bank mainly contain the mid-term loan facilities from PBOC, of which the carrying amount is RMB28,500 million (31 December 2016: RMB22,500 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

29. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Deposits from domestic banks	47,738,050	96,461,870
Deposits from other domestic financial institutions	<u>9,523,065</u>	<u>7,820,655</u>
Total	<u>57,261,115</u>	<u>104,282,525</u>

30. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Placements from domestic banks and other financial institutions	19,066,580	20,645,405
Placements from overseas banks	<u>1,101,989</u>	<u>110,089</u>
Total	<u>20,168,569</u>	<u>20,755,494</u>

As at 30 June 2017, unconsolidated non-guaranteed WMPs managed by the Bank included WMPs invested in a subsidiary of the Bank, CQRC Financial Leasing. Co., Ltd. as interbank borrowings, amounted to RMB400 million (31 December 2016: RMB2,070 million, see Note 45). The Group recognised it as a placement from other banks and financial institutions.

31. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Analysed by collateral type:		
– Debt securities	5,828,570	6,543,669
– Bills	<u>5,493,502</u>	<u>2,421,794</u>
Total	<u>11,322,072</u>	<u>8,965,463</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

32. DEPOSITS FROM CUSTOMERS

	NOTE	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Demand deposits			
Corporate customers		119,927,039	110,898,202
Individual customers		107,761,661	106,221,764
Time deposits			
Corporate customers		23,475,434	17,955,894
Individual customers		308,996,593	274,763,690
Pledged deposits	(1)	9,409,473	8,232,291
Others (Including outward remittance and remittance outstanding)		<u>106,468</u>	<u>114,042</u>
Total		<u>569,676,668</u>	<u>518,185,883</u>

(1) Analysed by products for which pledged deposits is required:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Acceptances	5,476,072	5,354,156
Loans and receivables	1,030,191	1,060,282
Letters of guarantee	511,022	493,492
Letters of credit	606,787	142,368
Others	<u>1,785,401</u>	<u>1,181,993</u>
Total	<u>9,409,473</u>	<u>8,232,291</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

33. ACCRUED STAFF COSTS

	<i>NOTE</i>	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Salaries, bonuses and allowances		1,690,407	2,071,065
Supplementary retirement benefits	(1)	1,995,606	2,160,958
Early retirement benefits	(2)	263,320	300,227
Labor union fees and staff education expenses		<u>169,736</u>	<u>150,128</u>
Total		<u><u>4,119,069</u></u>	<u><u>4,682,378</u></u>

(1) Supplementary retirement benefits

The Group sponsors defined benefit plans for qualified employees. The defined benefit plans include supplementary retirement benefits.

The plans mainly expose the Group to actuarial risks such as: interest rate risk, longevity risk and employee benefit risk.

- Interest risk: A decrease in the bond interest rate will increase the plan liability.
- Longevity risk: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality or survival ages of the participants both during and after their employment. An increase in the life expectancy of the participants will increase the plan's liability.
- Employee benefit risk: The present value of the defined benefit plan liabilities are calculated by reference to the future benefits of the participants. As such, an increase in the benefit of the participants will increase the plan's liability.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

33. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

The Group's obligation in respect of the supplementary retirement benefits at the end of the Reporting Period was calculated using the projected accumulated unit credit method by Willis Towers Watson, an external independent actuary.

Supplementary retirement benefits include supplementary pension and medical benefits.

The principal assumptions used for the purpose of the actuarial valuations for supplementary retirement benefits were as follows:

	As at 30 June 2017	As at 31 December 2016
Discount rate	4.00%	3.50%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2010-2013	

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Service cost:		
– Current service cost	2,730	3,570
– Past service cost	1,790	387,900
Net interest expense	<u>36,850</u>	<u>56,980</u>
Components of supplementary retirement benefit costs recognised in profit or loss	<u>41,370</u>	<u>448,450</u>
Re-measurement on the net defined benefit liability included in staff costs:		
– Actuarial (gain)/loss arising from changes in financial assumptions	<u>(156,330)</u>	<u>268,940</u>
Components of supplementary retirement benefit cost recognised in other comprehensive income	<u>(156,330)</u>	<u>268,940</u>
Total	<u><u>(114,960)</u></u>	<u><u>717,390</u></u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

33. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its supplementary retirement benefit is as follows:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Accrued staff costs		
– supplementary retirement benefit	<u>1,995,606</u>	<u>2,160,958</u>

Movement in the present value of the supplementary retirement benefit obligation in the current period were as follows:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Defined benefit obligation at beginning of the period	2,160,958	1,543,432
Interest cost	36,850	56,980
(Gain)/Loss arising from re-measurement on the defined benefit liability:		
– Actuarial (gain)/loss arising from changes in financial assumptions	(156,330)	268,940
Current service cost	2,730	3,570
Past service cost	1,790	387,900
Benefits paid	<u>(50,392)</u>	<u>(99,864)</u>
Defined benefit obligation at end of the period	<u>1,995,606</u>	<u>2,160,958</u>

(2) Early retirement benefits

Early retirement benefits include basic salary and allowance paid monthly/yearly, social insurance contribution and housing fund, and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program to original and new retired staff until they reach their normal retirement age.

