广州农商银行
GUANGZHOU RURAL COMMERCIAL BANK

廣州農村商業銀行股份有限公司
Guangzhou Rural Commercial Bank Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1551

# 2017
# INTERIM REPORT

# CONTENTS

# I. COMPANY PROFILE

## (I) Official Name

1. Official Chinese Name: 廣州農村商業銀行股份有限公司
   (Abbreviated as "廣州農村商業銀行")
2. Official English Name: Guangzhou Rural Commercial Bank Co., Ltd.
   (Abbreviated as "GRCB")

**(II)** Registered Capital: RMB8,153,418,539.00. The Bank was listed on the main board of the Stock Exchange on June 20, 2017, increasing its share capital to RMB9,592,418,539.00. Upon exercise of the over-allotment option on July 21, 2017, its share capital further increased to RMB9,808,268,539.00.

**(III)** Legal Representative: Mr. Wang Jikang

**(IV)** Authorized Representatives: Mr. Wang Jikang and Ms. Hui Yin Shan

**(V)** Joint Company Secretaries: Ms. Zheng Ying and Ms. Hui Yin Shan

**(VI)** H-Share Listing Stock Exchange: The Stock Exchange of Hong Kong Limited

**(VII)** Stock Name and Code: GRCB (1551.HK)

**(VIII)** Registered Office Address: No. 1 Huaxia Road, Pearl River New Town, Tianhe District, Guangzhou, Guangdong Province, PRC

**(IX)** Principal Place of Business in Hong Kong: 18F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

**(X)** Scope of Business: Monetary and financial services

**(XI)** Contact Address: No. 1 Huaxia Road, Pearl River New Town, Tianhe District, Guangzhou, Guangdong Province, PRC

Postal Code: 510623

Website: www.grcbank.com

**(XII)** Place of Inspection of the Interim Results Report: Office of the Board of Directors of the Bank

**(XIII)** Auditor: Ernst & Young

**(XIV)** Legal Advisor as to the PRC Law: Geenen Law Firm

**(XV)** Legal Advisor as to the Hong Kong Law: King & Wood Mallesons

**(XVI)** Compliance Advisor: China International Capital Corporation Hong Kong Securities Limited

**(XVII)** H Share Registrar: Computershare Hong Kong Investor Services Limited

**(XVIII)** Domestic Shares Depository: China Securities Depository and Clearing Corporation Limited

**(XIX)** Other Relevant Information of the Bank

Date of Registration: December 9, 2009

Registration Authority: Guangzhou Administration for Industry and Commerce

Unified Social Credit Code: 914401017083429628

Financial License Registration No.: B1048H244010001

Customer Service and Complaint Telephone No.: 95313

## II. MAJOR HONORS RECEIVED IN THE FIRST HALF OF 2017

| No. | Honors | Awarding/granting authority | Obtaining time |
|---|---|---|---|
| 1 | The Best Credit Card Center for the Year in the "Golden Lion Award Financial Championship League in 2016"（「2016年度金獅獎金融行業風雲榜」） | Information Times（《信息時報》） | January, 2017 |
| 2 | "Outstanding Contribution to Civilized and Standardized Services in Guangdong Banking Industry in 2016"（「2016廣東銀行業文明規範服務工作突出貢獻獎」） | The Banking Association of Guangdong | April, 2017 |
| 3 | Ranked 89th in the list of the "Top 500 Asian Banks in 2016"（「2016亞洲銀行500強」）and ranked second among all banks in Guangdong in the list | The Asian Banker magazine | April, 2017 |
| 4 | The Bank's wealth management product ranked 1st in terms of comprehensive wealth management capabilities of rural financial institutions under PY Standard in the first quarter of 2017 | PY Standard | April, 2017 |
| 5 | The Bank's "Full-spectrum Intelligent Customer Service Platform"（「全方位智能型客戶服務平台」)was honored with the third prize in the ninth session of the Guangdong Finance, Science and Technology Progress Award | Guangdong Provincial Finance and Technology Association (廣東省金融科技學會) | June, 2017 |

# Summary of Financial Data

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

| Item (Expressed in RMB million, unless otherwise stated) | For the six months ended June 30, 2017 | For the six months ended June 30, 2016 | Change in amount | Rate of change % |
|---|---|---|---|---|
| **Operating results** | | | | |
| Net interest income | 6,050.96 | 4,943.02 | 1,107.94 | 22.41 |
| Net fee and commission income | 1,064.71 | 1,234.96 | (170.25) | (13.79) |
| Operating income | 6,241.83 | 6,914.48 | (672.65) | (9.73) |
| Profit before tax | 3,414.66 | 2,532.19 | 882.47 | 34.85 |
| Net profit | 2,639.28 | 2,111.77 | 527.51 | 24.98 |
| Net profit attributable to equity holders of the Bank | 2,622.06 | 2,151.97 | 470.09 | 21.84 |
| Basic earnings per share (Expressed in RMB per share) | 0.32 | 0.26 | 0.06 | 23.08 |
| **Item (Expressed in RMB million, unless otherwise stated)** | **As at June 30, 2017** | **As at December 31, 2016** | **Change in amount** | **Rate of change %** |
| **Scale indicators** | | | | |
| Total assets | 680,049.03 | 660,951.12 | 19,097.91 | 2.89 |
| Among which: loans and advances to customers, net | 267,601.19 | 237,934.77 | 29,666.42 | 12.47 |
| Total liabilities | 635,699.59 | 623,111.42 | 12,588.17 | 2.02 |
| Among which: due to customers | 440,875.33 | 423,742.04 | 17,133.29 | 4.04 |
| Equity attributable to equity holders of the Bank | 42,379.24 | 35,845.24 | 6,534.00 | 18.23 |
| Non-controlling interests | 1,970.20 | 1,994.46 | (24.26) | (1.22) |
| Total equity | 44,349.44 | 37,839.70 | 6,509.74 | 17.20 |

| Item<br>(Expressed in percentage) | For the six months ended June 30,<br>2017 | 2016 | Change |
|---|---|---|---|
| **Profitability indicators** | | | |
| Return on average total assets[1] | 0.79 | 0.71 | 0.08 |
| Return on average equity[2] | 12.84 | 11.79 | 1.05 |
| Net interest spread[3] | 1.68 | 2.02 | (0.34) |
| Net interest margin[4] | 1.73 | 1.93 | (0.20) |
| Net fee and commission income to operating income[5] | 17.06 | 17.86 | (0.80) |
| Cost-to-income ratio[6] | 36.20 | 30.12 | 6.08 |
| **Item<br>(Expressed in percentage)** | **As at June 30, 2017** | **As at December 31, 2016** | **Change** |
| **Assets quality indicators** | | | |
| Non-performing loan ratio[7] | 1.73 | 1.81 | (0.08) |
| Provision coverage ratio[8] | 182.18 | 178.58 | 3.60 |
| Allowance to total loans[9] | 3.16 | 3.24 | (0.08) |
| **Capital adequacy indicators** | | | |
| Core Tier 1 capital adequacy ratio[10] | 10.22 | 9.90 | 0.30 |
| Tier 1 capital adequacy ratio[10] | 10.25 | 9.92 | 0.31 |
| Capital adequacy ratio[10] | 11.77 | 12.16 | (0.39) |
| **Other indicators** | | | |
| Loan-to-deposit ratio[11] | 62.68 | 58.03 | 4.65 |

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) Calculated by dividing the net profit for the period by the average balance of total equity as at the beginning and end of the period.

(3) Net interest spread is calculated as the difference between the average yield rate on total interest-earning assets and the average cost rate on total interest-bearing liabilities.

(4) As calculated by dividing net interest income by the average daily balance of total interest-earning assets.

(5) As calculated by dividing net fee and commission income by operating income.

(6) As calculated by dividing operating expenses (excluding tax and surcharges) by operating income.

(7) As calculated by dividing the balance of non-performing loans by the total loans and advances to customers.

(8) As calculated by dividing the balance of allowance for loan losses by the balance of non-performing loans.

(9) As calculated by dividing the balance of allowance for loan losses by the total loans and advances to customers.

(10) Calculated in accordance with the "Administrative Measures for the Capital of Commercial Banks (Provisional)" promulgated by CBRC.

Core Tier 1 capital adequacy ratio = (core Tier 1 capital — reductions from respective capital)/risk-weighted assets *100%

Tier 1 capital adequacy ratio = (Tier 1 capital — reductions from respective capital)/risk-weighted assets *100%.

Capital adequacy ratio = (total capital — reductions from respective capital)/risk-weighted assets *100%.

(11) As calculated by dividing total loans to customers by total deposits of customers.

## FINANCIAL REVIEW FOR THE FIRST HALF OF 2017

In the first half of 2017, recovery of major economies experienced twists and turns amid a complicated global economy. Uncertainties and instabilities weighed on the market as global "Black Swan" events occurred frequently and monetary and financial policy risks were still significant.

Faced with complicated economic situations at home and abroad, the Central Committee of CPC and the State Council adapted to, grasped and led the new normal of economic development, insisted on pushing forward supply-side structural reforms, fully emphasized financial risks, thereby enabling the financial sector to serve the real economy better. As such, the Chinese economy remained stable overall and demonstrated a momentum of making improvement while maintaining stability. In the first half of 2017, China's gross domestic product (GDP) amounted to RMB38,150 billion, representing an increase of 6.9% year-on-year. Industry added value of national enterprises in China increased by 6.9% year-on-year, representing an increase of 0.1 percentage point as compared to the growth of the first quarter, and an increase of 0.9 percentage point as compared to the growth in the corresponding period of last year. Fixed assets investment reached RMB28,060 billion, representing an increase of 8.6% year-on-year and a decrease of 0.6 percentage point as compared to the growth in the first quarter. Meanwhile, the Central Bank implemented a prudent and neutral monetary policy, to maintain liquidity at a moderately reasonable and generally stable level. As at the end of June 2017, the balance of broad money (M2) reached RMB163,130 billion, representing a year-on-year increase of 9.4%, and the balance of narrow money (M1) reached RMB51,020 billion, representing a year-on-year increase of 15%. The balance of RMB-denominated loans amounted to RMB114,570 billion, representing a year-on-year increase of 12.9%, and new RMB-denominated loans in the first half of 2017 amounted to RMB7,970 billion, representing a year-on-year increase of RMB436.2 billion. The balance of RMB-denominated deposits amounted to RMB159,660 billion, representing a year-on-year increase of 9.2%, and the new RMB-denominated deposits in the first half of 2017 amounted to RMB9,070 billion, representing a year-on-year decrease of RMB1,460 billion.

In the first half of 2017, Guangdong Province's economy followed the development momentum of making progress and improvements while maintaining stability, demonstrating improvement in our key economic indicators. The gross regional product (GDP) of Guangdong Province reached RMB4,200 billion, representing a year-on-year increase of 7.8%, among which the GDP of Guangzhou City reached RMB989.148 billion, representing a year-on-year increase of 7.9%, both of which achieved a growth rate higher than the national growth rate. Provincial enterprise operating in Guangdong province achieved industrial added value of RMB1,590 billion, representing a year-on-year increase of 7.2%. Fixed assets investment across Guangdong Province reached RMB1,550 billion, representing a year-on-year increase of 14.6%. The financial and economy operated steadily. As at the end of June 2017, the balance of RMB-denominated loans across Guangdong Province amounted to RMB11,220 billion, representing an increase of 14.8% year-on-year; and the balance of RMB-denominated deposits amounted to RMB17,770 billion, representing a year-on-year increase of 8.9%.

## I. INCOME STATEMENT ANALYSIS

| (Expressed in RMB million, unless otherwise stated) | For the six months ended June 30, 2017 | For the six months ended June 30, 2016 | Change in amount | Rate of Change (%) |
|---|---|---|---|---|
| Interest income | 14,943.99 | 11,373.04 | 3,570.95 | 31.40 |
| Interest expense | (8,893.03) | (6,430.02) | (2,463.01) | 38.30 |
| **Net interest income** | **6,050.96** | **4,943.02** | **1,107.94** | **22.41** |
| Fee and commission income | 1,170.59 | 1,311.05 | (140.46) | (10.71) |
| Fee and commission expense | (105.88) | (76.09) | (29.79) | 39.15 |
| **Net fee and commission income** | **1,064.71** | **1,234.96** | **(170.25)** | **(13.79)** |
| Net trading income | 483.17 | 635.19 | (152.02) | (23.93) |
| Net gains or losses on financial investments | (1,336.35) | 68.80 | (1,405.15) | (2,042.37) |
| Other operating income, net | (20.66) | 32.51 | (53.17) | (163.55) |
| **Operating income** | **6,241.83** | **6,914.48** | **(672.65)** | **(9.73)** |
| Operating expenses | (2,339.15) | (2,487.86) | 148.71 | (5.98) |
| Impairment losses on assets | (488.02) | (1,894.43) | 1,406.41 | (74.24) |
| Loans and advances | (518.95) | (2,154.12) | 1,635.17 | (75.91) |
| Others | 30.93 | 259.69 | (228.76) | (88.09) |
| **Profit before tax** | **3,414.66** | **2,532.19** | **882.47** | **34.85** |
| Income tax expense | (775.38) | (420.42) | (354.96) | 84.43 |
| **Net profit** | **2,639.28** | **2,111.77** | **527.51** | **24.98** |

In the first half of 2017, the Group recorded a profit before tax of RMB3,415 million, representing a year-on-year increase of 34.85% and a net profit of RMB2,639 million, representing a year-on-year increase of 24.98%. Profit before tax and net profit achieved a steady growth, primarily due to the steady increase in net interest income in line with the growing asset size, and a significant decrease in impairment losses on assets benefiting from the enhanced risk management on credit assets and greater efforts on clearing up and disposal of non-performing assets.

### (I) Net Interest Income

In the first half of 2017, the net interest income of the Group amounted to RMB6,051 million, representing a year-on-year increase of RMB1,108 million, or 22.41%, and accounting for 96.94% of the total operating income. The steady growth of net interest income was primarily due to the increase in asset size.

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

| (Expressed in RMB million, unless otherwise stated) | For the six months ended June 30, 2017 | For the six months ended June 30, 2016 | Change in amount | Rate of Change (%) |
|---|---|---|---|---|
| Interest income | 14,943.99 | 11,373.04 | 3,570.95 | 31.40 |
| Interest expense | (8,893.03) | (6,430.02) | (2,463.01) | 38.30 |
| **Net interest income** | **6,050.96** | **4,943.02** | **1,107.94** | **22.41** |

| (Expressed in RMB million, unless otherwise stated) | For the six months ended June 30, 2017 Average balance | Interest income/ expense | Annualized average yield/cost rate (%) | For the six months ended June 30, 2016 Average balance | Interest income/ expense | Annualized average yield/cost rate (%) |
|---|---|---|---|---|---|---|
| **Loans and advances to customers** | 267,427.20 | 7,055.19 | 5.28 | 241,809.28 | 6,776.80 | 5.61 |
| Available-for-sale financial assets | 185,845.97 | 3,817.17 | 4.11 | 85,850.29 | 1,544.49 | 3.60 |
| Held-to-maturity investments | 31,072.66 | 547.25 | 3.52 | 14,844.28 | 311.19 | 4.19 |
| Debt securities classified as receivables | 83,175.72 | 1,894.75 | 4.56 | 54,862.75 | 1,369.80 | 4.99 |
| Deposits and placements with banks and other financial institutions | 23,007.77 | 436.09 | 3.79 | 25,830.29 | 473.03 | 3.66 |
| Financial assets held under resale agreements | 38,351.96 | 674.89 | 3.52 | 31,855.92 | 451.79 | 2.84 |
| Deposits with central bank | 69,067.57 | 518.65 | 1.50 | 58,155.12 | 445.94 | 1.53 |
| **Total interest-earning assets** | **697,948.85** | **14,943.99** | **4.28** | **513,207.93** | **11,373.04** | **4.43** |
| Due to customers | 442,095.40 | 4,354.72 | 1.97 | 377,172.03 | 3,956.68 | 2.10 |
| Placements and deposits from banks and other financial institutions | 100,975.65 | 1,818.03 | 3.60 | 86,584.12 | 1,386.89 | 3.20 |
| Financial assets sold under repurchase agreements | 22,506.15 | 308.86 | 2.74 | 20,236.60 | 224.96 | 2.22 |
| Debt securities issued | 119,149.90 | 2,402.14 | 4.03 | 47,759.57 | 847.33 | 3.55 |
| Borrowing from central bank | 655.34 | 9.28 | 2.83 | 937.44 | 14.16 | 3.02 |
| **Total interest-bearing liabilities** | **685,382.44** | **8,893.03** | **2.60** | **532,689.76** | **6,430.02** | **2.41** |
| **Net interest income** | | **6,050.96** | | | **4,943.02** | |
| **Net interest spread** | | | **1.68** | | | **2.02** |
| **Net interest margin** | | | **1.73** | | | **1.93** |

In the first half of 2017, compared with the corresponding period of last year, the overall average return on interest-earning assets decreased by 15 basis points to 4.28%, the overall average cost rate of interest-bearing liabilities increased by 19 basis points to 2.60%, net interest spread decreased by 34 basis points to 1.68%, and net interest margin decreased by 20 basis points to 1.73%.

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

| (Expressed in RMB million, unless otherwise stated) | Increase/(decrease) due to changes in the following item | | Net increase/ decrease |
|---|---|---|---|
| | Volume factor | Rate factor | |
| **Assets** | | | |
| Loans and advances to customers | 717.95 | (439.56) | 278.39 |
| Available-for-sale financial assets | 1,798.97 | 473.71 | 2,272.68 |
| Held-to-maturity investments | 340.21 | (104.15) | 236.06 |
| Debt securities classified as receivables | 706.91 | (181.96) | 524.95 |
| Deposits and placements with banks and other financial institutions | (51.69) | 14.75 | (36.94) |
| Financial assets held under resale agreements | 92.13 | 130.97 | 223.10 |
| Deposits with central bank | 83.68 | (10.97) | 72.71 |
| **Changes in interest income** | **3,688.16** | **(117.21)** | **3,570.95** |
| **Liabilities** | | | |
| Due to customers | 681.07 | (283.03) | 398.04 |
| Placements and deposits from banks and other financial institutions | 230.52 | 200.62 | 431.14 |
| Financial assets sold under repurchase agreements | 25.23 | 58.67 | 83.90 |
| Debt securities issued | 1,266.58 | 288.23 | 1,554.81 |
| Borrowing from central bank | (4.26) | (0.62) | (4.88) |
| **Changes in interest expense** | **2,199.14** | **263.87** | **2,463.01** |

### *1. Interest income*

In the first half of 2017, interest income of the Group amounted to RMB14,944 million, representing an increase of RMB3,571 million or 31.40% as compared to the corresponding period of last year.

#### (1) INTEREST INCOME FROM LOANS AND ADVANCES TO CUSTOMERS

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

| | For the six months ended June 30, 2017 | | | For the six months ended June 30, 2016 | | |
|---|---|---|---|---|---|---|
| (Expressed in RMB million, unless otherwise stated) | Average balance | Interest income | Annualized average yield (%) | Average balance | Interest income | Annualized average yield (%) |
| Corporate loans | 165,924.05 | 4,526.77 | 5.50 | 143,042.30 | 4,070.24 | 5.69 |
| Personal loans | 84,092.09 | 2,255.91 | 5.37 | 73,511.74 | 2,249.60 | 6.12 |
| Discounted bills | 17,411.06 | 272.51 | 3.13 | 25,255.24 | 456.96 | 3.62 |
| **Total loans to customers** | **267,427.20** | **7,055.19** | **5.28** | **241,809.28** | **6,776.80** | **5.61** |

Interest income from loans and advances to customers amounted to RMB7,055 million, representing a year-on-year increase of RMB278 million, or 4.11%. While the average return decreased by 33 basis points to 5.28% as compared with last year, mainly due to the fact that the interest on loans was exclusive of tax after the transition from business tax to value-added tax, and an increase in the loans to large enterprises along with the adjustment to loan structure and decrease in small and micro loans at high rates.

#### (2) INTEREST INCOME FROM AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

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

| | For the six months ended June 30, 2017 | | | For the six months ended June 30, 2016 | | |
|---|---|---|---|---|---|---|
| (Expressed in RMB million, unless otherwise stated) | Average balance | Interest income | Annualized average return (%) | Average balance | Interest income | Annualized average return (%) |
| Deposits and placements with banks and other financial institutions | 23,007.77 | 436.09 | 3.79 | 25,830.29 | 473.03 | 3.66 |
| Financial assets held under resale agreements | 38,351.96 | 674.89 | 3.52 | 31,855.92 | 451.79 | 2.84 |
| **Total amounts due from banks and other financial institutions** | **61,359.73** | **1,110.98** | **3.62** | **57,686.21** | **924.82** | **3.21** |

In the first half of 2017, the interest income from deposits and placements with banks and other financial institutions of the Group amounted to RMB436 million, representing a year-on-year decrease of RMB37 million, or 7.81%, which was primarily due to the change in interbank asset structure, resulting in a decrease in the proportion of deposits and placements with banks and other financial institutions as compared to the corresponding period of last year.