For the six months ended 30 June 2017, the Group recognised RMB0.49 million as actuarial gain (for the six months ended 30 June 2016: RMB56 million actuarial gain), and paid RMB36 million (for the six months ended 30 June 2016: RMB38 million) in respect of the early retirement benefits plan.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

34. DEBT SECURITIES ISSUED

	NOTE	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Interbank certificates of deposit issued	(1)	87,519,553	49,487,030
Subordinated bonds issued	(2)	<u>9,000,000</u>	<u>9,000,000</u>
Total		<u>96,519,553</u>	<u>58,487,030</u>

(1) As at 30 June 2017, the total face value of the outstanding certificates of deposit publically issued by the Bank in the China Domestic Internal Bond Market was RMB87,520 million with the tenor of 1 to 12 months (31 December 2016: RMB49,487 million with the tenor of 1 to 12 months).

(2) As approved by the PBOC and the CBRC, the Bank issued callable fixed rate subordinated bonds of RMB4,000 million on 7 December 2016.

As approved by the PBOC and the CBRC, the Bank issued callable fixed rate subordinated bonds of RMB5,000 million on 19 June 2014.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

35. DEFERRED TAXATION

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset.

The followings are the major deferred tax assets and liabilities recognised and movements thereon:

	Allowances of impairment loss	Retirement benefits	Accrued salaries, bonuses and allowances	Provision	Fair value changes of financial instruments	Government grant	Fair value changes of net assets relating to acquisition of business including (debt securities investment property and equipment and other assets)	Total
As at 1 January 2017	2,020,716	192,234	517,766	6,473	(23,108)	22,159	45,468	2,781,708
Credit/(Charge) to profit or loss	263,805	(9,227)	(95,165)	3,059	(6,329)	(325)	(5,784)	150,034
Credit/(Charge) to other comprehensive income	-	(39,083)	-	-	(37,051)	-	-	(76,134)
As at 30 June 2017 (Unaudited)	<u>2,284,521</u>	<u>143,924</u>	<u>422,601</u>	<u>9,532</u>	<u>(66,488)</u>	<u>21,834</u>	<u>39,684</u>	<u>2,855,608</u>
As at 1 January 2016	1,861,221	152,040	478,969	10,826	(40,746)	22,808	68,748	2,553,866
Credit/(Charge) to profit or loss	159,495	(27,041)	38,797	(4,353)	99	(649)	(23,280)	143,068
Credit/(Charge) to other comprehensive income	-	67,235	-	-	17,539	-	-	84,774
As at 31 December 2016 (Audited)	<u>2,020,716</u>	<u>192,234</u>	<u>517,766</u>	<u>6,473</u>	<u>(23,108)</u>	<u>22,159</u>	<u>45,468</u>	<u>2,781,708</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

36. OTHER LIABILITIES

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Interest payable	3,550,917	3,658,213
Other payables	3,278,428	3,029,653
Deferred income	591,282	597,506
Tax payables (excluding corporate income tax payable)	391,896	365,915
Dividends payable	55,379	160,430
Provision	24,272	25,892
Total	<u>7,892,174</u>	<u>7,837,609</u>

37. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 1 January 2016 and 31 December 2016 (Audited)	<u>9,300,000</u>	<u>9,300,000</u>
As at 30 June 2017 (Unaudited)	<u>9,300,000</u>	<u>9,300,000</u>

38. CAPITAL RESERVE

The Bank issued shares at a premium. Share premium was recorded in the capital reserve after deducting direct issuance costs which mainly included underwriting fees and professional fees; Where the group has acquired a subsidiary's equity interest held by non-controlling shareholders, the difference between the increase in the cost of long-term equity investments as a result of acquisition of non-controlling interests and the share of net assets of the subsidiary calculated continuously from the acquisition date based on the new shareholding proportion shall be adjusted to the capital premium.

The Bank acquired equity interests from non-controlling shareholders, which is assessed as equity transactions. The difference between fair value of any considerations paid and the relevant share acquired of the carrying amount of net assets of the subsidiary was recorded in capital reserve.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

39. INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax impact	Net-of-tax amount
As at 1 January 2016	141,114	(35,279)	105,835
(Loss)/Gain on fair value changes of available-for-sale financial assets	(5,415)	1,354	(4,061)
Amount reclassified to profit or loss upon disposal of available-for-sale financial assets	(64,740)	16,185	(48,555)
As at 31 December 2016	70,959	(17,740)	53,219
Gain/(Loss) on fair value changes of available-for-sale financial assets	148,271	(37,068)	111,203
Amount reclassified to profit or loss upon disposal of available-for-sale financial assets	(68)	17	(51)
As at 30 June 2017	<u>219,162</u>	<u>(54,791)</u>	<u>164,371</u>

40. SURPLUS RESERVE

Under the relevant PRC Laws, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the period determined under the Generally Accepted Accounting Principles of the PRC ("PRC GAAP") to the discretionary surplus reserve upon approval by the shareholders in the general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated loss of the Bank, if any, and may be converted into capital.

41. GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance of People's Republic of China, in addition to the specific and collective allowances for impairment loss, the Bank and its subsidiaries are required to establish and maintain a general reserve within equity to address potential unidentified impairment loss. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

During the six months ended 30 June 2017, the Group transferred RMB1,252 million to general reserve pursuant to the regulatory requirement (during the six months ended 30 June 2016: RMB1,399 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

42. CASH AND CASH EQUIVALENTS

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 30 June 2017 (Unaudited)	As at 30 June 2016 (Unaudited)
Cash	3,263,552	3,279,435
Surplus reserve deposits with central bank	15,260,587	25,186,514
Deposits with banks and other financial institutions	9,062,386	14,661,974
Placements with banks and other financial institutions	19,791,947	29,535,929
Financial assets held under resale agreements	<u>3,205,750</u>	<u>3,794,050</u>
Total	<u>50,584,222</u>	<u>76,457,902</u>

43. SEGMENT ANALYSIS

The Group operates its business mainly in Chongqing area. Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of the directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group operates mainly in Chongqing, the PRC. Majority of its customers and non-current assets are located in Chongqing, the PRC. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policy and the policies applied in preparing the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

43. SEGMENT ANALYSIS (Continued)

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as “inter-segment interest income/expense”. Interest income and expense earned from third parties are referred to as “external interest income/expense”.

The Group has no major customers which contribute 10 percent or more of the Group’s income.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into three operating segments:

Corporate banking

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

Personal banking

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

Treasury operations

The Group’s treasury operations segment conducts money market or repurchase transactions and debt instruments investment for its own accounts or on behalf of customers.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

43. SEGMENT ANALYSIS (Continued)

	FOR THE SIX MONTHS ENDED 30 JUNE 2017 (Unaudited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	5,320,875	3,371,298	9,667,770	18,359,943	–	18,359,943
External interest expense	(683,782)	(3,746,094)	(3,659,164)	(8,089,040)	–	(8,089,040)
Inter-segment interest (expense)/ income	(1,224,790)	3,716,340	(2,491,550)	–	–	–
Net interest income	3,412,303	3,341,544	3,517,056	10,270,903	–	10,270,903
Fee and commission income	347,045	432,380	423,038	1,202,463	–	1,202,463
Fee and commission expense	(3,478)	(28,404)	(15,374)	(47,256)	–	(47,256)
Net fee and commission income	343,567	403,976	407,664	1,155,207	–	1,155,207
Net trading gain	–	–	23,186	23,186	–	23,186
Other operating income, net	(31,355)	5,593	16,039	(9,723)	5,443	(4,280)
Operating income	3,724,515	3,751,113	3,963,945	11,439,573	5,443	11,445,016
Operating expenses	(1,293,901)	(1,399,888)	(993,022)	(3,686,811)	–	(3,686,811)
Impairment loss on assets	(1,069,605)	(182,060)	(361,353)	(1,613,018)	–	(1,613,018)
Net gain on disposal of available-for-sale financial assets	–	–	68	68	–	68
Net gain on disposal of debt securities classified as receivables	–	–	13	13	–	13
Profit before tax	<u>1,361,009</u>	<u>2,169,165</u>	<u>2,609,651</u>	<u>6,139,825</u>	<u>5,443</u>	<u>6,145,268</u>
Income tax expense						(1,511,179)
Profit for the period						<u>4,634,089</u>
Depreciation and amortization included in operating expenses	130,355	141,033	100,043	371,431	–	371,431
Capital expenditure	<u>103,935</u>	<u>112,448</u>	<u>79,766</u>	<u>296,149</u>	–	<u>296,149</u>
	As at 30 June 2017 (Unaudited)					
Segment assets	206,791,334	98,556,037	541,677,784	847,025,155	8,401,193	855,426,348
Segment liabilities	143,480,515	420,033,968	232,886,089	796,400,572	1,881,940	798,282,512
Supplementary information						
Credit commitments	<u>21,223,563</u>	<u>11,040,669</u>	–	<u>32,264,232</u>	–	<u>32,264,232</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