### 2. *Interest expense*

In the first half of 2017, the Group's interest expense increased by RMB2,463 million or 38.30% to RMB8,893 million as compared to the corresponding period of last year.

#### (1) INTEREST EXPENSE ON AMOUNTS DUE TO CUSTOMERS

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

| (Expressed in RMB million, unless otherwise stated) | For the six months ended June 30, 2017 | | | For the six months ended June 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest expense | Annualized average cost rate (%) | Average balance | Interest expense | Annualized average cost rate (%) |
| **Corporate deposits** | | | | | | |
| Demand | 86,025.81 | 220.96 | 0.52 | 63,788.31 | 161.50 | 0.51 |
| Time | 87,368.81 | 1,527.76 | 3.53 | 78,983.46 | 1,412.10 | 3.58 |
| **Subtotal** | **173,394.62** | **1,748.72** | **2.03** | **142,771.77** | **1,573.60** | **2.20** |
| **Personal deposits** | | | | | | |
| Demand | 83,099.41 | 128.73 | 0.31 | 72,967.76 | 113.80 | 0.31 |
| Time | 126,390.08 | 1,646.66 | 2.63 | 111,112.93 | 1,515.80 | 2.73 |
| **Subtotal** | **209,489.49** | **1,775.39** | **1.71** | **184,080.69** | **1,629.60** | **1.77** |
| **Other deposits** | **59,211.29** | **830.61** | **2.81** | **50,319.57** | **753.48** | **2.99** |
| **Total amounts due to customers** | **442,095.40** | **4,354.72** | **1.97** | **377,172.03** | **3,956.68** | **2.10** |

In the first half of 2017, the Group's interest expense on due to customers amounted to RMB4,355 million, representing a year-on-year increase of RMB398 million, or 10.06%, and the cost rate of deposits was 1.97%, representing a decrease of by 13 basis points year-on-year, mainly due to an increase in the average daily proportion of demand deposits with a low cost rate as compared to the corresponding period of last year, resulting in a further optimized deposit structure.

#### (2) INTEREST EXPENSE ON AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

| (Expressed in RMB million, unless otherwise stated) | For the six months ended June 30, 2017 | | | For the six months ended June 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest expense | Annualized average cost rate (%) | Average balance | Interest expense | Annualized average cost rate (%) |
| Placements and deposits from banks and other financial institutions | 100,975.65 | 1,818.03 | 3.60 | 86,584.12 | 1,386.89 | 3.20 |
| Financial assets sold under repurchase agreements | 22,506.15 | 308.86 | 2.74 | 20,236.60 | 224.96 | 2.22 |
| **Total amounts due to banks and other financial institutions** | **123,481.80** | **2,126.89** | **3.44** | **106,820.72** | **1,611.85** | **3.02** |

In the first half of 2017, the Group's interest expense on placements and deposits from banks and other financial institutions amounted to RMB1,818 million, representing a year-on-year increase of RMB431 million, or 31.09%, which was primarily due to an increase in the size resulted from the adjustment to the asset size this year as well as the rise of capital price in the interbank market.

Interest expense on financial assets sold under repurchase agreements amounted to RMB309 million, representing a year-on-year increase of RMB84 million, or 37.30%, which was primarily due to a rise of capital price in the interbank market.

## (II) Non-interest Income

### 1. *Fee and commission income*

| (Expressed in RMB million, unless otherwise stated) | For the six months ended June 30, 2017 | For the six months ended June 30, 2016 | Change in amount | Rate of Change (%) |
|---|---|---|---|---|
| Fee and commission income: | | | | |
| Fee income from advisory and consulting business | 409.95 | 552.98 | (143.03) | (25.87) |
| Fee income from settlement and electronic channel business | 61.06 | 60.41 | 0.65 | 1.08 |
| Fee income from agency and custodian business | 210.58 | 237.94 | (27.36) | (11.50) |
| Fee income from bank card business | 223.42 | 262.58 | (39.16) | (14.91) |
| Fee income from wealth management products | 127.86 | 44.44 | 83.42 | 187.71 |
| Financial leasing fee income | 55.40 | 71.88 | (16.48) | (22.93) |
| Fee income from foreign exchange business | 24.16 | 23.71 | 0.45 | 1.90 |
| Others | 58.16 | 57.11 | 1.05 | 1.84 |
| **Subtotal** | **1,170.59** | **1,311.05** | **(140.46)** | **(10.71)** |
| Fee and commission expense: | | | | |
| Fee expense on settlement and electronic channel business | (8.31) | (14.36) | 6.05 | (42.13) |
| Fee expense on bank card business | (13.60) | (17.37) | 3.77 | (21.70) |
| Others | (83.97) | (44.36) | (39.61) | 89.29 |
| **Subtotal** | **(105.88)** | **(76.09)** | **(29.79)** | **39.15** |
| **Net fee and commission income** | **1,064.71** | **1,234.96** | **(170.25)** | **(13.79)** |

In the first half of 2017, the net fee and commission income of the Group amounted to RMB1,065 million, representing a year-on-year decrease of RMB170 million, or 13.79%, and accounting for 17.06% of the total operating income, which was mainly due to the decrease in advisory and consulting fees and fee expense on bank card business.

### 2. *Net trading income*

In the first half of 2017, net trading income of the Group amounted to RMB483 million, representing a year-on-year decrease of RMB152 million, mainly due to decrease in the average daily size of financial assets at fair value through profit or loss of the Bank.

### 3. *Net gain on financial investments*

In the first half of 2017, the net losses on financial investments of the Group amounted to RMB1,336 million, mainly due to the sustained sluggish bond market and other markets.

### 4. *Other operating income, net*

In the first half of 2017, the net other operating losses of the Group amounted to RMB21 million, mainly due to the disposal of mortgage assets and exchange losses.

## (III) Operating Expenses

In the first half of 2017, the operating expenses of the Group decreased by RMB149 million, or 5.98%, to RMB2,339 million as compared to the corresponding period of last year.

The following table sets forth the principal components of operating expenses of the Group for the periods indicated.

| (Expressed in RMB million, unless otherwise stated) | For the six months ended June 30, 2017 | For the six months ended June 30, 2016 | Change in amount | Rate of Change (%) |
|---|---|---|---|---|
| Staff costs | 1,369.26 | 1,176.69 | 192.57 | 16.37 |
| Tax and surcharges | 79.63 | 405.05 | (325.42) | (80.34) |
| Depreciation and amortization | 250.13 | 251.09 | (0.96) | (0.38) |
| Others | 640.13 | 655.03 | (14.90) | (2.27) |
| **Total operating expenses** | **2,339.15** | **2,487.86** | **(148.71)** | **(5.98)** |

### 1. *Staff costs*

Staff costs are the largest component of operating expenses of the Group, accounting for 58.54% and 47.30% of our operating expenses for the first half of 2017 and the first half of 2016, respectively.

The following table sets forth the principal components of staff costs of the Group for the periods indicated.

| (Expressed in RMB million, unless otherwise stated) | For the six months ended June 30, 2017 | For the six months ended June 30, 2016 | Change in amount | Rate of Change (%) |
|---|---|---|---|---|
| Salaries, bonuses and allowances | 907.97 | 676.92 | 231.05 | 34.13 |
| Welfare, social insurance and housing provident fund | 227.51 | 265.65 | (38.14) | (14.36) |
| Others | 233.78 | 234.12 | (0.34) | (0.15) |
| **Total staff costs** | **1,369.26** | **1,176.69** | **192.57** | **16.37** |

In the first half of 2017, staff costs of the Group amounted to RMB1,369 million, representing a year-on-year increase of RMB193 million, or 16.37%, which was primarily attributable to an increase in salaries, bonuses and allowances.

### 2. *Tax and surcharges*

In the first half of 2017, the tax and surcharges incurred by the Group amounted to RMB79.63 million. Pursuant to the provisions of the Ministry of Finance, the original "business tax and surcharges" shall be adjusted to "tax and surcharges" with effect from 2017. Moreover, the value-added tax shall not be charged to this item after the transition from business tax to value-added tax on May 1, 2016. Such adjustment to the basis led to a significant year-on-year decrease in the duties and charges attributed to this item in the first half of 2017.

### 3. *Depreciation and amortization*

In the first half of 2017, depreciation and amortization of the Group was RMB250 million, representing a year-on-year decrease of RMB0.96 million, or 0.38%.

### 4. *Others*

In the first half of 2017, other expenses amounted to RMB640 million, representing a year-on-year decrease of RMB14.90 million, or 2.27%, which was primarily due to a decrease in general and administrative expenses.

## (IV) Impairment Losses on Assets

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

| (Expressed in RMB million, unless otherwise stated) | For the six months ended June 30, 2017 | For the six months ended June 30, 2016 | Change in amount | Rate of Change (%) |
|---|---|---|---|---|
| Loans and advances to customers | 518.95 | 2,154.12 | (1,635.17) | (75.91) |
| Other assets | (30.93) | (259.69) | 228.76 | (88.09) |
| **Total provisions for impairment losses on assets** | **488.02** | **1,894.43** | **(1,406.41)** | **(74.24)** |

In the first half of 2017, the provisions for impairment losses on assets made by the Group amounted to RMB488 million, representing a year-on-year decrease of RMB1,406 million, or 74.24%. Among which, provisions for impairment losses on loans and advances to customers amounted to RMB519 million, representing a year-on-year decrease of RMB1,635 million, which was primarily due to a decrease in non-performing loans and an increase in written-off loans.

## (V) Income Tax Expense

In the first half of 2017, income tax expense amounted to RMB775 million, representing a year-on-year increase of RMB355 million, mainly due to a significant increase in total profit as compared to the corresponding period of last year. The effective income tax rate was 23%.

## II. ANALYSIS ON STATEMENT OF FINANCIAL POSITION

### (I) Assets

The following table sets forth the composition of the Group's total assets as at the dates indicated.

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 Amount | Percentage of total (%) | As at December 31, 2016 Amount | Percentage of total (%) |
|---|---|---|---|---|
| Total loans and advances to customers | 276,332.62 | 40.63 | 245,891.30 | 37.20 |
| Allowances for impairment losses | (8,731.43) | (1.28) | (7,956.53) | (1.20) |
| Loans and advances to customers, net | 267,601.19 | 39.35 | 237,934.77 | 36.00 |
| Net financial investments | 210,752.21 | 30.99 | 190,072.92 | 28.76 |
| Cash and deposits with the central bank | 84,073.90 | 12.36 | 83,022.94 | 12.56 |
| Financial assets at fair value through profit or loss | 37,216.84 | 5.47 | 35,980.38 | 5.44 |
| Deposits with banks and other financial institutions | 17,434.95 | 2.57 | 18,380.85 | 2.78 |
| Placements with banks and other financial institutions | 10,559.48 | 1.55 | 3,910.82 | 0.59 |
| Financial assets held under resale agreements | 40,001.78 | 5.88 | 79,963.09 | 12.10 |
| Others | 12,408.68 | 1.83 | 11,685.35 | 1.77 |
| **Total assets** | **680,049.03** | **100.00** | **660,951.12** | **100.00** |

Notes:

(1) Financial investments consist of available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

(2) Other assets consist of interest receivables, property and equipment, deferred tax assets, debt assets and accounts receivable and accounts payable.

As at June 30, 2017, the Group's total assets amounted to RMB680,049 million, representing an increase of RMB19,098 million, or 2.89%, as compared to the end of last year. Among which, the gross amount of loans and advances to customers increased by RMB30,441 million, or 12.38%, as compared to the end of last year. This was primarily due to the fact that China's economy was experiencing gradual recovery in the first half of 2017, and the real economy showed a strong credit demand, which led to a rapid growth in the scale of loans.

Financial Investments increased by RMB20,679 million, or 10.88%, as compared to the end of last year, primarily due to the Bank's reasonable adjustment of investment structure, resulting in an increase in available-for-sale debt securities.

Cash and deposits with the central bank increased by RMB1,051 million, or 1.27%, as compared to the end of last year, mainly due to an increase in the mandatory reserve with the central bank along with an increase in the amount due to customers.

Gross amount of deposits and placements with banks and other financial institutions increased by RMB5,703 million, or 25.58%, as compared to the end of last year, primarily due to the Bank's improvement of overall return on assets and increase in allocation of placements with banks and other financial institutions.

Financial assets held under resale agreements decreased by RMB39,961 million, or 49.97%, as compared to the end of last year. This was mainly due to the fact that the Group increased its high-liquidity asset reserve in response to potential liquidity risk, resulting that a substantial part of this segment fall due in the first quarter of this year.

### *1. Loans and advances to customers*

**DISTRIBUTION OF LOANS BY BUSINESS SEGMENT**

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 | | As at December 31, 2016 | |
|---|---|---|---|---|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Corporate loans | 180,118.48 | 65.18 | 152,566.99 | 62.05 |
| Personal loans | 88,051.01 | 31.87 | 81,328.24 | 33.07 |
| Discounted bills | 8,163.13 | 2.95 | 11,996.07 | 4.88 |
| **Total loans to customers** | **276,332.62** | **100.00** | **245,891.30** | **100.00** |

As at June 30, 2017, the gross amount of loans and advances to customers of the Group increased by RMB30,441 million, or 12.38%, to RMB276,333 million as compared to the end of last year.

As compared to the end of last year, the Group's gross amount of corporate loans increased by RMB27,551 million, or 18.06%, to RMB180,118 million; gross amount of personal loans increased by RMB6,723 million, or 8.27%, to RMB88,051 million; and gross amount of discounted bills decreased by RMB3,833 million, or 31.95%, to RMB8,163 million. The increase in the loans of the Group was mainly due to an increase in the demand for loans to customers as China's economy gradually recovered in 2017.

**DISTRIBUTION OF LOANS BY PRODUCT TYPE**

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 | | As at December 31, 2016 | |
|---|---|---|---|---|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| **Total corporate loans** | **180,118.48** | **65.18** | **152,566.99** | **62.05** |
| Working capital loans | 100,855.24 | 36.50 | 89,104.23 | 36.25 |
| Fixed asset loans | 69,035.30 | 24.98 | 52,528.02 | 21.36 |
| Lease receivables | 10,071.06 | 3.64 | 10,633.46 | 4.32 |
| Others | 156.88 | 0.06 | 301.28 | 0.12 |
| **Total personal loans** | **88,051.01** | **31.87** | **81,328.24** | **33.07** |
| Personal mortgage loans | 40,108.90 | 14.52 | 34,015.81 | 13.84 |
| Personal business loans | 27,308.60 | 9.88 | 28,946.52 | 11.77 |
| Personal consumption loans | 13,452.94 | 4.87 | 11,936.30 | 4.85 |
| Balance of credit cards | 7,180.57 | 2.60 | 6,429.61 | 2.61 |
| **Total discounted bills** | 8,163.13 | 2.95 | 11,996.07 | 4.88 |
| Bank's acceptance bills | 1,722.50 | 0.62 | 7,671.21 | 3.12 |
| Commercial acceptance bills | 6,440.63 | 2.33 | 4,324.86 | 1.76 |
| **Total loans to customers** | **276,332.62** | **100.00** | **245,891.30** | **100.00** |

As at June 30, 2017, the Group's working capital loans, fixed asset loans and lease receivables were RMB100,855 million, RMB69,035 million and RMB10,071 million, respectively, representing 55.99%, 38.33% and 5.59% of the total corporate loans, respectively. Among which, working capital loans and fixed asset loans increased by RMB11,751 million and RMB16,507 million, or 13.19% and 31.43%, as compared to the end of last year, respectively, mainly due to an increase in the demand for loans to customers as China's economy gradually recovered this year.

As at June 30, 2017, the Group's personal mortgage loans, personal business loans, personal consumption loans and the balance of credit cards were RMB40,109 million, RMB27,309 million, RMBB13,453 million and RMB7,181 million, respectively, representing 45.55%, 31.01%, 15.28% and 8.16% of total personal loans, respectively. Among which, personal mortgage loans, personal consumption loans and the balance of credit cards increased by RMB6,093 million, RMB1,517 million and RMB751 million, or 17.91%, 12.71% and 11.68%, as compared to the end of last year, respectively, while mainly personal business loans decreased by RMB1,638 million, or 5.66%, as compared to the end of last year, mainly due to the fact that the Bank strived to develop personal mortgage loan business, resulting in an increase in market demand.

As at June 30, 2017, the discounted bank's acceptance bills and discounted commercial acceptance bills of the Group were RMB1,723 million and RMB6,441 million, respectively. Among which, discounted bank's acceptance bills decreased significantly by RMB5,949 million, or 77.55%, as compared to the end of last year, mainly due to the fact that the Bank actively decreased the discounted bank's acceptance bills with low returns and increased corporate and person loans to stabilize the overall returns on loans.

### DISTRIBUTION OF LOANS BY TYPE OF COLLATERAL

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 | | As at December 31, 2016 | |
|---|---|---|---|---|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Collateralized loans | 163,775.86 | 59.26 | 152,948.25 | 62.20 |
| Pledged loans | 26,825.78 | 9.71 | 25,346.98 | 10.31 |
| Guaranteed loans | 59,016.26 | 21.36 | 45,332.99 | 18.44 |
| Credit loans | 26,714.72 | 9.67 | 22,263.08 | 9.05 |
| **Total loans to customers** | **276,332.62** | **100.00** | **245,891.30** | **100.00** |

As at June 30, 2017, the collateralized loans, pledged loans, guaranteed loans and credit loans of the Group increased by RMB10,828 million, RMB1,479 million, RMB13,683 million and RMB4,452 million, or 7.08%, 5.83%, 30.18% and 20.00%, as compared to the end of last year, respectively. During this year, guaranteed loans and credit loans increased significantly. However, their share of total loans still added up to 68.98% overall, reflecting the prudent risk management policy of the Bank.

### 2. *Investments*

The following table sets forth the composition of investments of the Group as at the dates indicated.

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 | | As at December 31, 2016 | |
|---|---|---|---|---|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Financial assets at fair value through profit or loss | 37,216.84 | 15.01 | 35,980.38 | 15.92 |
| Available-for-sale financial assets | 104,396.32 | 42.10 | 88,278.36 | 39.04 |
| Held-to-maturity investments | 30,237.14 | 12.19 | 25,782.16 | 11.41 |
| Debt securities classified as receivables | 76,118.75 | 30.70 | 76,012.40 | 33.63 |
| **Total investments** | **247,969.05** | **100.00** | **226,053.30** | **100.00** |

As at June 30, 2017, total investments of the Group increased by RMB21,916 million, or 9.69%, to RMB247,969 million as compared to the end of last year. Among which, available-for-sale financial assets increased by RMB16,118 million, or 18.26%, as compared to the end of last year, mainly due to the fact that the Bank made adjustment to investment structure, resulting in an increase in available-for-sale debt securities.

The following table sets forth the composition of debt securities investments of the Group as at the dates indicated.

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 | | As at December 31, 2016 | |
|---|---|---|---|---|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Government bonds | 24,862.22 | 10.66 | 21,040.10 | 10.67 |
| Bonds issued by policy banks | 59,660.86 | 25.58 | 48,727.06 | 24.71 |
| Bonds issued by banks and other financial institutions | 28,697.06 | 12.30 | 12,453.30 | 6.32 |
| Corporate bonds | 6,006.48 | 2.58 | 8,489.20 | 4.31 |
| Debt instruments issued by financial institutions | 114,032.37 | 48.88 | 106,474.54 | 53.99 |
| **Total debt securities investments** | **233,258.99** | **100.00** | **197,184.20** | **100.00** |

## (II) Liabilities

The following table sets forth the composition of total liabilities of the Group as at the dates indicated.

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 Amount | As at June 30, 2017 Percentage of total (%) | As at December 31, 2016 Amount | As at December 31, 2016 Percentage of total (%) |
|---|---|---|---|---|
| Due to customers | 440,875.33 | 69.35 | 423,742.04 | 68.00 |
| Deposits from banks and other financial institutions | 25,710.49 | 4.04 | 33,580.93 | 5.39 |
| Placements from banks and other financial institutions | 3,430.69 | 0.54 | 1,798.32 | 0.29 |
| Repurchase agreements | 17,392.60 | 2.74 | 48,597.80 | 7.80 |
| Debt securities issued | 126,732.88 | 19.94 | 92,295.38 | 14.81 |
| Others[1] | 21,557.60 | 3.39 | 23,096.95 | 3.71 |
| **Total liabilities** | **635,699.59** | **100.00** | **623,111.42** | **100.00** |

Note:

(1) Mainly including interest payable, borrowings from other banks and accrued staff costs

As at June 30, 2017, the total liabilities of the Group increased by RMB12,588 million, or 2.02%, to RMB635,700 million as compared to the end of last year. The amount due to customers grew by RMB17,133 million, or 4.04%, as compared to the end of last year, whose proportion in the liabilities of the Group remained stable.

### *1. Deposits from customers*

The following table sets forth the amount due to customers of the Bank by product type as at the dates indicated.

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 Amount | As at June 30, 2017 Percentage of total (%) | As at December 31, 2016 Amount | As at December 31, 2016 Percentage of total (%) |
|---|---|---|---|---|
| **Corporate deposits**[1] | | | | |
| Time | 83,490.48 | 18.94 | 82,712.55 | 19.52 |
| Demand | 95,440.01 | 21.65 | 96,876.07 | 22.86 |
| Subtotal | 178,930.49 | 40.59 | 179,588.62 | 42.38 |
| **Personal deposits** | | | | |
| Time | 114,601.21 | 25.99 | 110,200.32 | 26.01 |
| Demand | 85,300.82 | 19.35 | 81,438.65 | 19.22 |
| Subtotal | 199,902.03 | 45.34 | 191,638.97 | 45.23 |
| Pledged deposits | 11,419.58 | 2.59 | 11,538.23 | 2.72 |
| Other deposits[2] | 50,623.23 | 11.48 | 40,976.22 | 9.67 |
| **Due to customers** | **440,875.33** | **100.0** | **423,742.04** | **100.00** |

(1) Mainly including deposits from corporate customers and government bodies.

(2) Mainly including structured deposits, treasury time deposits and fiscal deposits raised from the launch of principal-preservation wealth management products by the Bank.

As at June 30, 2017, the amount due to customers increased by RMB17,133 million, or 4.04%, to RMB440,875 million as compared to the end of last year. With respect to the customer structure of the Group, personal deposits accounted for 45.34% of the total amount of deposits from customers, and the balance of personal deposits increased by RMB8,263 million, or 4.31%, as compared to the end of last year, corporate deposits (excluding pledged deposits) accounted for 40.59% of the total amount of deposits from customers, and the balance of corporate deposits decreased by RMB658 million, or 0.37%, as compared to the end of last year. With respect to the maturity structure, demand deposits accounted for 41.00% of the total amount due to customers, representing a decrease of 1.08 percentage points over the end of last year, while time deposits accounted for 44.93%, representing a decrease of 0.59 percentage point over the end of last year.

### (III) Composition of Shareholders' Equity

The following table sets forth the composition of shareholders' equity of the Group as at the date indicated.

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 Amount | As at June 30, 2017 Percentage of total (%) | As at December 31, 2016 Amount | As at December 31, 2016 Percentage of total (%) |
|---|---|---|---|---|
| Share capital | 9,592.42 | 21.63 | 8,153.42 | 21.55 |
| Capital reserve | 9,719.66 | 21.92 | 4,839.81 | 12.79 |
| Surplus reserve | 3,200.15 | 7.22 | 3,200.15 | 8.46 |
| General risk reserve | 8,020.43 | 18.08 | 8,020.43 | 21.20 |
| Investment revaluation reserve | (1,499.02) | (3.38) | (713.83) | (1.89) |
| Remeasurement gains on defined benefit plans | 42.78 | 0.09 | 33.82 | 0.09 |
| Retained earnings | 13,302.82 | 30.00 | 12,311.44 | 32.53 |
| Non-controlling interests | 1,970.20 | 4.44 | 1,994.46 | 5.27 |
| **Total shareholders' equity** | **44,349.44** | **100.00** | **37,839.70** | **100%** |

As at June 30, 2017, the Group recorded a paid-in capital of RMB9,592 million and capital reserve reached RMB9,720 million, up by RMB1,439 million and RMB4,880 million over the end of last year, respectively. Please refer to the condensed consolidated financial statements for details.

## III. LOAN QUALITY ANALYSIS

### (I) Concentration of Loans

#### 1) *Major regulatory indicators*

| Remaining maturity | Regulatory standard | As at June 30, 2017 | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|---|---|
| Loan ratio for the largest single borrower (%) | <=10% | 5.54 | 6.31 | 5.69 |
| Loan ratio for a single group borrower (%) | <=15% | 9.56 | 8.34 | 11.90 |

#### 2) *Loans to top ten largest single borrowers*

| (Expressed in RMB million, unless otherwise stated) | Indsutry | As at June 30, 2017 | | |
|---|---|---|---|---|
| | | Amount | Percentage of the total amount of loans (%) | Percentage of net capital (%) |
| Borrower A | Accommodation and catering | 2,794.09 | 1.02 | 5.54 |
| Borrower B | Real estate | 2,598.76 | 0.95 | 5.15 |
| Borrower C | Wholesale and retail | 2,575.19 | 0.94 | 5.11 |
| Borrower D | Water conservation, environment and public utilities management | 2,283.48 | 0.83 | 4.53 |
| Borrower E | Accommodation and catering | 2,025.00 | 0.74 | 4.02 |
| Borrower F | Finance | 2,000.00 | 0.73 | 3.97 |
| Borrower G | Wholesale and retail | 1,932.48 | 0.71 | 3.83 |
| Borrower H | Water conservation, environment and public utilities management | 1,800.00 | 0.66 | 3.57 |
| Borrower I | Real estate | 1,760.00 | 0.64 | 3.49 |
| Borrower J | Information transmission, software and information technology services | 1,561.91 | 0.57 | 3.10 |

## (II) Five-Category Classification of Loans

The following table sets forth the distribution of the Group's loans by the five-category classification under which non-performing loans include loans classified into substandard, doubtful and loss categories as at the dates indicated.

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 | | As at December 31, 2016 | |
|---|---|---|---|---|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Normal | 263,413 | 95.32 | 232,045 | 94.37 |
| Special mention | 8,127 | 2.94 | 9,391 | 3.82 |
| Substandard | 1,857 | 0.67 | 1,835 | 0.75 |
| Doubtful | 2,480 | 0.9 | 2,151 | 0.87 |
| Loss | 455 | 0.17 | 469 | 0.19 |
| **Total loans to customers** | **276,332** | **100.00** | **245,891** | **100.00** |
| **Non-performing loan ratio(1)** | **—** | **1.73** | **—** | **1.81** |

(1) As calculated by dividing the total amount of non-performing loans by total loans.

In the first half of 2017, faced with increasingly complicated economic and financial circumstances at home and abroad, the Group adhered to the work idea of taking a balanced approach to prevent additional risks while mitigating existing ones. The Group further expanded investigations on credit asset risks, strengthened risk-alert, tracking and post-loan management, took proactive actions to prevent and resolve risks in advance and made great efforts to collect, dispose of and verify non-performing assets. Therefore, the quality of the Bank's credit assets was stable with risks under control. As at June 30, 2017, the non-performing loan ratio was 1.73% which decreased by 0.08 percentage point from the end of last year.

## (III) Distribution of Non-performing Corporate Loans by Industry

The following table sets forth the distribution of the Group's non-performing corporate loans by industry as at the dates indicated.

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 | | | As at December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Amount | Percentage of total (%) | Non-performing loan ratio (%) | Amount | Percentage of total (%) | Non-performing loan ratio[1] (%) |
| Wholesale and retail | 1,253 | 45.5 | 4.60 | 1,010 | 42.1 | 3.89 |
| Real estate | 2 | 0.1 | 0.00 | — | — | — |
| Leasing and commercial services | 105 | 3.8 | 0.34 | 77 | 3.2 | 0.32 |
| Manufacturing | 451 | 16.4 | 1.75 | 299 | 12.5 | 1.26 |
| Construction | 83 | 3 | 0.81 | 76 | 3.2 | 0.77 |
| Water conservation, environment and public utilities management | — | — | — | — | — | — |
| Accommodation and catering | 25 | 0.90 | 0.30 | 11 | 0.5 | 0.15 |
| Transportation, storage and postal services | 9 | 0.3 | 0.11 | 1 | — | 0.02 |
| Agriculture, forestry, animal husbandry and fishery | 48 | 1.7 | 0.90 | 42 | 1.8 | 0.97 |
| Information transmission, software and information technology services | 24 | 0.9 | 0.74 | 10 | 0.4 | 0.34 |
| Education | — | — | — | — | — | — |
| Health and social services | — | — | — | — | — | — |
| Household, repair and other services | 3 | 0.1 | 0.19 | 3 | 0.1 | 0.14 |
| Production and supply of electricity, heat, gas and water | — | — | — | 10 | 0.4 | 0.49 |
| Others[2] | 751 | 27.3 | 8.59 | 861 | 35.9 | 15.37 |
| **Total non-performing corporate loans** | **2,754** | **100.0** | **1.53** | **2,400** | **100.0** | **1.57** |

(1) As calculated by dividing non-performing loans (loans classified into substandard, doubtful and loss categories) of an industry by gross loans granted to such industry.

In the first half of 2017, faced with the complicated and ever-changing external economic conditions, the Group continued to optimize its industry-specific lending and exit criteria for customers. As such, the non-performing ratios of all industries remained stable.

## (IV) Distribution of Non-performing Loans by Product Type

The following table sets forth the distribution of the Group's non-performing loans by product type as at the dates indicated.

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 | | | As at December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Amount | Percentage of total (%) | Non-performing loan ratio (%) | Amount | Percentage of total (%) | Non-performing loan ratio[1] (%) |
| **Corporate loans** | **2,754** | **100.0** | **1.53** | **2,400** | **100.0** | **1.57** |
| **Personal loans** | **2,038** | **100.0** | **2.32** | **2,056** | **100.0** | **2.53** |
| Personal mortgage loans | 128 | 6.3 | 0.32 | 123 | 6 | 0.36 |
| Personal business loans | 1,509 | 74.03 | 5.53 | 1,549 | 75.3 | 5.35 |
| Personal consumption loans | 128 | 6.29 | 0.95 | 109 | 5.3 | 0.91 |
| Balance of credit cards | 273 | 13.38 | 3.8 | 275 | 13.4 | 4.28 |
| **Discounted bills** | — | — | — | — | — | — |
| **Total non-performing loans** | **4,792** | — | **1.73** | **4,456** | — | **1.81** |

(1) As calculated by dividing non-performing loans (loans classified into substandard, doubtful and loss categories) in each product type by gross loans in that product type.

As at June 30, 2017, non-performing ratio of corporate loans decreased by 0.04 percentage point to 1.53% as compared to the end of last year, whereas the non-performing ratio of personal loans decreased by 0.21 percentage point to 2.32% as compared to the end of last year.

## (V) Overdue Loans to Customers

The following table sets forth, for the dates indicated, the aging timetable of the Group's loans by loan certificate.

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 | | As at December 31, 2016 | |
|---|---|---|---|---|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| **Loans that are not past due** | **269,082** | **97.4** | **237,147** | **96.4** |
| **Loans that are past due** | **7,250** | **2.6** | **8,744** | **3.6** |
| Within three months | 1,933 | 0.7 | 3,572 | 1.5 |
| More than three months and within one year | 1,327 | 0.5 | 1,429 | 0.6 |
| More than one year and within three years | 3,134 | 1.1 | 3,120 | 1.3 |
| More than three years | 856 | 0.3 | 624 | 0.3 |
| **Total loans** | **276,332** | **100.0** | **245,891** | **100.0** |
| **Loans that are past due for more than three months** | **5,317** | **1.9** | **5,173** | **2.1** |

As at June 30, 2017, overdue loans amounted to RMB7,250 million, representing a decrease of RMB1,490 million from the end of last year and accounting for 2.6% of the total loans, representing a decrease of 1 percentage point from the end of last year.

## (VI) Rescheduled Loans and Advances

| (Expressed in RMB million, unless otherwise stated) | As at June 30, 2017 | | As at December 31, 2016 | |
|---|---|---|---|---|
| | Amount | Percentage of total (%) | Amount | Percentage of total (%) |
| Rescheduled loans and advances | 3,475 | 1.26 | 3,674 | 1.49 |

As at June 30, 2017, rescheduled loans and advances amounted to RMB3,475 million, representing a decrease of RMB199 million as compared to that at the end of last year.

## IV. ANALYSIS OF CAPITAL ADEQUACY RATIO

The Group adopted the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) to calculate 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, covering all branches of the Bank as well as subsidiaries which are financial institutions under the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法 (試行)》). The following table sets forth, for the date indicated, the relevant information of the Group's capital adequacy ratio.

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Core Tier 1 capital adequacy ratio | 10.22% | 9.90% |
| Tier 1 capital adequacy ratio | 10.25% | 9.92% |
| Capital adequacy ratio | 11.77% | 12.16% |
| **Core Tier 1 capital** | | |
| Portion of paid-in capital that may be included | 9,592 | 8,153 |
| Portion of capital reserve that may be included | 9,720 | 4,840 |
| Surplus reserve | 3,200 | 3,200 |
| General risk reserve | 8,020 | 8,020 |
| Retained earnings | 13,303 | 12,311 |
| Portion of minority interests may be included | 928 | 1,103 |
| Others | (1,456) | (680) |
| Total core Tier 1 capital | 43,307 | 36,949 |
| **Regulatory deductions for core Tier 1 capital** | | |
| Other intangible assets (excluding land use rights) | (178) | (116) |
| **Core Tier 1 capital, net** | **43,129** | **36,833** |
| **Other Tier 1 capital** | | |
| Portion of minority interests may be included | 113 | 93 |
| **Net Tier 1 capital** | **43,242** | **36,926** |
| **Tier 2 capital** | | |
| Tier 2 capital instruments and related premium that may be included | 4,096 | 6,195 |
| Excessive loan allowances | 2,033 | 1,884 |
| Portion of minority interests may be included | 323 | 272 |
| **Net capital** | **49,694** | **45,277** |
| Total risk-weighted assets | 422,071 | 372,211 |

## V. ANALYSIS OF LEVERAGE RATIO

As of June 30, 2017, the Group measured and disclosed the leverage ratio in accordance with the 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)》).

| | June 30, 2017 |
|---|---|
| Net Tier 1 capital | 43,242 |
| The balance of assets on and off balance sheet after adjustments | 718,306 |
| Leverage ratio (%) | 6.02% |

## VI. SEGMENT INFORMATION

The Group conducts its business principally in Guangdong, the PRC, with its major customers and non-current assets distributed in Guangdong, the PRC.

### Summary of Business Segment

*Operating income*

| (Expressed in RMB million, unless otherwise stated) | For the six months ended June 30, 2017 | | For the six months ended June 30, 2016 | |
|---|---|---|---|---|
| | Amount | Percentage of total amount (%) | Amount | Percentage of total amount (%) |
| Corporate banking business | 3,238.77 | 51.89 | 2,968.23 | 42.93 |
| Personal banking business | 2,432.62 | 38.97 | 2,938.35 | 42.50 |
| Financial market business | 533.56 | 8.55 | 995.26 | 14.39 |
| Other businesses | 36.88 | 0.59 | 12.63 | 0.18 |
| Total operating income | 6,241.83 | 100.00 | 6,914.47 | 100.00 |

## VII. ANALYSIS OF OFF-BALANCE-SHEET ITEMS

The Bank's off-balance-sheet items mainly include loan commitments, acceptance bills, unutilized credit card facilities, issuance of letters of guarantee and issuance of letters of credit arising from the ordinary business operations of the Bank. As at June 30, 2017, the balances of loan commitments, acceptance bills, unutilized credit card facilities, issuance of letters of guarantee and issuance of letters of credit were RMB71,591 million, RMB11,173 million and RMB11,410 million, RMB12,456 million and RMB3,557 million, respectively.

## VIII. CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

For details on the Group's contingent liabilities and pledge of assets as at June 30, 2017, please refer to notes 37 and 39 to the condensed consolidated financial statements.

# BUSINESS OPERATION

## I. Corporate banking business

In the first half of 2017, the net interest income from corporate banking business increased by 22% as compared to the corresponding period of last year to RMB2,710 million, and the total profit before tax increased by 246% as compared to the corresponding period last year to RMB2,290 million, accounting for 67.03% 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 16% as compared to last year.

### 1. Corporate Deposit and Loan Business

The Bank endeavored to expand the corporate deposit market. During the first half of 2017, the Bank promoted and implemented large projects and utilized various deposit products, driving a steady growth in corporate deposits. As at June 30, 2017, the balance of corporate deposits (including pledged deposits and other deposits) of the Bank reached RMB199.6 billion, an increase of RMB4,300 million as compared to the end of last year, accounting for 48.67% of the balance of various deposits of the Bank, ranking fifth in Guangzhou regional market.

In terms of loans, benefiting from the recovering economy this year, corporate entities showed a strong demand for credit loans. As such, corporate asset business developed rapidly and achieved good results with regards to the policy on extending corporate loans, the Bank adhered to operating according to the principle that was in compliance with laws, and effectively observed the macroeconomic control policy of the country and the local economic operations, and expanded its corporate loan business in a prudent, steady and appropriate manner. As at June 30, 2017, the balance of corporate loans amounted to RMB161,160 million, representing an increase of RMB27,365 million or 20.45% as compared to the end of last year, ranking first in Guangzhou region in terms of increment. The Bank extended a total of RMB67.9 billion to 1,325 customers during the current year. With respect to customer's composition, relying on the ever improving organization structure, enriched product system and the customer management team with gradually enhanced comprehensive quality, the Bank was committed to maintaining and strengthening its partnership with government institutions, provincial and municipal enterprises, and large listed companies whilst forging closer business collaboration with industry leaders including top 500 enterprises in Guangdong, as well as prime SME customers. In the first half of 2017, the Bank extended RMB43.6 billion of loans to large- and medium-sized customers, accounting for 65.76% of the total, and RMB22.7 billion of loans to small and micro customers, accounting for 34.24% of the total. The Bank mainly supported the development of local real economy and promoted industrial transformation and upgrade. Meanwhile, the Bank emphasized on expanding its assets business to guarantee market share. The Bank also cultivated new customers, strengthened market expansion, and consolidated and expanded the customer base.

## 2. SME Business

The Bank's SMEs business was growing steadily. As at June 30, 2017, according to the basis of CBRC, the number of SME loans customers of the Bank amounted to 11,177, the balance of SME loans amounted to RMB70,763 million, and the success rate of applying for SME loans was above 90%.

### *(1) Specialized institutions*

The Bank established specialized institutions for SMEs and expanded the coverage of services for SMEs. As at June 30, 2017, the Bank established a total of 13 SME centers, covering all regions in Guangzhou. Combining the characteristics of regional customers, all SME centers developed featured products and bulk service plans to promote the characteristic operation of specialized branches, leading the transformation and upgrading of the SME business of the Bank at all levels.

### *(2) Credit products*

The Bank continued to innovate loan services models. The Bank launched Sun Finance (太陽金融) sub-products with small and micro characteristics, including "Sun Ultra-long-term Loans (太陽超長貸), Convenient Leasing Loans (租易貸), Business Loans for Villagers (村民致富貸), Circle Chain Integration Senior Management Loans (圈鏈會高管貸), Online Self-service Cyclic Loans (在線自助循環貸), Convenient Renewal Loan (易續貸), Quick e-Loans (速e貸)" whilst promoting the "1+N" mass customer acquisition model and innovative cooperation model through third party data platform. The Bank is able to meet the financing needs of small and micro customers at different levels, such as individual business, medium, small and micro network business, and women' innovation activities.

### *(3) Customer manager team*

The Bank continuously enhanced training on the professional skills of customer managers for SMEs. In the first half of 2017, the Bank conducted a series of trainings including the "Introduction to Survey Technologies for Small and Micro Loans", "Case Analysis of Small and Micro Loans", "Case Analysis of Business Models" and "Interpretation of Product System", which achieved full coverage and fully improved the understanding and application capability of customer managers for SMEs on mass customized business model.

## 3. International Business

The international business achieved a stable development. In the first half of 2017, the Bank's foreign exchange settlement amounted to USD1,060 million, representing a year-on-year increase of 141%, and the accumulated amount of international trade financing issued was USD414 million, representing a year-on-year increase of 22%. International business products improved steadily. The Bank successfully implemented many new business including multinational enterprise group's operation of cross-border bilateral RMB cash pooling business, comprehensive cross-border financing, cross-border E-commerce RMB settlement, cross-border financial leasing, settlement through electronic channels, achieving growth in both scale and benefits of international business. Further, the Bank successfully launched personal cross-border products including comprehensive products for personal outbound financial service and Western Union, making the Bank the first rural commercial bank to provide Western Union services in the PRC. With further improvement in the width and depth of interbank collaboration, the Bank has established correspondent banking relationship with over 300 domestic and foreign banks and formed partnership with a number of domestic and foreign banks in terms of interbank credit business, thus broadening the channels for foreign capital inflow. While developing its businesses, the Bank ensured the safe operation of international business through optimizing management and strengthening internal control.