43. SEGMENT ANALYSIS (Continued)

	FOR THE SIX MONTHS ENDED 30 JUNE 2016 (Unaudited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	5,093,174	3,220,223	8,158,678	16,472,075	–	16,472,075
External interest expense	(635,398)	(3,585,744)	(2,464,176)	(6,685,318)	–	(6,685,318)
Inter-segment interest (expense)/ income	(1,107,709)	3,534,535	(2,426,826)	–	–	–
Net interest income	3,350,067	3,169,014	3,267,676	9,786,757	–	9,786,757
Fee and commission income	256,552	482,063	481,953	1,220,568	–	1,220,568
Fee and commission expense	(12,974)	(13,858)	(15,660)	(42,492)	–	(42,492)
Net fee and commission income	243,578	468,205	466,293	1,178,076	–	1,178,076
Net trading loss	–	–	(32,768)	(32,768)	–	(32,768)
Other operating income, net	13,127	8,307	38,795	60,229	5,588	65,817
Operating income	3,606,772	3,645,526	3,739,996	10,992,294	5,588	10,997,882
Operating expenses	(1,540,603)	(1,305,075)	(1,294,441)	(4,140,119)	–	(4,140,119)
Impairment loss on assets	(771,457)	(423,269)	(105,648)	(1,300,374)	–	(1,300,374)
Net gain on disposal of available-for-sale financial assets	–	–	64,760	64,760	–	64,760
Net gain on disposal of debt securities classified as receivables	–	–	36,187	36,187	–	36,187
Profit before tax	<u>1,294,712</u>	<u>1,917,182</u>	<u>2,440,854</u>	<u>5,652,748</u>	<u>5,588</u>	<u>5,658,336</u>
Income tax expense						<u>(1,452,380)</u>
Profit for the period						<u>4,205,956</u>
Depreciation and amortization included in operating expenses	116,726	94,906	121,376	333,008	–	333,008
Capital expenditure	<u>160,920</u>	<u>130,836</u>	<u>167,328</u>	<u>459,084</u>	<u>–</u>	<u>459,084</u>
	As at 31 December 2016 (Audited)					
Segment assets	181,361,581	98,585,770	514,776,325	794,723,676	8,434,056	803,157,732
Segment liabilities	131,677,761	386,838,600	227,032,536	745,548,897	3,418,998	748,967,895
Supplementary information						
Credit commitments	<u>19,095,671</u>	<u>10,423,227</u>	<u>–</u>	<u>29,518,898</u>	<u>–</u>	<u>29,518,898</u>

Unallocated assets mainly include property and equipment of the Group, equity investments, goodwill and deferred tax assets. Unallocated liabilities mainly include tax liabilities and dividends payable.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

44. RELATED PARTY TRANSACTIONS

(1) Related parties of the Group

The directors of the Bank consider that the following shareholders are related parties of the Group:

Name of shareholders	Percentage of shares holding of the Bank (%)	
	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
Chongqing Yufu Assets Management Group Co., Ltd.	6.77	6.77
Chongqing City Investment (Group) Co., Ltd.	6.68	6.68
Loncin Holding Co., Ltd.	6.13	6.13

Other related parties include key management members and their close family members; the enterprises directly or indirectly controlled by key management members and their close family members or served by key management members and their close family members as directors or senior management; the enterprises controlled by shareholders with more than 5% (including 5%) shares of the Bank; the natural persons or legal persons who satisfy any circumstances above in the next 12 months in accordance with the relevant agreement and arrangement or in the past 12 months.

(2) Related party transactions

For the six months ended 30 June 2017, there are no material transactions or balances between the Group and its associate, there are no material transactions in term of operating expenses and fee and commission income (for the six months ended 30 June 2016: no material), except for the transactions shown below:

	Interest income For the six months ended 30 June		Interest expense For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Shareholders of the Bank	232,669	176,325	7,673	715
Other related parties	124,619	138,744	17,982	32,545

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

44. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions (Continued)

At the end of each reporting period, the Group had the following material outstanding balances with related parties:

	Loans and advances to related parties		Customer deposits from related parties	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Shareholders of the Bank	9,227,820	8,665,150	1,430,404	1,093,672
Other related parties	3,778,748	4,324,419	3,601,708	3,652,708
Total	13,006,568	12,989,569	5,032,112	4,746,380

	Interest receivable to related parties		Interest payable to related parties	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Shareholders of the Bank	12,709	13,087	471	109
Other related parties	11,248	6,071	4,808	3,830
Total	23,957	19,158	5,279	3,939

As at 30 June 2017, among the bond investments of the Bank, corporate bonds bought from other related parties amounted to RMB264 million (as at 31 December 2016: RMB150 million).

(3) Transactions between the Bank and its subsidiaries

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

For the six months ended at 30 June 2017 and the year ended at 31 December 2016, transactions between the Bank and its subsidiaries include deposits with banks, deposits from banks, placement with banks and other financial institutions, and re-discount business, and so forth.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

44. RELATED PARTY TRANSACTIONS (Continued)

(3) Transactions between the Bank and its subsidiaries (Continued)

As at 30 June 2017, the Bank's deposits with subsidiaries amounted to RMB95 million (31 December 2016: 250 million); the Bank's deposits from subsidiaries amounted to RMB220 million (31 December 2016: 604 million); the Bank's placements with subsidiaries amounted to RMB3,970 million (31 December 2016: RMB1,830 million).

For the six months ended at 30 June 2017, the interest income of the Bank's transactions with subsidiaries amounted to RMB90 million (for the six months ended at 30 June 2016: RMB169 million); the interest expense amounted to RMB2 million (for the six months ended at 30 June 2016: RMB198 million).

(4) Key management personnel

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The Group enters into banking transactions with key management personnel in the normal course of business. During the six months ended 30 June 2017 and 30 June 2016, both the loans made to key management personnel and their relatives, and the corresponding interest income are not material.