### 4. Trading Bank Model

Adhering to the core philosophy of "customer-oriented", the Bank constantly integrated products and services with its focus on the three major business supporting platforms including "payment and settlement, corporate financing, and investment and wealth management" as well as the supporting platform of technology finance. The Bank provided settlement and cash collection and payment products with a single account and launched innovative products including Winner Business (贏家生意圈), and covered and integrated extensive supply chain products and services catering to the demands of upstream and downstream customers in the process of corporate trading. Moreover, the Bank has developed one-stop customized solutions from the original service model focusing on the sales of single product, striving to establish a relationship with corporate customers loyal to the Bank, and improve customer satisfaction and contribution to consolidated income.

## II. Personal Banking Business

In the first half of 2017, the total profit before tax from the personal banking business reached RMB915 million. The overall continuing growth of various retail businesses of the Group had driven the business assets to increase by 8% as compared to last year.

## 1. Personal Deposits

In the first half of 2017, the Bank continued to carry out the "More Discounts with More Use of Sun Debit Card (太陽借記卡•越刷越有米)" serial marketing campaigns, of which, the deduction on consumption campaign at Gome Electrical Appliance attracted an accumulation of 22,000 customers and that at Vanguard attracted a total of 48,000 customers. Through the partnership with famous merchants and recreation of a scenario marketing environment for customers, the Bank's products were well received by the market, which achieved a good joint marketing effect and brand effect, and expanded marketing platforms for various branches, and realized a deeper and broader development of business. In addition, focusing on the Mother's Day, Children's Day and other festivals, the Bank carried out theme activities for VIP customers, such as "Sun Parent-Child Season·Give a Present to Mother (太陽親子季•獻禮母親) and "Sun Parent-Child Season·Microlandschaft DIY (太陽親子季•微景觀 DIY), which in turn deepened value-added services for medium- and high-end customers and enhanced their loyalty. These activities also promoted the product marketing of personal banking business and drove sustained growth of personal deposits.

As of June 30, 2017, the Bank maintained a stable growth in personal deposits, with average daily balance reaching RMB206,386 million, representing an increase of RMB15,434 million, or 8.08%, over the end of last year, of which, the principal-preservation wealth management achieved a rapid growth by 49.85%. The market share of personal deposits remained the third in the same industry in Guangzhou.

The Bank organized a number of giving-back theme activities for VIP customers, such as "GRCB VIP Retail Customers' New Year Music Concert (廣州農商銀行零售貴賓客戶新年音樂會)", "Sun Christmas Warmth Season, Free Authentic Thermos Products (太陽聖誕溫馨季，膳魔師正品免費送)", "Sun Christmas Movie Season, Free New Movies and Blockbuster Movies (太陽聖誕電影季，新片大片免費睇)", "Sun Goddess Season, Nice Gifts to Communities (太陽女神季、好禮進社區)" and "Sun Parent-Child Season (太陽親子季)".

## 2. Personal Loans

The Bank vigorously expanded personal consumption loan business. Through collaboration with Guangzhou Municipal Housing Provident Fund Management Center, the Bank launched the first full-online credit loan product Sun. Fingertip Loans (太陽•指尖貸) of our direct financing. This product could provide rapid and convenient online financing services to over 6 million employees of housing provident fund in Guangzhou. Customers can directly complete loan application, intelligent review and approval, loan disbursement, repayment and enquiry procedures through their phones. As of the end of June, 2017, the Bank issued an accumulation of RMB216.79 million of loans, with a non-performing ratio of 0.08%.

Combining the concept of inclusive finance and the cooperation with Guangzhou Distance Education Center (廣州遠程教育中心), the Bank has established an online educational supporting platform to launch full-online personal student loan business for working students from the Open University of China. This promoted the rapid development of online distance education.

Adhering to the operating principle of serving "Sannong" and being agriculture-oriented, the Bank actively cooperated with local village community economic organizations and government departments to support the construction of villages. Meanwhile, by observing the consumption characteristics of local villages, and the overall consumption needs of villagers in self-built house, village property management, renovation and household consumption, the Bank launched "Sun Convenient Agricultural Loans (太陽農易貸)" consumption credit business. This business provided sound capital support to the improvement of rural living standard.

As of June 30, 2017, the balance of personal consumption loans of the Bank reached RMB50,382 million, of which, the balance of mortgage loans was RMB38,984 million, an increase of RMB5,733 million, or 17.38%, as compared to the end of last year, the balance of traditional consumption loans was RMB10,843 million, an increase of RMB1,254 million, or 13.08%, as compared to the end of last year, and the balance of new consumption loans was RMB555 million, an increase of RMB59 million, or 12%, as compared to the end of last year.

### 3. Bank Cards

As of June 30, 2017, the Bank issued an accumulation of 782,600 new personal debit cards, and had 6,632,800 existing personal debit cards. The cumulative deposit balance of existing personal debit cards amounted to RMB68,878 million, representing a year-on-year increase of RMB9,339 million. In the first half of 2017, the cumulative spending related to the debit cards of the Bank amounted to RMB25,761 million, and various fee income of personal debit cards reached RMB39 million.

With respect to the credit card business, the Bank continued to enhance product innovation and strengthen marketing promotion and market promotional activities, resulting in a steady increase of the scale of cards in issue and a continued growth in spending amount. In order to implement the principle of "favorable rates to quality customers", the Bank conducted tiered pricing and targeted marketing on customers, and vigorously developed featured high-income installment business, thereby increasing the overall contribution of customers. Meanwhile, the Bank proactively promoted the brand building of credit cards, consolidated cross-sector alliance, and constantly upgraded product interests, which enhanced customers' loyalty. As of June 30, 2017, the total number of credit cards in issue has exceeded 1.11 million, an increase of 0.129 million over the end of last year. In the first half of 2017, the operating income generated from the credit card business of the Bank reached RMB258 million, an increase of 72.82% year-on-year and by 21.08% month-by-month, demonstrating a stable growth.

### 4. Retail Wealth Management Services

The Bank's wealth management business continued to maintain a healthy and stable development. In the first half of 2017, the Bank issued a total of 261 branches of wealth management products, and raised proceeds of RMB79,024 million, an increase of 44.89% year-on-year. The balance of existing wealth management products reached RMB48,181 million, an increase of 45.72% over the end of last year, which was a major source of income of intermediary business of the Bank. The Bank was committed to developing the "Sun Wealth Management (太陽理財)" brand and delivered safe and sound investment gains to investors whilst vigorously promoting open wealth management and net-value type wealth management to cater to the constantly changing investment needs of customers.

## III. Financial Market Business

In the first half of 2017, with the increasingly stringent financial regulation and a series of regulatory policies subsequently introduced to the financial market business, the financial market business was confronted with severe challenges in terms of limited investment scale and investment scope. Meanwhile, the yields in inter-bank business also showed a gradual downward trend. As of the end of June, 2017, the total assets scale of financial market segment was RMB409,177 million, with a net interest income of RMB1,268 million, net fee and commission income of RMB123 million, and operating income of RMB534 million.

As of the end of June, 2017, the balance of wealth management products was RMB180,200 million, an increase of 3.4% over the beginning of the year, of which, the balance of non-principal-preservation products with floating gains was RMB135,600 million, while that of the principal-preservation products with floating gains was RMB44,600 million.

The Bank's wealth management investment focuses on money market instruments, debt securities, debt securities of enhancement type. As of the end of June, 2017, the investment balance of debt securities and money market instruments amounted to approximately RMB105,839 million, accounting for 59.3% of the total, the investment balance of debt securities of enhancement type amounted to RMB22,710 million, accounting for 12.72% of the total, the rest of the investment amounted to RMB49,928 million, accounting for 27.97%.

On June 3, 2017, the fifth "Taurus Wealth Management Forum (金牛財富管理論壇)" and the awarding ceremony for "Taurus Wealth Management Products (金牛理財產品) in 2016" guided by China Fortune Media Group, China Securities Journal and Xihua Net (新華網) and organized by Taurus Wealth Management Net (金牛理財網) were grandly held in Beijing. The "Sun Wenfu (太陽穩富)" serial product of GRCB stood out in the fierce competition and was awarded the "Taurus Wealth Management Products (金牛理財產品) in 2016 — Non-principal-preservation Type".

In the first quarter of 2017, our Bank's wealth management products ranked 1st in terms of comprehensive wealth management capabilities, as well as five single items of issuance capability, income capability, risk control capability, product diversity and information disclosure standardization of rural financial institutions under PY Standard. In the second quarter of 2017, our Bank's wealth management products ranked 1st in terms of comprehensive wealth management capabilities of rural financial institutions under PY Standard, with three single items including income capability and information disclosure standardization ranking first, and issuance capability and product diversity ranking second.

## IV. Distribution Channels

### 1. Physical Outlets

Operating outlets are the primary distribution channels of the Bank. As of June 30, 2017, the Bank had 626 operating outlets, achieving a full-coverage of cities and townships including all the 11 administrative regions in Guangzhou, as well as Foshan, Qingyuan, Zhaoqing, Heyuan and Hengqin New District of Zhuhai. The number of our operating outlets in Guangzhou accounted for approximately 23% of the total number of operating outlets of all commercial banks in Guangzhou, ranking first.

### 2. Self-service Banking

In order to expand the scope of customer services and provide customers with more convenient services, as of June 30, 2017, the Bank established 177 24-hour self-service banking facilities and the number of ATMs and self-service inquiry terminals increased to 3,370. The proportion of machine to outlet was nearly 5.4:1, among which the number of ATMs in operation was 2,559, while the number of self-service inquiry terminals in operation was 811.

### 3. Electronic Internet Finance

#### *(1) Online mall (Sun Market (太陽集市))*

Through integrating the Bank's advantageous agricultural service resources, and focusing on the landmark agricultural products of village communities and featured Bed and Breakfast, the Sun Market online mall platform gave play to the advantages in "Internet + Agriculture" service model, and cooperated with village and township banks and agricultural enterprises to realize the full-chain tracking and operation of "fruit pick-up — sales through the platform — logistics and cold chain — delivery to home", and tried direct supply and pre-sale of agricultural industry chain. It also launched crowd funding for agricultural substance, and developed a service platform integrating agricultural information and manufacturing and trading, resulting in a rapid development of business. As of the end of June, 2017, the number of online mall customers was approximately 75,500, with the number of partnered merchants amounting to 85. From January to June, 2017, the Bank received 35,200 orders, an increase of 430% year-on-year.

#### *(2) Direct banking*

With APP, scenario H5 and other diversified electric entrances as gateways, the Bank enriched investment products of direct banking in bulk and rapidly based on the platform cooperation model. By leveraging the fund raising function of direct banking and innovating business model, the bank connected assets and fund, widely covered Internet customers, and provided public wealth management services with low entry threshold, flexible terms, leading yields and no regional restrictions on purchasing to supplement the deficiency of traditional products with high entry threshold. Meanwhile, the Bank continuously innovated the Internet loan business. Moreover, through actively leveraging the opportunities of transformation for the industry brought about by "Internet +", the Bank introduced the e-Account Connect (e賬通) electronic accounts to deliver standardized products including account opening, payment, wealth management, loan and value-added service to third parties, such as professional markets, communities, universities and colleges. Further, the Bank linked the businesses with its cooperators, and expanded and deepened the ecological financial service models including Zhifu Business Circles (智富商圈), Wisdom Community (智慧社區) and Wisdom Campus (智慧校園) to delivered one-stop online services beyond finance to customers. As of the end of June, 2017, the number of direct banking customers was approximately 88,800. From January to June, 2017, the Bank's transaction amount of financial products was approximately RMB836 million, up by 321% year-on-year.

### *(3) Online payment business*

The Bank's online payment business has developed rapidly, which supports mainstream third party institutions' fast payment methods. While proactively expanding famous merchants for cooperation in terms of direct payment for customers, the Bank also cooperated with Unionpay for mobile payment, which facilitated customers to pay through their phones. Moreover, the Bank strengthened the collaboration of business linkage and new payment method development, and has established an online and offline full-channel collection system, thereby providing convenient and safe payment services to customers. From January to June, 2017, there were over 96.04 million transactions which were settled through online payment, with an amount of over RMB37,400 million, which increased by 188% and 135%, respectively, over the corresponding period of last year.

### *(4) Personal internet banking*

The Bank has been actively engaged in optimizing online banking. Centering on customers, and through rapid iteration, the Bank launched innovative functions including transfer delay, exchange settlement, Zhou Zhou Jin Wealth Management (周周金理財) to provide quality and convenient financial services to customers. As of June 30, 2017, the number of personal internet banking customers was 1.492 million. 2.597 million financial transactions have occurred in the first half of 2017, an increase of 9.12% over the corresponding period of last year; the monetary amount of transactions occurred was RMB130,450 million, an increase of 18.02% over the corresponding period of last year.

### *(5) Mobile Banking*

With regards to mobile banking, the Bank launched innovative functions including collection and payment with phone numbers, exchange settlement, Xi Li De Wealth Management (息立得理財), intelligent online customer service, APP message push and Acquaintance Circles (熟人圈) to continue to enrich product system. Moreover, the Bank launched updated mobile banking APP3.0, which fully improved interaction experience in investment and wealth management, lifestyle services, and customer interaction segments, striving to offer more quality and convenient financial services to customers. As of June 30, 2017, the number of mobile banking customers was 2.87 million. 4.471 million financial transactions have occurred in the first half of 2017, representing a decrease of 1.33% over the corresponding period of last year; the monetary amount of transactions occurred was RMB88,380 million, representing an increase of 85.88% over the corresponding period of last year.

### *(6) WeChat banking*

The Bank actively built the new generation of WeChat banking and continued to operate WeChat account platform. As of June 30, 2017, the number of followers of our official WeChat account was 184,000, with 42,700 customers' bank cards tied to our account.

### *(7) SMS business and video teller machine (VTM) banking*

The growth of SMS banking is promising. As of June 30, 2017, the number of contracted SMS customers was 3.158 million, comprising 77.6% of charged customers.

As of the end of June, 2017, the Bank has installed a total of 27 smart banking outlets and smart facilities including VTM and STM. Financial transactions worth RMB824.13 million have been settled through smart banking in the first half of 2017.

## V. Principal Subsidiaries

Zhujiang County Banks 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, strengthening 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. During the Reporting Period, the Bank put more efforts in the assistance to the village and township banks and steadily improved the operations of the village and township banks. As at the end of the Reporting Period, the Bank has established 24 Zhujiang County Banks with aggregate asset amounting to RMB44,528 million and the balance of deposits and loans in aggregate amounting to RMB35,082 million and RMB21,419 million, respectively.

Zhujiang Financial Leasing Co., Ltd. incorporated and commenced operation in December, 2014, is a wholly-owned subsidiary promoted and established by the Bank, with a registered capital of RMB1 billion. It is mainly engaged in financial leasing related business.

## VI. Information Technology

In the first half of 2017, the Bank proactively 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, each important information system of the Bank maintained a stable operation. There were no unexpected system interruption incidents, and the network operation was stable.

### (1) Technology governance

The Innovation and Technology Construction Committee under the senior management of the Bank organized and convened a meeting of the special committee, at which a series of important proposals were considered and passed, including the technology construction plan for 2017, the banking process upgrading plan, and innovative products and innovative projects in the first half of 2017. The Bank commenced the sorting out of information technology management system, continued to deepen the mechanism for system development standardization and management, carried out project quality assurance, and optimized demand development and testing management model. Therefore, the Bank strengthened the information technology development, outsourcing and project life-cycle management as a whole.

### (2) Information security guarantee

The Bank adopted a four-layer information security organization structure to implement information security works. In particular, the Bank carried out regular check on information security, and specific self-review and risk assessment on network security to ensure the information system operated aged equipment in a safe and stable manner. Further, the Bank regularly upgraded and changed and removed potential safety hazards in the operation of equipment, to guarantee the system operated safely. Moreover, the Bank enhanced the deployment of automated monitoring, and optimized the procedures for operation and maintenance, with an aim to guarantee the security and stability during operation and maintenance.

### (3) Business continuity management

The Bank paid high attention to the business continuity management, and continuously optimized and perfected the working mechanism for daily management. In the first half of 2017, the Bank carried out the identification and sorting out of the major businesses and related resources throughout the Bank, formulated specific emergency plan for counters, electronic channels and self-service channels, and completed the emergency drill of systems including the 2nd-generation payment and electronic channel integration as planned, thereby the Bank was more capable of handling the emergency of sudden breakdown. Also, the Bank carried out the benchmarking construction of business continuity management, and strengthened demonstration and training promotion, thereby further improving the standardization and efficiency of the Bank's business continuity management. The Bank successfully completed the local dual storage structural reform of a number of systems including the international settlement system, the credit loan system and the 2nd-generation payment system, which effectively mitigated the single point risk of data storage equipment.

### (4) Information system construction

The Bank propelled the construction of direct banking with all efforts. Adhering to the operating philosophy of "open, interactive, sharing and inclusive", the Bank provided Internet customers with online account opening, wealth management, financing and other financial products as well as convenient payment and settlement services. In the first half of 2017, the Bank completed the system development of key projects including the big data platform, comprehensive order collection system for merchants, interbank CRM system and uniform user management platform. Meanwhile, the Bank proactively promoted the construction of production and disaster recovery data centers, and endeavored to develop green intelligent data center so as to lay a foundation for the business development.

### (5) Technological innovation research

Through the data mining and the application innovation of big data, the Bank has formulated the data laboratory construction plan, and promoted the implementation of data analysis and application. The Bank also carried out research on technological innovation projects including the Research and Practice on the Plan for Realization of Gated Launch Based on Distributed Database (《基於分佈式數據庫的灰度發佈實現方案的研究與實踐》) and the Research on Management Model and Capability Cultivation for Handling of Information Technology Sudden Event of Medium and Small Banks (《中小銀行信息科技突發事件應急處置管理模型與能力建設研究》).

## VII. Employees and Human Resources Management

### 1. Basic Information on Employees

As of June 30, 2017, the Bank had 6,886 regular employees, of whom 4,580 employees held bachelor's degrees or above, representing 66.51% of all the Bank's regular employees. In addition, the Bank had 970 dispatch workers dispatched by labor dispatch agencies.

### 2. Human Resources Management

In the first half of 2017, based on the strategic deployment of the Bank, the human resources department continued to promote optimizing the composition of human resources of the Bank, put more efforts in staff training, consolidated fundamental management, and improved digitized management. While refining the market-oriented mechanism for talent recruitment and employment, the department explored more scientific and reasonable methods for talent allotment, and endeavored to enhance the efficiency of human resources, with an aim to develop a competitive, cohesive, professional and united modern commercial banking staff team and lay a solid talent basis for the rapid development of the Bank's business.

### 3. Training

The Bank stayed committed to the improvement of the occupational quality of staff. On the one hand, the Bank has established our internal corporate university "Zhujiang Business School" to develop E-learning platform, design refined training course system for professionals at various levels and of different types, and carry out targeted and diversified training for staff. On the other hand, the Bank has set up post-doctoral research center and the Zhujiang Financial Research Institute (珠江金融研究院) to establish a platform for high-end research and cultivation of managers. In the first half of 2017, Zhujiang Business School held 353 sessions of staff training of all kinds with 36,000 attendees, fully improving the comprehensive quality of staff.

# SANNONG FINANCIAL BUSINESS

With respect to the Sannong financial services, the Bank has richly cultivated Sannong finance for more than 60 years. With the "Sannong" business as the foundation for the whole Bank, the Bank continued to improve the "Sannong" financial service capability and quality. As of the end of June, 2017, the balance of agricultural loans, according to the basis of the Bank, was RMB20,450 million, representing an increase of RMB3,185 million, or 18.45%, over the beginning of the year.

The major measures adopted for "Sannong" work in the first half of 2017 are set out below:

## (I) Credit Policy

The Bank formulated the Basic Credit Policy for 2017 and the Segmented Credit Policy for Key Sectors for 2017. Based on the credit policy for rural finance in the first half of the year, the Bank further clarified the credit policy for agricultural sectors including animal husbandry, agricultural by-products processing and farming, and supported the development of the sectors including agriculture, forestry, animal husbandry, fishery, and services for agriculture, forestry, animal husbandry and fishery, and agricultural by-products processing, demanding that the share of the credit granted to the said sectors increase by over 5%.

## (II) "Sun·Under One Banyan Tree (太陽•同在榕樹下)" Assistance to Village Community Serial Specific Program

In 2016, through the active collaboration of all entities, the "Sun·Under One Banyan Tree(太陽•同在榕樹下)" Assistance to Village Community Serial Specific Program carried out by the Sun Public Foundation (太陽公益基金會) of the Bank achieved promising results. In 2016, Sun Public Foundation (太陽公益基金會) spent a total of RMB3.3464 million funding the assistance to the village community. In 2017, RMB2 million of fund will be granted to the "Sun·Under One Banyan Tree(太陽·同在榕樹下)" program to be mainly used for village community public welfare featured programs, severe diseases, assistance to seniors and students in need.

## (III) Sun Bank-Village Sodality (太陽銀村聯誼會) Serial Program

The Sun Bank-Village Sodality (太陽銀村聯誼會) aims to strengthen the all-round cooperation and interaction with village communities and villagers, and ensure the implementation of various rural financial service work. The Bank has comprehensively promoted the relevant work of Sun Bank-Village Sodality (太陽銀村聯誼會), and widely carried out related activities including popularity of financial knowledge, support to rural construction projects and bank-village interactive competitions.

## (IV) Construction of Village Community Financial System

The Bank launched the "Bank Agriculture Connect (銀農通)" business. On the basis of upgrading of the village community financial system, the Bank enhanced the connection of village community financial system, rural financial regulatory system and banking system, and realized the immediate balance enquiry, electronic reconciliation and statistical analysis of village community bank accounts, which facilitated account management for village community customers and government regulatory departments. As at the end of June, 2017, Huangpu District, Huadu District, Zengcheng District and Conghua District have first realized the online of village community financial system, and its connection with the rural financial regulatory system and the Bank's system, while Liwan District, Nansha District, Haizhu District and Panyu District are in the process of promotion.

## (V) Construction of the Designated Platform for Regulation of Three Old Transformation Funds (三舊改造基金)

In order to adapt to the increasingly stringent regulatory requirements on three old transformation funds, improve the efficiency of capital regulation approval, and enhance the Bank's comprehensive competitiveness in three old transformation sector, and promote the development of three old transformation business, the Bank held the promotional meeting for the construction of the Designated Platform for Regulation of Three Old Transformation Funds project on May 18, 2017. Currently, this project has been in the process of research and development, and is expected to be applied in the second half of the year.

## (VI) Construction of Youth Home Service Center

At the beginning of the year, in order to deepen the Bank's specific deployment of "Realizing Hopes of Thousand Villages (千村圓夢)", and extensively consolidate and deepen bank-government relationship, and Conghua Branch of the Bank and the Communist Youth League, Conghua Branch jointly established the Youth Home Service Center (Lianma Village) to provide youth entrepreneurs in Lianma Village with comprehensive financial services. The services mainly include training and consultation of financial information, service and support of financial products, connection activities for financial institutions, youth entrepreneurs and person-in-charge of SMEs, as well as training on financial business for youth entrepreneurs. The Bank will further generalize the construction of "Youth Home" service centre and actively promote "mass entrepreneurship and innovation".

# RISK MANAGEMENT

In the first half of 2017, the Bank actively responded to the economic trend and policy changes, and sought to strike a reasonable balance between growth stability and risk prevention. It earnestly implemented the spirit concluded at the annual supervisory meeting while continuing to optimize the comprehensive risk management system. Moreover, the Bank conducted meticulous management on various risks. Adhering to the bottom line of zero systematic risk, and with the use of various risk control methods, the Bank strictly limited various risks within a reasonable range. Therefore, the Bank developed in a stable and healthy manner.

## (I) Credit Risk Management

In the first half of 2017, the Bank continuously improved credit management mechanism, optimized the procedural management of policies and authorizations. Meanwhile, the Bank issued targeted measures to enhance risk management in key areas, and carried out specific collection of non-performing loans to greatly decrease non-performing loans. The detailed management measures included: firstly, the Bank enhanced macroeconomic analysis and industry research, issued and implemented annual basic credit policy and segmented policy for key sectors, and regulated business development orientation and project entry from four dimensions including industry, region, customer and credit conditions, and promoted the structural reform of the supply side. Secondly, the Bank implemented stepped management model for credit approval and authorization process, tightened the authorizations with high risks such as "two highs and one excessive". Thirdly, the Bank timely revised various credit management policies based on the changes in regulation and actual operations, and consolidated and improved long-term risk control mechanism. Fourthly, the Bank enhanced concentration risk management, and credit risk management of individual legal person customers and group (corporation) customers, and prevented excessive credit granting and over-credit granting behaviors. Fifthly, the Bank strengthened the risk monitoring in key areas, carried out targeted specific risk inspections, timely revealed risked and strictly prevented additional non-performing loans. Sixth, the Bank carried out "absolute collection" of distressed assets, and reduced non-performing loans by use of loan restructuring, debt payment in kind, and finalizing litigation. Seventh, the Bank enhanced accountability confirmation and tracing of non-performing loans, and held accountability for material untrue investigation and moral risk. Eighth, the Bank continuously improved non-retail internal rating system and vigorously promoted the construction of a number of systems including credit loan management system, credit risk monitoring and warning system and risk-weighted asset measurement system, and highlighted the technological support of risk management. Ninth, the Bank made greater efforts in training to improve the risk awareness and professionalism of credit staff members.

## (II) Market Risk Management

In the first half of 2017, the Bank continuously perfected the system for market risk, enhanced market risk limit management, and improved the stress testing for market risk. The detailed management measures included: firstly, the Bank set up overall market risk preference indicators and clarified the target for market risk management. Secondly, the Bank formulated basic investment policy, and based on the asset penetration principle, provided general policy guidance on on-balance-sheet and off-balance-sheet investment businesses. Thirdly, the Bank optimized the system for market risk limit management and set multi-dimensional limit indicators, such as concentration, leverage, duration, warning and stop-loss, to manage risks relating to different investment businesses. Fourthly, the Bank implemented quantitative management on market risk, developed risk value model, collected information data analysis on a regular basis, and effectively achieved the measurement and monitoring of market risk. Fifthly, the Bank continuously improved the model and methods for market risk stress testing and enhanced perspective management of risk. Sixthly, the Bank enhanced the dynamic management of the size of deposits and loans denominated foreign currencies , reasonably leveraged the methods such as utilization of foreign capital to enhance the management of foreign exchange rate exposures and the management of foreign exchange denominated assets and liabilities, actively explored the utilization of foreign exchange rate instruments to hedge foreign exchange rate risks.

## (III) Operational Risk Management

In the first half of 2017, the Bank proactively changed management model, continued to enhance internal management, and advanced operational risk management. The detailed management measures included: firstly, the Bank optimized the system for operational risk management and refined the operational risk management policy. Secondly, the Bank put more efforts in risk inspections, made up for deficiency, and improved internal control management system. Thirdly, the Bank constantly optimized operational risk management system, improved the digitized management of operational risk, and relieved the work at primary level. Fourthly, the Bank extensively carried out the construction of a work mechanism for business continuity management for key businesses. Fifthly, the Bank carried out business continuity management benchmarking work and improved the efficiency of business continuity management.

## (IV) Liquidity Risk Management

In the first half of 2017, the Bank continued to implement liquidity risk policies and various measures for liquidity risk management, organized and held liquidity emergency drills, and enhanced the uniform and centralized management of liquidity risk. The detailed management measures included, firstly, the Bank ensured the management of daily capital positions, with the treasury treasurer to comprehensively arrange and allocate the capital positions for the whole Bank, and conduct timely monitoring and proper supplementation to guarantee the safety of provisions. Secondly, the Bank included the requirements for liquidity risk management into its business plan, and formulated and issued limits on quality debt securities to limit the existing quality liquidity assets within a safe range. Thirdly, the Bank issued limits on liquidity risk every quarter, and monitored the execution of the risk limit every month and assessed the execution every quarter to ensure the liquidity risk under control. Fourthly, the Bank monitored liquidity indicators monthly and made forward-looking predictions of liquidity indicators and gaps, and timely identified risks, and made reasonable capital arrangement. Fifthly, the Bank set up treasury trading platform to balance the earnings and losses of the Bank’s assets through money market transactions from the prospective of the whole Bank. Sixth, the Bank carried out stress testing for liquidity risk quarterly to timely assess the Bank’s liquidity risk tolerance and risk mitigating capability, and added stress testing during the important sensitive period to enhance the monitoring and prevention of liquidity risk on a timely basis.

## (V) Information Technology Risk Management

In the first half of 2017, taking the opportunity of carrying out the information technology compliance construction, the Bank improved the resource allocation of information technology risk management and operation of work mechanism, and continuously advanced the information technology risk management. The detailed management measures included: firstly, the Bank carried out in-depth specific assessments, and enhanced the guidance on the rectification of risk issues. Secondly, the Bank made more efforts in response to the information security and successfully resolved the risk exposure to blackmail virus. Thirdly, the Bank strengthened emergency management of information technology and successfully implemented the drill of real business undertaking of important information system. Fourthly, the Bank pushed forward the renovation and extension of machine room, and the implementation of local infrastructures with great usability, and improved emergency assurance ability.

## (VI) Compliance Risk Management

Firstly, the Bank carried out the sorting out of procedures and systems, spotted weak links in our internal control, released guidelines on internal control, and enhanced compliance management. Secondly, the Bank refined the construction of rules, policies and systems, and optimized the policy and system platforms. Thirdly, the Bank strengthened the provision of services in compliance with the law, and carried out compliance review and consultation on the involved policies, products, businesses and authorizations, to lend support to the operation of business in compliance with the law. Fourthly, the Bank carried out inspections on employee behaviors and prevented case risks. Fifthly, the Bank conducted promotion month for cracking down illegal fund-raising activities as well as specific inspections and rectifications on suspect illegal fund-raising risks, while enhancing internal management.

## (VII)Reputational Risk Management

Firstly, the Bank strengthened the pre-management of reputational risk, and put the platform for monitoring public opinion into use. Through stressing both system monitoring and human search, the Bank paid close attention to and immediately monitored public opinion information. Secondly, the Bank standardized the procedures for public opinion handling and improved emergency handling capabilities. Thirdly, the Bank observed the appeals of customers, to further improve services and safeguard the interests of financial consumers. Fourthly, the Bank worked on the training on reputational risk management.

## INTERNAL AUDIT

The Bank has established an independent and vertical internal audit system. The Bank has an audit committee under the Board of Directors. The audit committee organizes and guides the internal audit work of the Bank based on the authorization 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 and its audit committee and the audit committee of the Board of Supervisors regularly, as well as, submits audit report on a timely basis and reports to the senior management. The internal audit department fully performed the audit supervisory function of the third risk defense. Through audit and evaluation, the internal audit department continued to improve the Bank's operation management, risk management, internal control and corporate governance, so as to promote the Bank to enhance operation management and curb irregularities.

During the Reporting Period, in accordance with the Bank's strategic transformation goal, the internal audit department fully implemented the audit concept of stressing both "risk control" and "supervision strengthening", adhered to the risk bottom line, vigorously promoted operation in compliance with the law, steadily pushed forward compliance inspection, and realized audit innovation. With the use of systematic and standardized audit methods, the department carried out various audit projects, enhanced the management on audit quality and strengthened the control of the audit process. These efforts promoted the overall improvement of the Bank's internal control, and the sustainable and stable development of various business segments.

Based on the risk-oriented approach, the audit department carried out specific audit on credit business, performance appraisal, centralized procurement, information security, liquidity risk, business continuity and anti-money laundering, and internal control assessment audit on the headquarters, Zhujiang Financial Leasing Co., Ltd. and the branches in various places, as well as overall business audit on controlled village and township banks. Based on audit management, the department upgraded and reformed the audit information system, strengthened risk control, and realized a paperless management of the audit process. Moreover, the department implemented a normalized and specialized construction of audit. Through sorting out business procedures, formulating audit guidance and training on audit, the department achieved the sharing of audit information and experience, and improved the quality of audit staff members.

# OUTLOOK

Since the first half of 2017, the world economy has demonstrated dispersed recovery with the existence of risks. Developed economies such as Japan and the European Union rebounded significantly and emerging economies were experiencing severe dispersed growth. China's economy further stabilized while making significant improvements with GDP growing by 6.9% in the first half of the year as compared to that in the corresponding period of last year. Employment situation and international balance of payment continued to improve, inflation remained stable, and structural adjustment, quality and efficiency improvement, and supply side reform all achieved apparent results. In the second half of the year, the economy will operate steadily, and is expected to follow the growing momentum while ensuring stability, and maintained a sound development trend. Focusing on the major development orientation of innovation-driven development and green finance, Guangdong Province will enhance the construction of free trade zone, integrate and promote Guangdong-Hong Kong-Macau Greater Bay Area and the "One Belt and One Road" state development strategy to promote the accelerated transformation and upgrade of the whole province. In the first half of the year, GDP of the Guangdong province grew by 7.8% year-on-year, which was 0.8 percentage point higher than the expected target for the year.

The performance of the Bank in the first half of 2017 with respect to different operation and development was sound and strong, which led to steady growth in asset scale, stable development of profitability and steadily improved asset quality. In the second half of the year, the Bank will continue to enhance the monitoring and analysis of macroeconomic situation and financial market. While actively adopting measures to prevent risks and stabilize growth, the Bank will continue to focus on and implement the development strategy and business goal determined by the Board of Directors. Insisting on stable operation, innovative operation and efficiency operation, the Bank will adhere to the essence of serving the real economy, continuously optimize management and improve organic development, and promote the steady and smooth completion of plans and tasks for the year.

# I. CHANGES TO SHARES DURING THE REPORTING PERIOD

As of the beginning of the Reporting Period, the Bank had a total of 8,153,418,539 shares in issue. As of the end of the Reporting Period, the Bank had a total of 9,592,418,539 shares in issue.

| | December 31, 2016 | | June 30, 2017 | |
|---|---|---|---|---|
| | Quantity (Share) | Proportion (%) | Quantity (Share) | Proportion (%) |
| **Total share capital** | **8,153,418,539** | **100.00** | **9,592,418,539** | **100** |
| **Non-overseas listed shares held by legal persons** | **5,757,044,888** | **70.61** | **5,607,144,888** | **58.45** |
| Including: Shares held by state-owned legal person shareholders | 1,962,074,712 | 24.06 | 1,818,174,712 | 18.95 |
| **Non-overseas listed shares held by natural persons** | **2,396,373,651** | **29.39** | **2,402,373,651** | **25.04** |
| Including: Shares held by internal staff members | 368,751,904 | 4.52 | 370,438,208 | 3.86 |
| **Overseas listed foreign shares** | **0** | **0** | **1,582,900,000** | **16.50** |

Note: Upon exercise of the over-allotment option on July 21, 2017, the total number of shares in issue of the Bank further increased to 9,808,268,539 shares.

# II. SHAREHOLDERS

## A. Total Number of Shareholders

As of June 30, 2017, the Bank had a total share capital of 9,592 million shares, comprising 8,009 million non-overseas listed shares and 1,583 million overseas listed shares. There were 719 legal person shareholders in possession of 5,607 million non-overseas listed shares accounting for 58.45% of the total share capital. Among which, 14 were state-owned shareholders in possession of 1,818 million shares accounting for 18.95% of the total share capital, while 28,437 were natural person shareholders in possession of 2,402 million non-overseas listed shares accounting for 25.04% of the total share capital.

## B. Top Ten Shareholders as of the End of the Reporting Period

As of June 30, 2017, the top ten shareholders of GRCB together accounted for 38.71% of the Bank's total share capital, with no single holder of domestic shareholder having control of more than 5% of shares, marking a dispersed shareholding structure. Among the top ten shareholders, the largest domestic shareholder was Guangzhou Finance Holdings Group Co., Ltd., which held 3.86% of shares. The second largest shareholder was Guangzhou Pearl River Enterprises Group Co., Ltd. with 3.57% of shares, and the third largest was Guangzhou Vanlead Group Co., Ltd. with 3.38% of shares. These top three domestic shareholders are all state-owned enterprises.

The top ten shareholders are as follows:

| No. | Name | Class of Shares | Nature of Shareholder | Stock Amount (RMB) | Shareholding Proportion (%) |
|---|---|---|---|---|---|
| 1 | HKSCC Nominees Limited | H Shares | Other | 1,439,000,000 | 15.00% |
| 2 | Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司) | Domestic Shares | State-owned legal person | 370,522,687 | 3.86% |
| 3 | Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司) | Domestic Shares | State-owned legal person | 342,271,038 | 3.57% |
| 4 | Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司) | Domestic Shares | State-owned legal person | 323,745,367 | 3.38% |
| 5 | Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司) | Domestic Shares | State-owned legal person | 314,482,531 | 3.28% |
| 6 | Shanghai Dazhan Investment Management Co., Ltd. (上海大展投資管理有限公司) | Domestic Shares | Non-state-owned legal person | 250,000,000 | 2.61% |
| 7 | Guangzhou Department Stores Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司) | Domestic Shares | State-owned legal person | 194,065,668 | 2.02% |
| 8 | Nanjing High-tech Co., LTD. (南京高科股份有限公司) | Domestic Shares | Non-state-owned legal person | 180,000,000 | 1.88% |
| 9 | Guangdong Zhujiang Roads & Bridges Investment Co., Ltd. (廣東珠江公路橋樑投資有限公司) | Domestic Shares | Non-state-owned legal person | 160,020,000 | 1.67% |
| 10 | Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司) | Domestic Shares | State-owned legal person | 138,942,534 | 1.45% |
| | **Total** | | | **3,713,049,825** | **38.71%** |

Note 1: HKSCC Nominees Limited, as a nominee, held 1,439,000,000 H Shares in aggregate in the Bank on behalf of several clients, representing approximately 15.00% of the issued share capital of the Bank. As a member of CCASS, HKSCC Nominees Limited conducts registration and custodian business for clients.

## C. Internal Staff Member Shareholdings

As of the end of the Reporting Period, the Bank had a total of 5,687 internal staff member shareholders, holding 370 million shares and accounting for 3.86 % of total capital stock.

## D. Top Three Company Domestic Shareholders

### 1. Guangzhou Finance Holdings Group Co., Ltd.

Guangzhou Finance Holdings Group Co., Ltd. was established in 2006 by Guangzhou Municipal Government as part of its strategic plan to build Guangzhou into a regional financial center and to become better aligned with development trends within the international finance industry. The aim of Guangzhou Finance Holdings Group Co., Ltd. is to establish and develop a financial holding group with comprehensive competitive advantages able to provide comprehensive services through utilization of a broad range of operating capabilities. With registered capital of RMB3,350 million and 3.86% shares in the Bank, Guangzhou Finance Holdings Group Co., Ltd. is the platform through which the Guangzhou Municipal Government consolidates municipal financial industry.

### 2. Guangzhou Pearl River Enterprises Group Co., Ltd.

Guangzhou Pearl River Enterprises Group Co., Ltd., established in 1979, is a large group of enterprises focused on engineering services (general construction contracting), real-estate development, property management, tourism and hotel. Guangzhou Pearl River Enterprises Group has a registered capital of RMB630.66 million and holds 3.57% shares in the Bank.

### 3. Guangzhou Vanlead Group Co., Ltd.

Guangzhou Vanlead Group Co., Ltd., established in 2001, is a large industrial group primarily working with rubber tires and sodium carbonate inorganic chemical engineering. Guangzhou Vanlead Group Co., Ltd. has a registered capital of RMB2,000 million and holds 3.38% shares in the Bank.