The remuneration of directors and other members of key management during the period were as follows:

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Basic salaries, bonuses and allowances	1,378	3,997
Contribution to pension schemes	349	342
Fees	—	—
Total	1,727	4,339

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

45. STRUCTURED ENTITIES

(1) Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles (“WMP Vehicles”) formed to issue and distribute wealth management products (“WMPs”), which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMP Vehicles invest in a range of primarily fixed-rate assets, most typically money market instruments and debt securities. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the contract related to each WMP and distribute gain to investors on the basis of the operation performance of those products. The variable return that the Group has in relation to the WMPs is not significant, therefore the WMP Vehicles are not consolidated by the Group.

As at 30 June 2017 and 31 December 2016, the outstanding WMPs issued by WMP vehicles (excluding those with the principal guaranteed issued by the Group) amounted to RMB103,557 million and RMB116,314 million, respectively, which represent the total size of the WMP vehicles. The interest of the Group from the operation of the WMPs mainly consists of fee and commission income. For the six months ended 30 June 2017, the Group’s interest in the non-guaranteed WMP Vehicles included in Fee and Commission Income was RMB574 million (for the six months ended at 30 June 2016: RMB527 million).

As at 30 June 2017, among the unconsolidated non-guaranteed WMPs, the wealth management products amounted to RMB400 million were invested in CQRC Financial Leasing Co., Ltd., as interbank lending with a maturity of less than one year (As at 31 December 2016: RMB2,070 million).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk from or reduce its interest in WMP vehicles disclosed above during the six months ended 30 June 2017 and the year ended 31 December 2016. The Group is not required to absorb any loss incurred by WMPs before other parties. During the six months ended 30 June 2017 and the year ended 31 December 2016, no loss was incurred by the WMP Vehicles relating to the Group’s interests in the WMP Vehicles, and the WMP Vehicles did not experience difficulty in financing their activities.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

45. STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group

The Group invests in a number of other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gain or loss and interest income therefrom. As at 30 June 2017 and 31 December 2016, the Group's maximum exposure to these other unconsolidated structured entities is summarised in the table below.

	As at 30 June 2017			
	Financial assets designated at fair value through profit or loss	Available-for-sale investments	Held-to-maturity investments	Debt securities classified as receivables
WMPs issued by other banks	–	131,384,563	–	–
Trust beneficial rights	–	3,587	–	44,349,027
Assets management plans	–	–	–	106,499
Asset-backed securities	–	–	4,472,188	–
Total	–	131,388,150	4,472,188	44,455,526

	As at 31 December 2016			
	Financial assets designated at fair value through profit or loss	Available-for-sale investments	Held-to-maturity investments	Debt securities classified as receivables
WMPs issued by financial institutions	1,009,400	–	–	–
WMPs issued by other banks	–	78,274,089	–	42,091,861
Trust beneficial rights	–	3,502	–	29,342,531
Assets management plans	–	–	–	604,522
Asset-backed securities	–	–	5,898,392	–
Total	1,009,400	78,277,591	5,898,392	72,038,914

Information of the total size of the Unconsolidated Structured Entities of the Group listed above is not readily available from the public.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

45. STRUCTURED ENTITIES (Continued)

(3) Consolidated structured entities

The Group's consolidated structured entities consist principally of WMP Vehicles that issue and distribute WMPs with respect to which the Group has not guaranteed the investors' principal investment and/or return upon maturity of the WMP, regardless of its actual performance during the six months ended 30 June 2017 and the year 2016. As at 30 June 2017, there was no non-guaranteed WMPs consolidated to the consolidated financial statements (31 December 2016: RMB400 million).

46. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 30 June 2017 and 31 December 2016, provisions of RMB1.58 million and RMB2.82 million were made respectively based on court judgments or the advice of counsels. The directors of the Bank believe, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Contracted but not provided for	<u>208,806</u>	<u>304,241</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

46. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit commitments

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Acceptances	12,738,582	12,322,869
Undrawn credit card limit	11,040,669	10,423,227
Letters of guarantee	5,956,833	5,921,932
Letters of credit issued	<u>2,528,148</u>	<u>850,870</u>
Total	<u>32,264,232</u>	<u>29,518,898</u>

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. The directors of the Bank are of the opinion that such commitments are conditional and revocable and are therefore not included in the commitments disclosure above.

Credit risk weighted amounts for credit commitments

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Credit commitments	<u>15,673,061</u>	<u>13,705,397</u>

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

46. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Operating lease commitments

At the end of each reporting period, the Group has the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Within 1 year	74,639	80,423
1 to 2 years	71,053	61,642
2 to 3 years	40,076	50,037
3 to 4 years	28,814	25,779
4 to 5 years	12,422	9,444
Above 5 years	<u>6,814</u>	<u>16,090</u>
Total	<u>233,818</u>	<u>243,415</u>

The leases are negotiated with lease terms of 1 to 15 years.