## E. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES UNDER THE REGULATIONS OF HONG KONG

Based on the knowledge of the directors or chief executives of the Bank, as at June 30, 2017, the following persons (other than the directors, supervisors or chief executive of the Bank) had, or were deemed or taken to have interests or short positions in the shares and underlying shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO were as follows:

| Name of shareholder | Nature of interest | Class of shares | Long/ short position | Number of shares held directly or indirectly (Share) | Approximate percentage of interest in the Bank | Approximate percentage of the relevant class of shares of the Bank |
|---|---|---|---|---|---|---|
| Guangzhou Municipal People's Government[1] | Interest of a controlled corporation | Domestic Shares | Long | 1,818,174,712 | 18.95% | 22.70% |
| Aerial Wonder Company Limited[2] | Beneficial owner | H Shares | Long | 295,229,000 | 3.08% | 18.65% |
| China Civil Aviation Investment Group Limited (中國民用航空投資集團有限公司)[2] | Interest of a controlled corporation | H Shares | Long | 295,229,000 | 3.08% | 18.65% |
| HNA Aviation (Hong Kong) Holdings Co., Limited (海航航空(香港)控股有限公司)[2] | Interest of a controlled corporation | H Shares | Long | 295,229,000 | 3.08% | 18.65% |
| HNA Aviation Group Co., Limited (海航航空集團有限公司)[2] | Interest of a controlled corporation | H Shares | Long | 295,229,000 | 3.08% | 18.65% |
| HNA Group Co., Ltd. (海航集團有限公司)[2] | Interest of a controlled corporation | H Shares | Long | 295,229,000 | 3.08% | 18.65% |
| Hainan Traffic Administration Holding Co., Ltd. (海南交管控股有限公司)[2]. | Interest of a controlled corporation | H Shares | Long | 295,229,000 | 3.08% | 18.65% |
| Sheng Tang Development (Yangpu) Co., Ltd. (盛唐發展(洋浦)有限公司)[2] | Interest of a controlled corporation | H Shares | Long | 295,229,000 | 3.08% | 18.65% |
| Hainan Province Cihang Foundation (海南省慈航公益基金會)[2] | Interest of a controlled corporation | H Shares | Long | 295,229,000 | 3.08% | 18.65% |
| Aeon Life Insurance Company Limited | Beneficial owner | H Shares | Long | 295,229,000 | 3.08% | 18.65% |
| Good Prospect Corporation Limited | Beneficial owner | H Shares | Long | 200,992,000 | 2.10% | 12.70% |
| Guangzhou HongHui Investment Co., Ltd | Beneficial owner | H Shares | Long | 200,991,000 | 2.10% | 12.70% |
| GBM Technology (HK) Limited | Beneficial owner | H Shares | Long | 200,991,000 | 2.10% | 12.70% |
| New Jouful Investment Limited | Beneficial owner | H Shares | Long | 200,991,000 | 2.10% | 12.70% |
| Yicheng Enterprises Co., Ltd. (益城企業有限公司) | Beneficial owner | H Shares | Long | 200,991,000 | 2.10% | 12.70% |
| Zeng Weipeng | Interest of a controlled corporation | H Shares | Long | 114,558,840 | 1.19% | 7.24% |
| CCB Financial Holdings Limited | Other | H Shares | Long | 237,435,000 | 2.48% | 15.00% |
| | Other | H Shares | Short | 237,435,000 | 2.48% | 15.00% |
| CCB International (Holdings) Limited | Other | H Shares | Long | 237,435,000 | 2.48% | 15.00% |
| | Other | H Shares | Short | 237,435,000 | 2.48% | 15.00% |
| CCB International Capital Limited | Other | H Shares | Long | 237,435,000 | 2.48% | 15.00% |
| | Other | H Shares | Short | 237,435,000 | 2.48% | 15.00% |

| Name of shareholder | Nature of interest | Class of shares | Long/ short position | Number of shares held directly or indirectly (Share) | Approximate percentage of interest in the Bank | Approximate percentage of the relevant class of shares of the Bank |
|---|---|---|---|---|---|---|
| CCB International Group Holdings Limited | Other | H Shares | Long | 237,435,000 | 2.48% | 15.00% |
| | Other | H Shares | Short | 237,435,000 | 2.48% | 15.00% |
| Central Huijin Investment Ltd. | Other | H Shares | Long | 237,435,000 | 2.48% | 15.00% |
| | Other | H Shares | Short | 237,435,000 | 2.48% | 15.00% |
| China Construction Bank Corporation | Other | H Shares | Long | 237,435,000 | 2.48% | 15.00% |
| | Other | H Shares | Short | 237,435,000 | 2.48% | 15.00% |

Notes:

(1) These 1,818,174,712 shares include 370,522,686 shares directly held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), 342,271,038 shares directly held by Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司), 323,745,367 shares directly held by Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), 314,482,531 shares directly held by Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), 194,065,668 shares directly held by Guangzhou Department Stores Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司), 138,942,534 shares directly held by Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), 45,860,299 shares directly held by Guangzhou Jinjun Investments Holding Co., Ltd. (廣州金駿投資控股有限公司), 33,809,350 shares directly held by Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), 18,525,671 shares directly held by Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), 9,262,836 shares directly held by Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司), 7,137,674 shares directly held by Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), 10,000,000 shares directly held by Guangzhou Hanlin International Technology Park Co., Ltd. (廣州翰林國際科技創業園有限公司), 9,262,836 shares directly held by Guangzhou Development District Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and 286,222 shares directly held by Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司).

By virtue of the SFO, Guangzhou Municipal People's Government is deemed to be interested in the shares held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司), Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), Guangzhou Department Stores Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司), Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), Guangzhou Jinjun Investments Holding Co., Ltd. (廣州金駿投資控股有限公司), Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司) and Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), which are directly or indirectly wholly-owned by Guangzhou Municipal People's Government, and in the shares held by Guangzhou Development District Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司), which are controlled by Guangzhou Municipal People's Government.

Further, Guangzhou Hanlin International Technology Park Co., Ltd. (廣州翰林國際科技創業園有限公司) is owned as to 88.23%, 7.65% and 4.12% by Guangzhou China Life Insurance Urban Development Industry Investment Enterprises (廣州國壽城市發展產業投資企業), Guangzhou Science and Technology Innovation Investment Financial Holdings Ltd. (廣州科技金融創新投資控股有限公司) and Guangzhou Keyuan Medium and Small Enterprise Investment Operation Co., Ltd. (廣州科源中小企業投資經營有限公司). Guangzhou China Life Insurance Urban Development Industry Investment Enterprises (廣州國壽城市發展產業投資企業) is a limited partnership and its general partner is an indirectly wholly-owned subsidiary of Guangzhou Municipal People's Government. Guangzhou Science and Technology Innovation Investment Financial Holdings Ltd. (廣州科技金融創新投資控股有限公司) is an indirectly wholly-owned subsidiary of Guangzhou Municipal People's Government. Guangzhou Keyuan Medium and Small Enterprise Investment Operation Co., Ltd. (廣州科源中小企業投資經營有限公司) is owned as to 75% by an indirectly wholly-owned subsidiary of Guangzhou Municipal People's Government. By virtue of the SFO, Guangzhou Municipal People's Government is deemed to be interested in the shares held by Guangzhou Hanlin International Technology Park Co., Ltd. (廣州翰林國際科技創業園有限公司).

(2) Aerial Wonder Company Limited is wholly-owned by China Civil Aviation Investment Group Limited (中國民用航空投資集團有限公司) ("**China Civil Aviation**"), which is in turn wholly-owned by HNA Aviation (Hong Kong) Holdings Co., Limited (海航航空(香港)控股有限公司) ("**HNA Hong Kong**"). HNA Hong Kong is wholly-owned by HNA Aviation Group Co., Limited (海航航空集團有限公司) ("**HNA Aviation**"), which is in turn owned as to 75.24% by HNA Group Co., Ltd. (海航集團有限公司) ("**HNA Group**"). HNA Group is owned as to 70% by Hainan Traffic Administration Holding Co., Ltd. (海南交管控股有限公司) ("**Hainan Traffic Administration**"). Hainan Traffic Administration is owned as to 50% by Sheng Tang Development (Yangpu) Co., Ltd. (盛唐發展(洋浦)有限公司) ("**Sheng Tang Yangpu**"). Sheng Tang Yangpu is owned as to 65% by Hainan Province Cihang Foundation (海南省慈航公益基金會) ("**Cihang**"). Therefore, each of China Civil Aviation, HNA Hong Kong, HNA Aviation, HNA Group, Hainan Traffic Administration, Sheng Tang Yangpu and Cihang is deemed to be interested in the 295,229,000 shares by virtue of the SFO.

Save as disclosed above, the Bank is not aware of any other person (other than the directors, supervisors and the chief executive of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at June 30, 2017 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

# I. DIRECTORS OF THE BANK

As of June 30, 2017, the Board of Directors of the Bank comprised a total of 15 directors, including three executive directors, namely Mr. Wang Jikang (Secretary of the Party Committee and Chairman), Mr. Yi Xuefei (Deputy Secretary of the Party Committee, Vice Chairman and President), and Mr. Wu Huiqiang (Director and Vice President); seven non-executive directors, namely Mr. Su Zhigang, Mr. Shao Jianming, Mr. Li Fangjin, Mr. Zheng Shuping, Mr. Zhu Kelin, Mr. Zhang Yongming and Mr. Liu Guojie (whose qualification is still subject to the approval by the Guangdong Bureau of the CBRC); and five independent non-executive directors, namely Mr. Liu Shaobo, Mr. Liu Heng, Mr. Song Guanghui, Mr. Zheng Jianbiao and Mr. Yung Hin Man Raymond (whose qualification is still subject to the approval by the Guangdong Bureau of the CBRC).

On July 21, 2017, Mr. Wu Huiqiang, an executive director, tendered his resignation as an executive director of the Bank to the Board of Directors due to change of work allocation, and his resignation took effect on the same date.

# II. SUPERVISORS OF THE BANK

As of June 30, 2017, the Board of Supervisors of the Bank comprised a total of 9 supervisors, including three employee supervisors, namely Mr. Liu Wensheng, Mr. Xiao Shilian, and Ms. He Heng; three shareholder representative supervisors, namely Mr. Huang Yong, Mr. Lu Lian, and Mr. Zhang Dalin; and three external supervisors, namely Mr. Mao Yunshi, Mr. Chen Dan, and Mr. Shao Baohua.

# III. SENIOR MANAGEMENT OF THE BANK

On July 21, 2017, the vice president Mr. Wu Huiqiang tendered his resignation as the vice president of the Bank to the Board of Directors due to job transferring, while his resignation shall take effect upon completion of his departure audit. Due to change of work allocation, Mr. Chen Wu ceased to serve as the chief financial officer of the Bank. The Bank proposed to appoint Mr. Zhang Dong as the chief financial officer of the Bank. The qualification of Mr. Zhang Dong is subject to the approval by the PRC banking regulatory authorities.

# IV. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted a code of conduct regarding securities transactions by the directors, 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 June 30, 2017.

## 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.

From the date of the listing of the Bank on the Hong Kong Stock Exchange to June 30, 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 June 21, 2017 of RMB0.20 per share (tax inclusive) and RMB1,630 million (tax inclusive) in aggregate to the holders of domestic shares whose names appeared on the register of members of the Bank after close of business on June 20, 2017. The Bank did not declare any interim dividend for 2017 (2016: nil).

## REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Bank did not repurchase, sell or redeem any of the Bank's listed securities.

## MATERIAL RELATED PARTY TRANSACTIONS

As at the end of the Reporting Period, the loan balance of material related party transactions between the Bank and related parties amounted to RMB9,113 million, accounting for 3.83% 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 the operating results and financial position of the Bank.

## MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

During the Reporting Period, there were no 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 amounted to RMB7.081 million. In the opinion of the Bank, it would not have any material impact on the Bank's operating activities.

# DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE COMPANY

As at June 30, 2017, based on the information available to the Bank and as far as the directors are aware, the interests or short positions of the directors, supervisors and the chief executives of the Bank in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO (including the interests or short positions which he/she was deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

| Name | Capacity | Nature of interest | Class of shares | Number of shares held directly or indirectly (Share) | Approximate percentage of interest in the Bank | Approximate percentage of the relevant class of shares of the Bank |
|---|---|---|---|---|---|---|
| Wang Jikang | Director | Beneficial owner | Domestic Shares | 500,000 | 0.005% | 0.006% |
| Yi Xuefei | Director | Beneficial owner | Domestic Shares | 500,000 | 0.005% | 0.006% |
| Wu Huiqiang | Director | Beneficial owner | Domestic Shares | 401,000 | 0.004% | 0.005% |
| | | Interest of spouse | Domestic Shares | 206,000 | 0.002% | 0.003% |
| Su Zhigang | Director | Interest of a controlled corporation (Note 1) | Domestic Shares | 60,020,000 | 0.63% | 0.75% |
| Zhu Kelin | Director | Interest of spouse | Domestic Shares | 1,201,000 | 0.01% | 0.01% |
| Shao Jianming | Director | Beneficial owner | Domestic Shares | 405,800 | 0.004% | 0.005% |
| | | Interest of a controlled corporation (Note 2) | Domestic Shares | 14,060,000 | 0.15% | 0.18% |
| Zhang Yongming | Director | Beneficial owner | Domestic Shares | 11,067,400 | 0.12% | 0.14% |
| | | Interest of a controlled corporation (Note 3) | Domestic Shares | 55,010,000 | 0.57% | 0.69% |
| Liu Guojie | Director | Interest of a controlled corporation (Note 4) | Domestic Shares | 20,000,000 | 0.21% | 0.25% |
| Lu Lian | Supervisor | Interest of a controlled corporation (Note 5) | Domestic Shares | 10,010,000 | 0.10% | 0.12% |
| Zhang Dalin | Supervisor | Beneficial owner | Domestic Shares | 1,201,000 | 0.01% | 0.01% |
| | | Interest of a controlled corporation (Note 6) | Domestic Shares | 5,000,000 | 0.05% | 0.06% |
| Mao Yunshi | Supervisor | Interest of spouse | Domestic Shares | 1,201,000 | 0.01% | 0.01% |
| Shao Baohua | Supervisor | Beneficial owner | Domestic Shares | 1,201,000 | 0.01% | 0.01% |
| | | Interest of spouse | Domestic Shares | 2,407,000 | 0.03% | 0.03% |
| | | Interest of a controlled corporation (Note 7) | Domestic Shares | 42,010,000 | 0.4% | 0.52% |

Notes:

(1) 30,010,000 shares, 20,000,000 shares and 10,010,000 shares were held by Chimelong Group Co., Ltd., Xiangjiang Safari Park Branch (廣州長隆集團有限公司香江野生動物世界分公司), Chimelong Group Co., Ltd., Chimelong Night Safari Park Branch (廣州長隆集團有限公司長隆夜間動物世界分公司) and Chimelong Group Co., Ltd., Xiangjian Hotel Branch (廣州長隆集團有限公司香江酒店分公司), respectively, which were owned as to 87.14% by Su Zhigang, respectively. Therefore, by virtue of the SFO, Su Zhigang, a director of the Bank, is deemed or taken to be interested in all the shares held by him in Chimelong Group Co., Ltd., Xiangjiang Safari Park Branch (廣州長隆集團有限公司香江野生動物世界分公司), Chimelong Group Co., Ltd., Chimelong Night Safari Park Branch (廣州長隆集團有限公司長隆夜間動物世界分公司) and Chimelong Group Co., Ltd., Xiangjian Hotel Branch (廣州長隆集團有限公司香江酒店分公司).

(2) These shares were held by Guangzhou Haiyin Industrial Group Co., Ltd. (廣州海印實業集團有限公司), which was owned as to 65% by Shao Jianming. Therefore, by virtue of the SFO, Shao Jianming, a director of the Bank, is deemed or taken to be interested in all the shares held by him in Guangzhou Haiyin Industrial Group Co., Ltd. (廣州海印實業集團有限公司).

(3) These shares were held by Beiing Tianyou Investment Co., Ltd. (北京天佑投資有限公司), which was wholly-owned by Zhang Yongming. Therefore, by virtue of the SFO, Zhang Yongming, a director of the Bank, is deemed or taken to be interested in all the shares held by him in Beiing Tianyou Investment Co., Ltd. (北京天佑投資有限公司).

(4) These shares were held by Guangzhou Haojin Motorcycle Co., Ltd. (廣州豪進摩托車股份有限公司), which was owned as to 99% by Liu Guojie. Therefore, by virtue of the SFO, Liu Guojie, a director of the Bank, is deemed or taken to be interested in all the shares held by him in Guangzhou Haojin Motorcycle Co., Ltd. (廣州豪進摩托車股份有限公司).

(5) Among these shares, 5,010,000 shares were held by Guangzhou Goldvole Investment Group Co., Ltd. (廣州市金宏利投資集團有限公司), which was owned as to 99% by Lu Lian, and 5,000,000 shares were held by Guangzhou Goldvole Real Estate Co., Ltd. (廣州市金宏利置業有限公司), which was owned as to 90% by Guangzhou Goldvole Investment Group Co., Ltd. (廣州市金宏利投資集團有限公司). Therefore, by virtue of the SFO, Lu Lian, a supervisor of the Bank, is deemed or taken to be interested in all the shares held by him in Guangzhou Goldvole Investment Group Co., Ltd. (廣州市金宏利投資集團有限公司) and Guangzhou Goldvole Investment Group Co., Ltd. (廣州市金宏利投資集團有限公司).

(6) These shares were held by Guangzhou Fengle Fuel Co., Ltd. (廣州豐樂燃料有限公司), which was owned as to 84% by Zhang Dalin. Therefore, by virtue of the SFO, Zhang Dalin, a supervisor of the Bank, is deemed or taken to be interested in all the shares held by him in Guangzhou Fengle Fuel Co., Ltd. (廣州豐樂燃料有限公司).

(7) These shares were held by Guangzhou Huadu Huanyang Commerce and Trade Co., Ltd. (廣州市花都環洋商貿有限公司), which was owned as to 45.4% by Shao Baohua. Therefore, by virtue of the SFO, Shao Baohua, a supervisor of the Bank, is deemed or taken to be interested in all the shares held by him in Guangzhou Huadu Huanyang Commerce and Trade Co., Ltd. (廣州市花都環洋商貿有限公司).

**Directors' supervisors' and chief executives' interests in the associated corporations of the Bank**

| Name | Capacity | Name of associated corporation | Nature of interest | Approximate percentage of interest in the associated |
|---|---|---|---|---|
| Shao Jianming | Director | Heshan Zhujiang County Bank Co., Ltd. (鶴山珠江村鎮銀行股份有限公司) | Interest of a controlled corporation (Note 8) | 10.00% |
| Lu Lian | Supervisor | Dongguan Huangjiang Zhujiang County Bank Co., Ltd. (東莞黃江珠江村鎮銀行股份有限公司) | Interest of a controlled corporation (Note 9) | 9.00% |
| | | Suzhou Wuzhong Zhujiang County Bank Co., Ltd. (蘇州吳中珠江村鎮銀行股份有限公司) | Interest of a controlled corporation (Note 9) | 5.00% |
| | | Xinyang Zhujiang County Bank Co., Ltd. (信陽珠江村鎮銀行股份有限公司) | Interest of a controlled corporation (Note 9) | 2.9% |

(8) Heshan Zhujiang County Bank Co., Ltd. (鶴山珠江村鎮銀行股份有限公司) was owned as to 10.00% by Guangzhou Haiyin Industrial Group Co., Ltd. (廣州海印實業集團有限公司), which was owned as to 65% by Shao Jianming. Therefore, by virtue of the SFO, Shao Jianming, a director of the Bank, is deemed or taken to be interested in all the shares held by him in Guangzhou Haiyin Industrial Group Co., Ltd. (廣州海印實業集團有限公司).

(9) Xinyang Zhujiang County Bank Co., Ltd. (信陽珠江村鎮銀行股份有限公司), Suzhou Wuzhong Zhujiang County Bank Co., Ltd. (蘇州吳中珠江村鎮銀行股份有限公司) and Dongguan Huangjiang Zhujiang County Bank Co., Ltd. (東莞黃江珠江村鎮銀行股份有限公司) were owned as to 2.90%, 5.00% and 9.00% by Guangzhou Goldvole Investment Group Co., Ltd. (廣州市金宏利投資集團有限公司), respectively, which was owned as to 99% by Lu Lian. Therefore, by virtue of the SFO, Lu Lian, a supervisor of the Bank, is deemed or taken to be interested in all the shares held by Guangzhou Goldvole Investment Group Co., Ltd. (廣州市金宏利投資集團有限公司) in Xinyang Zhujiang County Bank Co., Ltd. (信陽珠江村鎮銀行股份有限公司), Suzhou Wuzhong Zhujiang County Bank Co., Ltd. (蘇州吳中珠江村鎮銀行股份有限公司) and Dongguan Huangjiang Zhujiang County Bank Co., Ltd. (東莞黃江珠江村鎮銀行股份有限公司).

Save as disclosed above, as at June 30, 2017, none of the directors, supervisors and chief executives of the Bank had any interests or short positions in any shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO, or otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

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

During the Reporting Period, the Bank and all its directors, supervisors and senior management had no record of being subject to inspections, administrative penalties and circulating criticisms by the CSRC or public censures by the Hong Kong Stock Exchange, or penalties by relevant regulatory bodies that posed significant impact on the Bank's operation.

## 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

During the Reporting Period, the Bank currently had no major capital operation.

## SUBSEQUENT EVENTS

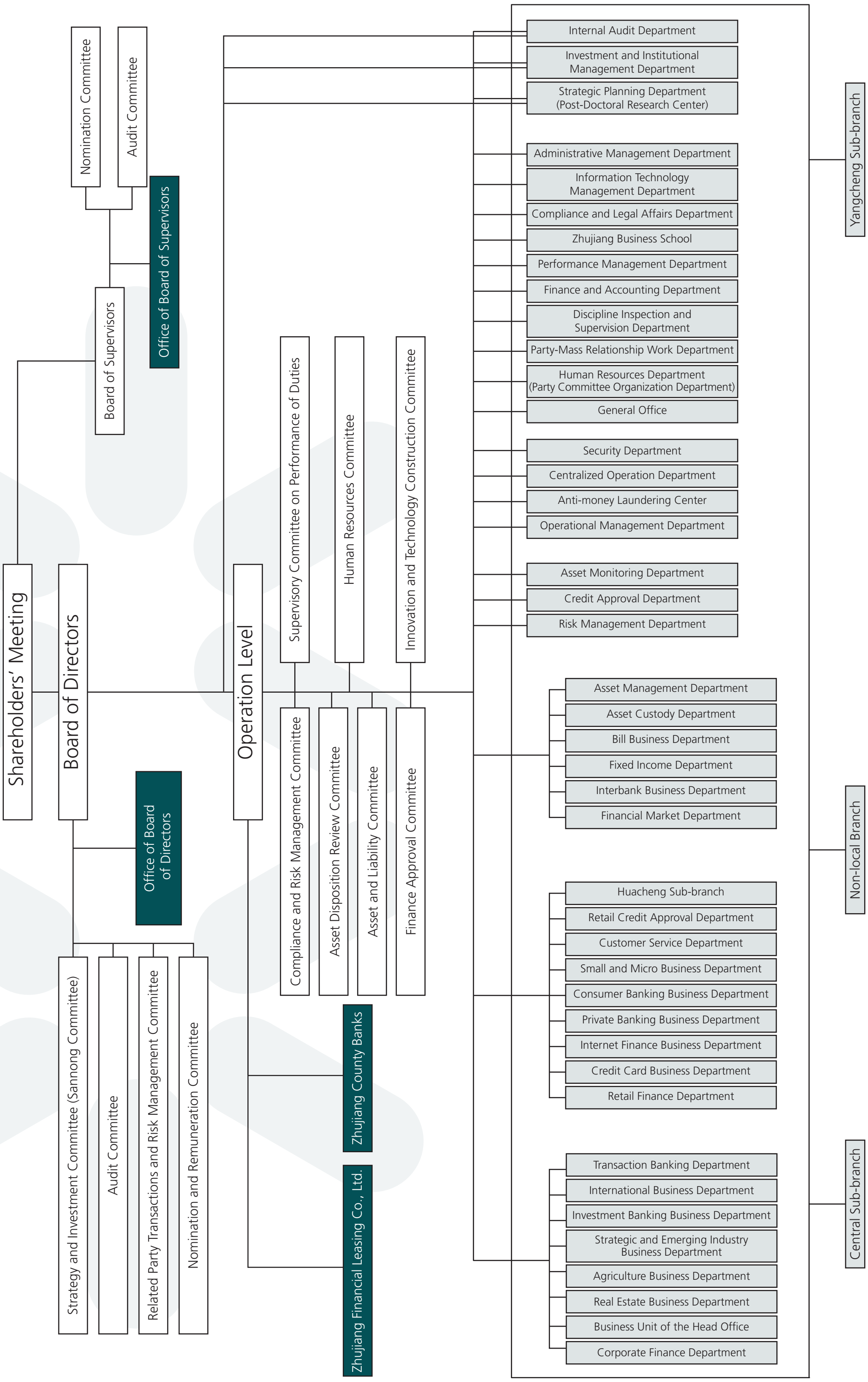
As of the Latest Practicable Date, save as the resignation of Mr. Wu Huiqiang as the vice president and an executive director of the Bank and proposed change of the chief financial officer (please refer to the section titled "Directors, Supervisors and Senior Management" —Directors of the Bank and Senior Management of the Bank for details), the Bank had no material subsequent event.

## REVIEW OF INTERIM RESULTS

The Bank's unaudited interim condensed consolidated financial data for the six months ended June 30, 2017 prepared in accordance with the IFRS had been reviewed by Ernst & Young, who had issued an unqualified review report.

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

# Corporate Structure



22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

**To the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd.**

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

## INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 58 to 119, which comprise the condensed consolidated statement of financial position of Guangzhou Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (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 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 ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

*Certified Public Accountants*

Hong Kong

25 August 2017

# Condensed Consolidated Statement of Income

For the six months ended 30 June 2017
(All amounts expressed in thousands of RMB unless otherwise stated)

| | Note | Six months ended 30 June 2017 (Unaudited) | Six months ended 30 June 2016 (Unaudited) |
|---|---|---|---|
| Interest income | 5 | 14,943,986 | 11,373,034 |
| Interest expense | 5 | (8,893,025) | (6,430,017) |
| **NET INTEREST INCOME** | 5 | 6,050,961 | 4,943,017 |
| Fee and commission income | 6 | 1,170,594 | 1,311,047 |
| Fee and commission expense | 6 | (105,881) | (76,087) |
| **NET FEE AND COMMISSION INCOME** | 6 | 1,064,713 | 1,234,960 |
| Net trading income | 7 | 483,169 | 635,185 |
| Net (losses)/gains on financial investments | 8 | (1,336,357) | 68,803 |
| Other income, gains or losses | 9 | (20,660) | 32,507 |
| **OPERATING INCOME** | | 6,241,826 | 6,914,472 |
| Operating expenses | 10 | (2,339,150) | (2,487,858) |
| Impairment losses on assets | 11 | (488,016) | (1,894,426) |
| **PROFIT BEFORE TAX** | | 3,414,660 | 2,532,188 |
| Income tax expense | 12 | (775,379) | (420,417) |
| **PROFIT FOR THE PERIOD** | | 2,639,281 | 2,111,771 |
| Attributable to: | | | |
| Equity holders of the parent company | | 2,622,063 | 2,151,966 |
| Non-controlling interests | | 17,218 | (40,195) |
| EARNINGS PER SHARE (RMB yuan) | | | |
| — basic and diluted | 14 | 0.32 | 0.26 |

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

| | Note | Six months ended 30 June 2017 (Unaudited) | Six months ended 30 June 2016 (Unaudited) |
|---|---|---|---|
| Profit for the period | | 2,639,281 | 2,111,771 |
| Other comprehensive income (after tax, net): | | | |
| *Other comprehensive income not to be reclassified to profit or loss in subsequent years:* | | | |
| Remeasurement gains on defined benefit plans | 33 | 8,964 | 333 |
| *Other comprehensive income to be reclassified to profit or loss in subsequent years:* | | | |
| Net losses on available-for-sale financial assets | 33 | (785,195) | (170,254) |
| Subtotal of other comprehensive Losses for the period | | (776,231) | (169,921) |
| **Total comprehensive income for the period** | | 1,863,050 | 1,941,850 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the parent company | | 1,845,832 | 1,982,045 |
| Non-controlling interests | | 17,218 | (40,195) |
| | | 1,863,050 | 1,941,850 |

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

# Condensed Consolidated Statement of Financial Position

As at 30 June 2017
(All amounts expressed in thousands of RMB unless otherwise stated)

| | Note | As at 30 June 2017 (Unaudited) | As at 31 December 2016 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central bank | 15 | 84,073,904 | 83,022,942 |
| Deposits with banks and other financial institutions | 16 | 17,434,947 | 18,380,847 |
| Placements with banks and other financial institutions | 17 | 10,559,475 | 3,910,819 |
| Financial assets at fair value through profit or loss | 18 | 37,216,841 | 35,980,378 |
| Reverse repurchase agreements | 19 | 40,001,779 | 79,963,092 |
| Loans and advances to customers | 20 | 267,601,192 | 237,934,771 |
| Financial investments | 21 | 210,752,207 | 190,072,917 |
| Property and equipment | 22 | 1,890,468 | 2,025,349 |
| Deferred tax assets | 23 | 3,352,932 | 3,273,111 |
| Other assets | 24 | 7,165,281 | 6,386,889 |
| **TOTAL ASSETS** | | 680,049,026 | 660,951,115 |
| **LIABILITIES** | | | |
| Due to central bank | | 1,304,000 | 537,000 |
| Due to banks and other financial institutions | 25 | 25,710,494 | 33,580,932 |
| Placements from banks and other financial institutions | 26 | 3,430,690 | 1,798,321 |
| Repurchase agreements | 27 | 17,392,602 | 48,597,796 |
| Due to customers | 28 | 440,875,332 | 423,742,038 |
| Income tax payable | | 231,415 | 1,218,049 |
| Debt securities issued | 29 | 126,732,880 | 92,295,376 |
| Other liabilities | 30 | 20,022,177 | 21,341,900 |
| **TOTAL LIABILITIES** | | 635,699,590 | 623,111,412 |
| **EQUITY** | | | |
| Equity attributable to equity holders of the parent company | | | |
| Share capital | 31 | 9,592,419 | 8,153,419 |
| Reserves | 32 | 19,483,997 | 15,380,377 |
| Retained profits | 32 | 13,302,823 | 12,311,444 |
| | | 42,379,239 | 35,845,240 |
| Non-controlling interests | | 1,970,197 | 1,994,463 |
| **TOTAL EQUITY** | | 44,349,436 | 37,839,703 |
| **TOTAL EQUITY AND LIABILITIES** | | 680,049,026 | 660,951,115 |

Approved and authorised for issue by the Board of Directors on 25 August 2017.

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

| **Wang Jikang** | **Zhang Dong** | **Sun Xiaoqin** |
|---|---|---|
| *Chairman* | *Head in Charge of Finance Function* | *Head of Financial Department* |

# Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2017
(All amounts expressed in thousands of RMB unless otherwise stated)

| | Unaudited | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the parent company | | | | | | | | | | |
| | | Reserves | | | | | | | | | |
| | Issued share capital | Capital reserve | Surplus reserve | General reserve | Investment revaluation reserve | Remeasurement gains on defined benefit plans | Subtotal | Retained profits | Total | Non-controlling interests | Total equity |
| Balance at 1 January 2017 | 8,153,419 | 4,839,809 | 3,200,146 | 8,020,433 | (713,828) | 33,817 | 15,380,377 | 12,311,444 | 35,845,240 | 1,994,463 | 37,839,703 |
| Profit for the period | — | — | — | — | — | — | — | 2,622,063 | 2,622,063 | 17,218 | 2,639,281 |
| Other comprehensive income | | | | | | | | | | | |
| — Change in fair value of available-for-sale investments, net of tax | — | — | — | — | (785,195) | — | (785,195) | — | (785,195) | — | (785,195) |
| — Remeasurement gains on defined benefit plans | — | — | — | — | — | 8,964 | 8,964 | — | 8,964 | — | 8,964 |
| Total comprehensive income | — | — | — | — | (785,195) | 8,964 | (776,231) | 2,622,063 | 1,845,832 | 17,218 | 1,863,050 |
| Issue of shares (note 31) | 1,439,000 | 4,879,851 | — | — | — | — | 4,879,851 | — | 6,318,851 | — | 6,318,851 |
| Dividends declared and paid (note 13) | — | — | — | — | — | — | — | (1,630,684) | (1,630,684) | (41,484) | (1,672,168) |
| Balance at 30 June 2017 | 9,592,419 | 9,719,660 | 3,200,146 | 8,020,433 | (1,499,023) | 42,781 | 19,483,997 | 13,302,823 | 42,379,239 | 1,970,197 | 44,349,436 |

| | Unaudited | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the parent company | | | | | | | | | | |
| | | Reserves | | | | | | | | | |
| | Issued share capital | Capital reserve | Surplus reserve | General reserve | Investment revaluation reserve | Remeasurement gains on defined benefit plans | Subtotal | Retained profits | Total | Non-controlling interests | Total equity |
| Balance as at 1 January 2016 | 8,153,419 | 4,696,696 | 2,690,094 | 6,665,655 | 779,111 | 11,599 | 14,843,155 | 10,781,372 | 33,777,946 | 1,918,184 | 35,696,130 |
| Profit for the period | — | — | — | — | — | — | — | 2,151,966 | 2,151,966 | (40,195) | 2,111,771 |
| Other comprehensive income | | | | | | | | | | | |
| — Change in fair value of available-for-sale investments, net of tax | — | — | — | — | (170,254) | — | (170,254) | — | (170,254) | — | (170,254) |
| — Remeasurement gains on defined benefit plans | — | — | — | — | — | 333 | 333 | — | 333 | — | 333 |
| Total comprehensive income | — | — | — | — | (170,254) | 333 | (169,921) | 2,151,966 | 1,982,045 | (40,195) | 1,941,850 |
| Capital contributed by non-controlling shareholders | — | — | — | — | — | — | — | — | — | 3,600 | 3,600 |
| Dividends declared and paid (note 13) | — | — | — | — | — | — | — | (1,630,684) | (1,630,684) | (33,118) | (1,663,802) |
| Balance as at 30 June 2016 | 8,153,419 | 4,696,696 | 2,690,094 | 6,665,655 | 608,857 | 11,932 | 14,673,234 | 11,302,654 | 34,129,307 | 1,848,471 | 35,977,778 |

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

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

| | Audited | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the parent company | | | | | | | | | | |
| | | Reserves | | | | | | | | | |
| | Issued share capital | Capital reserve | Surplus reserve | General reserve | Investment revaluation reserve | Remeasurement gains on defined benefit plans | Subtotal | Retained profits | Total | Non-controlling interests | Total equity |
| Balance at 1 January 2016 | 8,153,419 | 4,696,696 | 2,690,094 | 6,665,655 | 779,111 | 11,599 | 14,843,155 | 10,781,372 | 33,777,946 | 1,918,184 | 35,696,130 |
| Profit for the year | — | — | — | — | — | — | — | 5,025,586 | 5,025,586 | 80,760 | 5,106,346 |
| Other comprehensive income | | | | | | | | | | | |
| — Change in fair value of available-for-sale investments, net of tax | — | — | — | — | (1,492,939) | — | (1,492,939) | — | (1,492,939) | — | (1,492,939) |
| — Remeasurement gains on defined benefit plans | — | — | — | — | — | 22,218 | 22,218 | — | 22,218 | — | 22,218 |
| Total comprehensive income | — | — | — | — | (1,492,939) | 22,218 | (1,470,721) | 5,025,586 | 3,554,865 | 80,760 | 3,635,625 |
| Capital contributed by non-controlling shareholders | — | (2,293) | — | — | — | — | (2,293) | — | (2,293) | 30,597 | 28,304 |
| Shareholders' donation | — | 145,406 | — | — | — | — | 145,406 | — | 145,406 | — | 145,406 |
| Appropriation to surplus reserve (i) | — | — | 510,052 | — | — | — | 510,052 | (510,052) | — | — | — |
| Appropriation to general reserve (ii) | — | — | — | 1,354,778 | — | — | 1,354,778 | (1,354,778) | — | — | — |
| Dividends declared and paid | — | — | — | — | — | — | — | (1,630,684) | (1,630,684) | (35,078) | (1,665,762) |
| Balance at 31 December 2016 | 8,153,419 | 4,839,809 | 3,200,146 | 8,020,433 | (713,828) | 33,817 | 15,380,377 | 12,311,444 | 35,845,240 | 1,994,463 | 37,839,703 |

(i) Includes the appropriation made by subsidiaries in the amount of RMB25,624 thousand.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB164,778 thousand.

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

| | Notes | Six months ended 30 June 2017 (Unaudited) | Six months ended 30 June 2016 (Unaudited) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | 3,414,660 | 2,532,188 |
| Adjustments for: | | | |
| Depreciation and amortisation | 10 | 250,134 | 251,092 |
| Depreciation of investment properties | | 13,377 | 11,038 |
| Net trading income | 7 | (483,169) | (635,185) |
| Interest income on financial investments | | (6,259,171) | (3,225,476) |
| Impairments losses on assets | 11 | 488,016 | 1,894,426 |
| Unrealised foreign exchange losses/(gains) | | 93,061 | (9,912) |
| Interest expense on debt securities | | 2,402,143 | 847,332 |
| Accreted interest on impaired loans | 5 | (37,996) | (68,697) |
| Net losses/(gains) on disposal of available-for-sale financial assets | 8 | 1,337,887 | (68,803) |
| Dividends from available-for-sale equity investments | 8 | (1,530) | — |
| Net losses/(gains) on disposal of property and equipment | 9 | 1,130 | (51) |
| | | 1,218,542 | 1,527,952 |
| Net decrease/(increase) in operating assets: | | | |
| Balances with central bank | | (6,034,473) | (2,480,286) |
| Deposits with banks and other financial institutions | | 4,325,357 | (1,322,110) |
| Placements with banks and other financial institutions | | (4,903,225) | (401,000) |
| Reverse repurchase agreements | | (10,815,211) | 3,474,674 |
| Loans and advances to customers | | (30,160,853) | (32,390,585) |
| Other assets | | (379,550) | 87,154 |
| | | (47,967,955) | (33,032,153) |
| Net increase/(decrease) in operating liabilities: | | | |
| Due to central bank | | 767,000 | (260,000) |
| Due to banks and other financial institutions | | (7,870,438) | (56,928,022) |
| Placements from banks and other financial institutions | | 1,645,564 | 1,000,000 |
| Repurchase agreements | | (31,205,194) | 9,949,523 |
| Due to customers | | 17,164,920 | 1,700,282 |
| Other liabilities | | (1,403,702) | 4,046,874 |
| | | (20,901,850) | (40,491,343) |
| Cash outflow used in operating activities | | (67,651,263) | (71,995,544) |
| Income tax paid | | (1,580,102) | (1,344,177) |
| Net cash flows used in operating activities | | (69,231,365) | (73,339,721) |

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

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

| | Notes | Six months ended 30 June | |
|---|---|---|---|
| | | 2017 (Unaudited) | 2016 (Unaudited) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of property and equipment and other long-term assets | | (253,359) | (118,176) |
| Proceeds from disposal of property and equipment | | 449 | 7,732 |
| Cash paid for investments | | (169,419,222) | (302,190,491) |
| Proceeds from sale and redemption of investments | | 146,222,913 | 259,452,354 |
| Return on investments | | 4,601,742 | 3,367,526 |
| Net cash flows used in investing activities | | (18,847,477) | (39,481,055) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of shares | | 6,318,851 | — |
| Capital contributed by non-controlling shareholders | | — | 3,600 |
| Shareholders' donation | | 73,808 | 63,270 |
| Proceeds from issuance of debt securities | | 114,244,101 | 100,626,083 |
| Repayment of debt securities issued | | (80,486,396) | (33,750,000) |
| Interest paid on debt securities | | (1,704,666) | (209,650) |
| Dividends paid on ordinary shares | | (1,630,684) | (1,630,684) |
| Dividends paid to non-controlling shareholders | | (41,484) | (33,118) |
| Net cash flows from financing activities | | 36,773,530 | 65,069,501 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | (51,305,312) | (47,751,275) |
| Cash and cash equivalents at beginning of the period | | 106,196,081 | 100,429,107 |
| Effect of exchange rate changes on cash and cash equivalents | | (124,398) | 16,419 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | 34 | 54,766,371 | 52,694,251 |
| **NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES INCLUDE:** | | | |
| Interest received | | 8,591,401 | 8,391,237 |
| Interest paid | | (6,762,399) | (5,787,136) |

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

## 1 CORPORATE INFORMATION AND STRUCTURE

Guangzhou Rural Commercial Bank Co., Ltd. (the "Bank"), whose predecessor was established in 1952, underwent a series of reforms in subsequent years. With the "Approval Regarding the Opening of Guangzhou Rural Commercial Bank Co., Ltd." (Yinjianfu No. [2009] 484) issued by the China Banking Regulatory Commission (the"CBRC"), Guangzhou Rural Commercial Bank Co., Ltd. was incorporated on 9 December 2009.

The Bank obtained its finance permit No. B1048H244010001 from the CBRC and its business license of Unified Social Credit code No. 914401017083429628 from the Administration for Industry and Commerce of Guangzhou Municipality. The legal representative is Wang Jikang and the registered office is located at No. 1 Huaxia Road, Tianhe District, Guangzhou, the PRC.

The principal activities of the Bank comprise taking deposits from the general public (including domestic and foreign currency), granting short, medium and long-term loans (including domestic and foreign currency), domestic and international settlements, bills acceptance and discounting, providing agency services for issuing/redemption and underwriting of government securities, trading government and financial bonds, inter-bank placements (including domestic and foreign currency), bank cards (including debit cards and credit cards) business, providing agency services of payment collection and insurance agency service, providing safe locker service, foreign currency remittance, foreign currency exchange, foreign exchange purchases and sales against Renminbi ("RMB"), foreign credit investigations, advisory and attestation service, and other financial business activities approved by the CBRC.