For the six months ended 30 June 2017, operating lease expense (included in Note 9 Operating Expenses) recognised as operating expense by the Group was RMB45 million (for the six months ended at 30 June 2016: RMB43 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

46. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral

Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement by the Group is as follows:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Bonds	40,192,657	34,068,951
Bills	5,488,216	2,407,219
Credit assets	<u>2,129,000</u>	<u>2,354,670</u>
Total	<u>47,809,873</u>	<u>38,830,840</u>

As at 30 June 2017, the carrying amount of financial assets sold under repurchase agreements by the Group was RMB11,322 million (31 December 2016: RMB8,965 million) (see Note 31). All repurchase agreements are due within twelve months from inception.

As at 30 June 2017, the carrying amount of borrowings from central bank by the Group was RMB30,177 million (31 December 2016: RMB24,741 million).

Collateral accepted

As at 30 June 2017 and 31 December 2016, the Group received bills and securities as collaterals under resale agreements. All the bills and securities cannot be resold or re-pledged by the Group.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT

(1) Overview

The primary risk management of the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

The major risks of the Group include credit risk, market risk and liquidity risk. Market risk includes currency risk, interest risk and other price risk. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There have been no significant changes in the risk management department since year end or in any risk management policies since the year end.

(2) Risk Management Framework

The Group has a risk management committee under the Board of Directors. risk management committee is responsible for setting the overall risk management and internal control strategies of the Group, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies set by the risk management committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of the listed equity securities on exchanges. Where Level 1 inputs are not available, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates, own credit spread and counterparty credit spreads, as appropriate. If these parameters used in the model are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as Level 2.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

As at 30 June 2017 and 31 December 2016, the debt securities traded on the China Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

	Level 1	Level 2	Level 3	Total
At 30 June 2017 (Unaudited)				
Financial assets held for trading				
– Debt securities issued by:				
– Public sector and quasi-governments	–	290,512	–	290,512
– Interbank deposit certificates	–	635,088	–	635,088
Available-for-sale financial assets				
– Listed equity securities issued by				
– Financial instruments	–	58,410	–	58,410
– Debt securities issued by:				
– Corporations	–	5,764,604	–	5,764,604
– Interbank deposit certificates	–	1,092,220	–	1,092,220
– Trust and asset management plans	–	–	9,413,037	9,413,037
– WMPs issued by other banks	–	–	131,384,563	131,384,563
Derivative financial instruments				
– Assets	–	85,076	–	85,076
– Liabilities	–	38,073	–	38,073

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	Level 1	Level 2	Level 3	Total
At 31 December 2016 (Audited)				
Financial assets held for trading				
– Debt securities issued by:				
– Corporations	–	101,829	–	101,829
– Public sector and quasi-governments	–	1,173,201	–	1,173,201
– Interbank deposit certificates	–	2,236,909	–	2,236,909
Financial assets designated as at fair value through profit or loss				
– Unlisted debt instruments issued by financial institutions	–	–	1,009,400	1,009,400
Available-for-sale financial assets				
– Listed equity securities issued by Financial institutions	–	62,628	–	62,628
– Debt securities issued by:				
– Corporations	–	1,546,906	–	1,546,906
– Trust and asset management plans	–	–	10,094,571	10,094,571
– WMPs issued by other banks	–	–	78,324,089	78,324,089
Derivative financial instruments				
– Derivative financial Assets	–	52,261	–	52,261
– Derivative financial Liabilities	–	52,211	–	52,211

There were no significant transfers between levels for the six months ended 30 June 2017 and the year 2016.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial instruments in level 3 of the fair value hierarchy that are measured at fair value on a recurring basis

	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets
As at 1 January 2017	1,009,400	88,418,660
Total gain or loss:		
In profit or loss	—	—
In other comprehensive income	—	181,240
Purchases	—	184,247,809
Sales and settlements	(1,009,400)	(132,050,109)
Transfer in	—	—
As at 30 June 2017	<u>—</u>	<u>140,797,600</u>
	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets
As at 1 January 2016	2,909,700	—
Total gain or loss:		
In profit or loss	—	—
In other comprehensive income	—	—
Purchases	—	215,913,665
Sales and settlements	(1,900,300)	(127,495,005)
Transfer in	—	—
As at 31 December 2016	<u>1,009,400</u>	<u>88,418,660</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances with central bank, financial assets held under resale agreements, deposits with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements are not included in the table below.

	As at 30 June 2017 (Unaudited)		As at 31 December 2016 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Held-to-maturity investments	68,961,520	67,409,027	67,842,199	68,728,093
Debt securities classified as receivables	<u>71,507,255</u>	<u>72,068,308</u>	<u>101,151,277</u>	<u>102,219,970</u>
Total	<u>140,468,775</u>	<u>139,477,335</u>	<u>168,993,476</u>	<u>170,948,063</u>
Financial liabilities				
Debt securities issued	<u>96,519,553</u>	<u>95,291,193</u>	<u>58,487,030</u>	<u>57,402,838</u>
Total	<u>96,519,553</u>	<u>95,291,193</u>	<u>58,487,030</u>	<u>57,402,838</u>

The Group determines the fair value of held-to-maturity investments and debt securities issued by adopting Level 2; determines the fair value of debt securities classified as receivables by adopting Level 2 or 3.

49. EVENT AFTER THE REPORTING PERIOD

On 23 August 2017, the Bank entered into agreement with three existing shareholders the issuance of additional 700,000,000 domestic shares at the subscription price of RMB5.75 per share.

Besides the items mentioned above, the Group and the Bank have no significant events after the Reporting Period.

Unaudited Supplementary Financial Information

For the six months ended 30 June 2017

(Amounts in millions of Renminbi, unless otherwise stated)

LIQUIDITY RATIO (Expressed in percentage)

	As at 30 June 2017	As at 31 December 2016
RMB current assets to RMB current liabilities	<u>37.14</u>	<u>37.63</u>

LIQUIDITY COVERAGE RATIO

	As at 30 June 2017	As at 31 December 2016
Qualified current assets	52,057.5	47,566.9
Net cash outflow in recent 30 days	37,553.0	35,396.9
Liquidity coverage ratio (expressed in percentage)	<u>138.70</u>	<u>134.38</u>

CURRENCY CONCENTRATIONS

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 30 June 2017				
Spot assets	10,877.7	80.2	244.0	11,201.9
Spot liabilities	(5,510.8)	(207.3)	(223.1)	(5,941.2)
Forward purchases	3,095.9	–	–	3,095.9
Forward sales	(8,159.9)	–	–	(8,159.9)
Net position	<u>302.9</u>	<u>(127.1)</u>	<u>20.9</u>	<u>196.7</u>

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2016				
Spot assets	5,260.6	214.8	173.5	5,648.9
Spot liabilities	(5,023.4)	(31.1)	(170.9)	(5,225.4)
Forward purchases	2,183.9	–	–	2,183.9
Forward sales	(2,183.9)	–	–	(2,183.9)
Net position	<u>237.2</u>	<u>183.7</u>	<u>2.6</u>	<u>423.5</u>

Unaudited Supplementary Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in millions of Renminbi, unless otherwise stated)

INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, the Group's international claims is the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions and loans and advances to customers.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Non-bank private sectors	Total
As at 30 June 2017			
Asia Pacific (not including China)	8,321.6	2,881.5	11,203.1
– of which attributed to Hong Kong	79.8	–	79.8
North America	24.8	–	24.8
Europe	51.8	–	51.8
Total	<u>8,398.2</u>	<u>2,881.5</u>	<u>11,279.7</u>

	Banks and other financial institutions	Non-bank private sectors	Total
As at 31 December 2016			
Asia Pacific (not including China)	2,942.3	2,478.3	5,420.6
– of which attributed to Hong Kong	68.7	–	68.7
North America	105.1	–	105.1
Europe	18.1	–	18.1
Total	<u>3,065.5</u>	<u>2,478.3</u>	<u>5,543.8</u>

Unaudited Supplementary Financial Information (Continued)

For the six months ended 30 June 2017

(Amounts in millions of Renminbi, unless otherwise stated)

SUMMARY OF INFORMATION ON GEOGRAPHICAL SEGMENTS

When information is prepared based on the geographical segments, total operating income is allocated in accordance with the locations of branches recording the income. The table below sets forth the total operating income attributable to county area branches and urban area branches for the periods indicated.

	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	1,994.9	8,276.0	10,270.9	1,549.5	8,237.3	9,786.8
Net fee and commission income	486.5	668.7	1,155.2	508.8	669.3	1,178.1
Net trading gain/(loss)	–	23.2	23.2	–	(32.8)	(32.8)
Other operating income, net	34.9	(39.2)	(4.3)	31.0	34.8	65.8
Total operating income	2,516.3	8,928.7	11,445.0	2,089.3	8,908.6	10,997.9
Internal transfer of income and expense	3,085.9	(3,085.9)	–	3,390.3	(3,390.3)	–
Income after adjustment	5,602.2	5,842.8	11,445.0	5,479.6	5,518.3	10,997.9

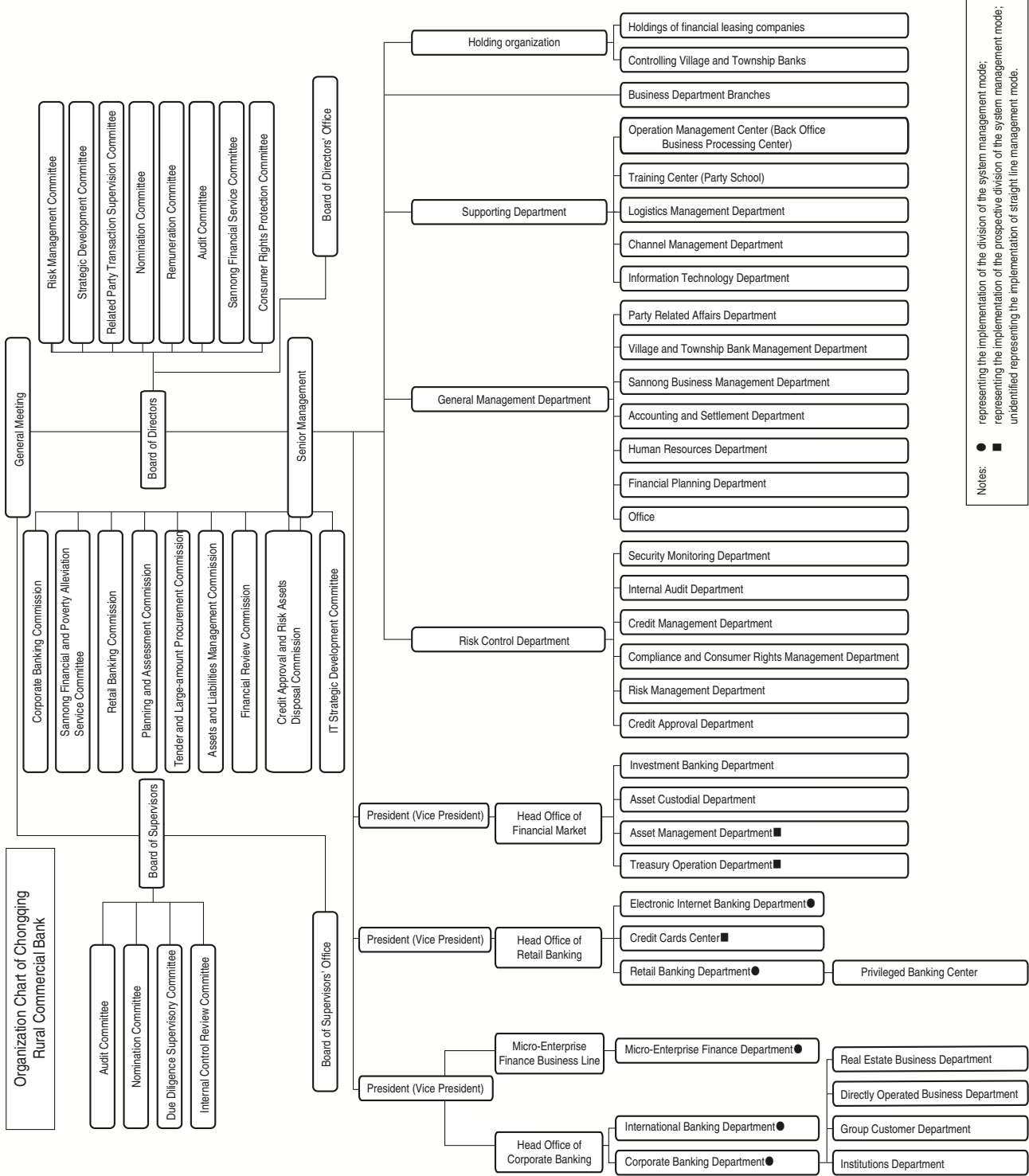
- (1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of the twelve village and township bank subsidiaries and the information of Qujing Branch.

Abstract of geographical segments

(Expressed in percentage)	As at 30 June 2017		As at 31 December 2016	
	County Area	Urban Area	County Area	Urban Area
Deposits	67.58	32.42	67.54	32.46
Loans	44.74	55.26	46.98	53.02
Assets	45.69	54.31	48.59	51.41
Loan-deposit ratio	37.62	96.88	40.33	94.70

(Expressed in percentage)	For the six months ended 30 June 2017		For the six months ended 30 June 2016	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.12	1.12	1.10	1.16
Net fee and commission income to operating income	8.68	11.44	9.29	12.13
Cost-to-income ratio	34.02	29.25	33.85	31.42

Organization Chart



Notes:

- representing the implementation of the division of the system management mode;
- representing the implementation of the prospective division of the system management mode;
- representing the implementation of straight line management mode.

Definitions

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

AGM	annual general meeting of the Bank
Bank or our Bank	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
Board of Directors	the board of directors of the Bank
Board of Supervisors	the board of supervisors of the Bank
CBRC	China Banking Regulatory Commission (中國銀行業監督管理委員會)
County Area	the regions other than Urban Area of Chongqing City, including 29 districts and counties
CSRC	China Securities Regulatory Commission
Domestic shares	the ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each
ETC	Electronic Toll Collection System
FED	the Federal Reserve of the United States
Group	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) and its subsidiaries
High pollution, high energy consumption and excess capacity	Industries with high pollution, high energy consumption and excess capacity
HK dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region, the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRSs	International Financial Reporting Standards

Definitions

Listing Rules	The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited
PBOC or central bank	the People's Bank of China
PRC or China	the People's Republic of China
Reporting Period	for the six months period from 1 January 2017 to 30 June 2017
RMB or Renminbi	Renminbi, the lawful currency of the PRC
Rural commercial bank(s)	rural and commercial bank(s) (農村商業銀行)
Sannong	the Chinese pronunciation of the phrase "agriculture, rural areas and farmers"
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shareholder(s)	Shareholder(s) of the Bank
Three-Transformation	The strategy for future development of the Bank, that is, characteristic operation, streamlining the management and fostering good corporate culture
USD or US dollars	United States dollars, the lawful currency of the United States of America
village and township bank(s)	bank institution(s) that are approved by CBRC (中國銀監會)
Yuan	RMB yuan



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