The Bank's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 20 June 2017.

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

## 1 CORPORATE INFORMATION AND STRUCTURE (continued)

The Bank and its subsidiaries are collectively referred to as the "Group". As at 30 June 2017, the Bank had a total of 25 subsidiaries, including 24 county banks and a financial leasing company, which are located in Guangdong, Shandong, Jiangsu, Hunan, Henan, Sichuan, Liaoning, Jiangxi and Beijing. The details of the Bank's subsidiaries as at 30 June 2017 are as follows.

| Name | Place of registration | Registered capital (in thousand) | Percentage of equity interests held by the Bank | Percentage of voting rights held by the Bank | Principal activities |
|---|---|---|---|---|---|
| Laiwu Zhujiang County Bank | Laiwu, Shandong Province | 60,000 | 51.00% | 51.00% | Banking |
| Jiangsu Xuyi Zhujiang County Bank | Xuyi, Jiangsu Province | 50,000 | 51.00% | 51.00% | Banking |
| Jiangsu Qidong Zhujiang County Bank | Qidong, Jiangsu Province | 100,000 | 51.00% | 51.00% | Banking |
| Changning Zhujiang County Bank | Changning, Hunan Province | 50,000 | 51.00% | 51.00% | Banking |
| Laizhou Zhujiang County Bank | Laizhou, Shandong Province | 80,000 | 51.00% | 51.00% | Banking |
| Haiyang Zhujiang County Bank | Haiyang, Shandong Province | 70,000 | 51.00% | 51.00% | Banking |
| Huixian Zhujiang County Bank | Huixian, Henan Province | 60,000 | 35.00%(i) | 51.00% | Banking |
| Pengshan Zhujiang County Bank | Pengshan, Sichuan Province | 50,000 | 35.00%(i) | 51.00% | Banking |
| Xinjin Zhujiang County Bank | Xinjin, Sichuan Province | 100,000 | 35.00%(i) | 53.00% | Banking |
| Guanghan Zhujiang County Bank | Guanghan, Sichuan Province | 100,000 | 35.00%(i) | 51.00% | Banking |
| Dalian Baoshuiqu Zhujiang County Bank | Dalian Bonded Area, Liaoning Province | 100,000 | 35.00%(i) | 56.00% | Banking |
| Jizhou Zhujiang County Bank | Jian, Jiangxi Province | 87,820 | 33.79%(i) | 57.19% | Banking |
| Heshan Zhujiang County Bank | Heshan, Guangdong Province | 150,000 | 34.00%(i) | 71.00% | Banking |
| Beijing Mentougou Zhujiang County Bank | Mentougou District, Beijing | 100,000 | 51.00% | 51.00% | Banking |
| Xinyang Zhujiang County Bank | Xinyang, Henan Province | 414,200 | 39.60%(i) | 54.13% | Banking |
| Yantai Fushan Zhujiang County Bank | Yantai, Shandong Province | 100,000 | 35.00%(i) | 52.00% | Banking |
| Anyang Zhujiang County Bank | Anyang, Henan Province | 60,000 | 35.00%(i) | 51.00% | Banking |
| Qingdao Chengyang Zhujiang County Bank | Chengyang District, Qingdao, Shandong Province | 100,000 | 35.00%(i) | 51.00% | Banking |
| Suzhou Wuzhong Zhujiang County Bank | Wuzhong District, Suzhou, Jiangsu Province | 150,000 | 51.00% | 51.00% | Banking |
| Sanshui Zhujiang County Bank | Foshan, Guangdong Province | 200,000 | 33.40%(ii) | 50.50% | Banking |
| Zhongshan Dongfeng Zhujiang County Bank | Dongfeng, Guangdong Province | 150,000 | 35.00%(ii) | 35.00% | Banking |
| Xingning Zhujiang County Bank | Meizhou, Guangdong Province | 50,000 | 34.00%(i) | 100.00% | Banking |
| Shenzhen Pingshan Zhujiang County Bank | Shenzhen, Guangdong Province | 300,000 | 35.00%(i) | 83.00% | Banking |
| Dongguan Huangjiang Zhujiang County Bank | Dongguan, Guangdong Province | 150,000 | 35.00%(i) | 100.00% | Banking |
| Zhujiang Financial Leasing Co.,Ltd. | Guangzhou, Guangdong Province | 1,000,000 | 100.00% | 100.00% | Financial leasing |

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

## 1 CORPORATE INFORMATION AND STRUCTURE (continued)

(i) The Bank holds less than majority equity interests in these subsidiaries. In accordance with the agreements to act in concert entered into by the Bank and the non-controlling shareholders, the non-controlling shareholders vote consistently with the Bank in deciding the financial and operating policies. Hense, the management of the Bank believes that the Bank obtains controls over this subsidiaries.

(ii) The Bank holds less than majority equity interests in these subsidiaries. According to their respective articles of association, the appointment of board of directors are subject to approval by two-third majority votes. Through appointing or approving the appointment of the key management of these subsidiaries, including the chairman, vice president and directors of risk management and finance, the Bank has exposure to variable returns from its involvement in the relevant operations of these subsidiaries and the ability to affect the returns through the power over these subsidiaries. Management of the Bank believes that the Bank obtains controls over these subsidiaries.

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six-month period ended 30 June 2017 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and should be read in conjunction with the Accountants' Report included in Appendix I of the prospectus of the Bank dated 8 June 2017 (the "Prospectus").

Except as described below, the principal accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the Accountants' Report disclosed in the Prospectus.

### 2.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2017

On 1 January 2017, the Group adopted the following new standards, amendments and interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements.

| | |
|---|---|
| IAS 7 Amendments | *Disclosure Initiative* |
| IAS 12 Amendments | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| *Annual Improvements 2014–2016 Cycle:* | |
| IFRS 12 Amendments | *Disclosure of Interests in Other Entities* |

#### Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

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

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2017 (continued)

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments to IAS 12 retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

*Annual Improvements Cycle 2014–2016*

***Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12***

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10 to B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact to the Group.

### 2.2 STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP IN 2017

| | | Effective for annual periods beginning on or after |
|---|---|---|
| IFRS 2 Amendments | *Classification and Measurement of Share-based Payment* | 1 January 2018 |
| IFRS 9 | *Financial Instruments* | 1 January 2018 |
| IFRS 15 and Amendments | *Revenue from Contracts with Customers* | 1 January 2018 |
| IFRS 16 | *Leases* | 1 January 2019 |
| IFRIC Interpretation 22 | *Foreign Currency Transactions and Advance Consideration* | 1 January 2018 |
| IAS 40 Amendments | *Transfers of Investment Property* | 1 January 2018 |
| IFRS 10 and IAS 28 Amendments | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Effective date has been deferred |
| IFRS 4 Amendments | *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* | 1 January 2018 |
| IFRS 1 Amendments | *First-time Adoption of International Financial Reporting Standards* | 1 January 2018 |
| IAS 28 Amendments | *Investments in Associates and Joint Ventures* | 1 January 2018 |
| IFRIC23 | *Uncertainty over Income Tax Treatments* | 1 January 2019 |
| IFRS17 | *Insurance Contracts* | 1 January 2021 |

The Group is considering the impact of these standards and amendments on the consolidated financial statements.

## 3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Accountants' Report disclosed in the Prospectus.

## 4 OPERATING SEGMENT INFORMATION

### (a) Operating segments

For management purposes, the Group is organised into four different operating segments as follows:

*Corporate banking*

The corporate banking segment covers the provision of financial products and services to corporate customers. The products and services include deposits, loans, settlement and clearing and other relating to trading business.

*Retail banking*

The retail banking segment covers the provision of financial products and services to individual customers. The products and services include deposits, bank cards and credit cards, personal loans and collateral loans, and personal wealth management services.

*Financial market business*

The financial market business segment covers money market placements, investments and repurchasing, foreign exchange transactions for the Group's own accounts or on behalf of customers.

*Others*

This segment represents business other than corporate banking, retail banking and financial market business, whose assets, liabilities, income and expenses cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

Inter-segment transfer price is calculated in accordance with the sources and funding period, matching the interest rates announced by the People's Bank of China (the "PBOC") and the interbank market rates. Expenses are allocated between segments based on benefits.

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

## 4 OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

| | Corporate banking | Retail banking | Financial market business | Others | Total |
|---|---|---|---|---|---|
| **For the six-month period ended 30 June 2017 (Unaudited)** | | | | | |
| Interest income | 4,478,151 | 2,190,739 | 8,275,096 | — | 14,943,986 |
| Interest expense | (2,240,955) | (2,058,987) | (4,593,083) | — | (8,893,025) |
| Internal net interest income/(expense) | 476,772 | 1,937,147 | (2,413,919) | — | — |
| **NET INTEREST INCOME** | 2,713,968 | 2,068,899 | 1,268,094 | — | 6,050,961 |
| Fee and commission income | 645,191 | 388,846 | 136,557 | — | 1,170,594 |
| Fee and commission expense | (66,988) | (25,401) | (13,492) | — | (105,881) |
| **NET FEE AND COMMISSION INCOME** | 578,203 | 363,445 | 123,065 | — | 1,064,713 |
| Net trading income | — | — | 483,169 | — | 483,169 |
| Net gains/(losses) on financial investments | — | — | (1,337,887) | 1,530 | (1,336,357) |
| Other income, gains or losses | (53,402) | 270 | (2,879) | 35,351 | (20,660) |
| **OPERATING INCOME** | 3,238,769 | 2,432,614 | 533,562 | 36,881 | 6,241,826 |
| Operating expenses | (650,496) | (1,298,577) | (323,639) | (66,438) | (2,339,150) |
| Impairment losses on assets | (299,556) | (219,390) | 30,930 | — | (488,016) |
| **PROFIT BEFORE TAX** | 2,288,717 | 914,647 | 240,853 | (29,557) | 3,414,660 |
| Income tax expense | | | | | (775,379) |
| **PROFIT FOR THE PERIOD** | | | | | 2,639,281 |
| Other segment information: | | | | | |
| Depreciation and amortisation | 68,435 | 155,088 | 17,956 | 22,032 | 263,511 |
| Capital expenditure | 69,318 | 157,088 | 18,187 | 8,766 | 253,359 |
| **As at 30 June 2017 (Unaudited)** | | | | | |
| Segment assets | 178,780,422 | 88,825,394 | 409,177,356 | 3,265,854 | 680,049,026 |
| Segment liabilities | (233,122,940) | (226,616,509) | (175,861,009) | (99,132) | (635,699,590) |
| Other segment information: | | | | | |
| Credit commitments | 91,304,037 | 18,882,163 | — | — | 110,186,200 |

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

## 4 OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

| | Corporate banking | Retail banking | Financial market business | Others | Total |
|---|---|---|---|---|---|
| **For the six-month period ended 30 June 2016 (Unaudited)** | | | | | |
| Interest income | 4,081,236 | 2,235,781 | 5,056,017 | — | 11,373,034 |
| Interest expense | (2,195,871) | (1,885,229) | (2,348,917) | — | (6,430,017) |
| Internal net interest income/(expense) | 330,228 | 2,142,659 | (2,472,887) | — | — |
| **NET INTEREST INCOME** | 2,215,593 | 2,493,211 | 234,213 | — | 4,943,017 |
| Fee and commission income | 764,150 | 476,785 | 70,112 | — | 1,311,047 |
| Fee and commission expense | (31,900) | (31,144) | (13,043) | — | (76,087) |
| **NET FEE AND COMMISSION INCOME** | 732,250 | 445,641 | 57,069 | — | 1,234,960 |
| Net trading income | — | — | 635,185 | — | 635,185 |
| Net gains on financial investments | — | — | 68,803 | — | 68,803 |
| Other income, gains or losses | 20,385 | (507) | (9) | 12,638 | 32,507 |
| **OPERATING INCOME** | 2,968,228 | 2,938,345 | 995,261 | 12,638 | 6,914,472 |
| Operating expenses | (758,711) | (1,280,480) | (383,154) | (65,513) | (2,487,858) |
| Impairment losses on assets | (1,548,028) | (615,217) | 268,819 | — | (1,894,426) |
| **PROFIT BEFORE TAX** | 661,489 | 1,042,648 | 880,926 | (52,875) | 2,532,188 |
| Income tax expense | | | | | (420,417) |
| **PROFIT FOR THE PERIOD** | | | | | 2,111,771 |
| Other segment information: | | | | | |
| Depreciation and amortisation | 72,218 | 155,294 | 14,330 | 20,288 | 262,130 |
| Capital expenditure | 33,989 | 73,089 | 6,744 | 4,354 | 118,176 |
| **At 31 December 2016 (Audited)** | | | | | |
| Segment assets | 153,545,406 | 82,080,607 | 421,931,767 | 3,393,335 | 660,951,115 |
| Segment liabilities | (231,761,407) | (211,930,088) | (179,335,150) | (84,767) | (623,111,412) |
| Other segment information: | | | | | |
| Credit commitments | 99,105,019 | 17,352,057 | — | — | 116,457,076 |

### (b) Geographic information

The Bank mainly operates in Guangdong Province, China. The main clients and non-current assets are located in Guangdong Province, China.

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

## 5 NET INTEREST INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | **2016** |
| Interest income on: | | |
| Loans and advances to customers | 7,055,191 | 6,776,802 |
| — Corporate loans and advances | 4,526,772 | 4,070,240 |
| — Personal loans | 2,255,910 | 2,249,596 |
| — Discounted bills | 272,509 | 456,966 |
| Reverse repurchase agreements | 674,894 | 451,785 |
| Available-for-sale financial assets | 3,817,170 | 1,544,492 |
| Held-to-maturity financial investments | 547,247 | 311,189 |
| Receivables | 1,894,754 | 1,369,795 |
| Due from central bank | 518,637 | 445,943 |
| Deposits and placements with banks and other financial institutions | 436,093 | 473,028 |
| Subtotal | 14,943,986 | 11,373,034 |
| Interest expense on: | | |
| Due to customers | (4,354,719) | (3,956,682) |
| Repurchase agreements | (308,860) | (224,963) |
| Deposits and placements from banks and other financial institutions | (1,656,538) | (1,272,623) |
| Debt securities issued | (2,402,143) | (847,332) |
| Other borrowings (i) | (161,492) | (114,268) |
| Others | (9,273) | (14,149) |
| Subtotal | (8,893,025) | (6,430,017) |
| Net interest income | 6,050,961 | 4,943,017 |
| Including: interest income on impaired loans | 37,996 | 68,697 |
| Interest income from: | | |
| Listed debt instruments | 5,039,311 | 1,525,631 |
| Unlisted debt instruments | 9,904,675 | 9,847,403 |
| Total | 14,943,986 | 11,373,034 |

(i) The interest expense for the long-term and short-term borrowings was incurred by Zhujiang Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank.

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

## 6 NET FEE AND COMMISSION INCOME

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Fee and commission income: | | |
| Advisory and consultancy fees | 409,952 | 552,979 |
| Settlement and electronic channel business fees | 61,058 | 60,411 |
| Agency and custodian service fees | 210,580 | 237,944 |
| Bank card fees | 223,422 | 262,584 |
| Wealth management product related fee income | 127,862 | 44,436 |
| Financial lease business | 55,401 | 71,882 |
| Foreign exchange business | 24,162 | 23,706 |
| Others | 58,157 | 57,105 |
| Subtotal | 1,170,594 | 1,311,047 |
| Fee and commission expense: | | |
| Settlement and electronic channel business fees | (8,309) | (14,355) |
| Bank card fees | (13,600) | (17,369) |
| Others | (83,972) | (44,363) |
| Subtotal | (105,881) | (76,087) |
| Net fee and commission income | 1,064,713 | 1,234,960 |

## 7 NET TRADING INCOME

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Debt securities: | | |
| Unrealised gains/(losses) from debt securities | 48,188 | (323,415) |
| Realised gains from debt securities | 214,737 | 516,561 |
| | 262,925 | 193,146 |
| Funds: | | |
| Unrealised gains from funds | 14,655 | 6,867 |
| Realised gains from funds | 205,589 | 435,172 |
| | 220,244 | 442,039 |
| Total | 483,169 | 635,185 |

The above amounts include gains and losses arising from the buying and selling of, interest income on, and changes in the fair value of financial assets at fair value through profit or loss.

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

## 8 NET (LOSSES)/GAINS ON FINANCIAL INVESTMENTS

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| (Losses)/gains on disposal of available-for-sale financial assets | (1,337,887) | 68,803 |
| Dividends from available-for-sale equity investments | 1,530 | — |
| Total | (1,336,357) | 68,803 |

## 9 OTHER INCOME, GAINS OR LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Net (losses)/gains on disposal of property and equipment | (1,130) | 51 |
| Net losses on sale of repossessed assets | (33,273) | — |
| (Losses)/gains from foreign exchange, net | (53,136) | 13,305 |
| Net rental income | 4,467 | 6,566 |
| Government grants and subsidies | 44,556 | 9,717 |
| Penalty and compensation payment | 1,298 | 2,380 |
| Donations | (3,460) | (6) |
| Others | 20,018 | 494 |
| Total | (20,660) | 32,507 |

## 10 OPERATING EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Staff costs: | | |
| Salaries, bonuses and allowances | 907,969 | 676,919 |
| Social insurance | 54,653 | 54,687 |
| Housing fund | 91,775 | 132,335 |
| Employee benefits | 81,078 | 78,624 |
| Labour union expenditure and education costs | 35,838 | 22,727 |
| Benefits for early retirement and supplemental retirement | 28,074 | 64,914 |
| Defined contribution plans | 167,294 | 145,351 |
| Others | 2,580 | 1,134 |
| Subtotal | 1,369,261 | 1,176,691 |
| General and administrative expenses | 497,302 | 514,109 |
| Tax and surcharges | 79,630 | 405,051 |
| Depreciation and amortisation | 250,134 | 251,092 |
| Rental expense | 142,823 | 140,915 |
| Total | 2,339,150 | 2,487,858 |

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

## 11 IMPAIRMENT LOSSES ON ASSETS

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Impairment losses on: | | |
| Loans and advances to customers | 518,946 | 2,154,117 |
| Placements with banks and other financial institutions | 26,482 | (513,135) |
| Receivables | (61,640) | 199,885 |
| Held-to-maturity investments | — | (3,800) |
| Interest receivable | (3,413) | 48,122 |
| Other assets | 7,641 | 9,237 |
| Total | 488,016 | 1,894,426 |

## 12 INCOME TAX EXPENSE

### (a) Income tax

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Current income tax | 593,468 | 748,121 |
| Deferred income tax | 181,911 | (327,704) |
| | 775,379 | 420,417 |

### (b) Reconciliation between income tax and accounting profit

The PRC income tax has been provided at the applicable tax rate on the estimated assessable profits for the six-month periods ended 30 June 2017 and 2016 based on existing legislation, interpretations and practices in respect thereof.

Guanghan and Xinjin Zhujiang County Bank enjoyed a preferential tax rate of 15% for the six-month period ended 30 June 2016 and was subject to PRC income tax at a rate of 25% for the six-month period ended 30 June 2017. The other entities of the Group were subject to PRC income tax at a rate of 25% for the six-month periods ended 30 June 2016 and 2017. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Profit before tax | 3,414,660 | 2,532,188 |
| Tax at the PRC statutory income tax rate | 853,665 | 633,047 |
| Effect of different tax rates | — | (4,027) |
| Non-deductible expenses | 27,799 | 22,740 |
| Non-taxable income (i) | (117,378) | (225,185) |
| Underprovision/(overprovision) in respect of prior years | 15,094 | (6,158) |
| Effect of change in tax rates | (3,801) | — |
| Tax expense at the Group's effective income tax rate | 775,379 | 420,417 |

(i) The non-taxable income mainly represents interest income arising from the PRC government bonds and the distribution from money market funds, which are exempted from income tax, under Chinese tax regulations.

## 13 DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Dividends on ordinary shares declared and paid: | | |
| Final dividend | 1,630,684 | 1,630,684 |
| Dividend per share (in RMB yuan) | 0.20 | 0.20 |

## 14 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Earnings: | | |
| Profit attributable to equity holders of the parent company | 2,622,063 | 2,151,966 |
| Shares: | | |
| Weighted average number of ordinary shares in issue (in thousands) | 8,240,872 | 8,153,419 |
| Basic and diluted earnings per share (in RMB yuan) | 0.32 | 0.26 |

Basic earnings per share was computed by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

The Group had no dilutive potential shares outstanding during the six-month period ended 30 June 2017 (2016:nil).

## 15 CASH AND BALANCES WITH CENTRAL BANK

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Cash on hand | 2,419,728 | 3,335,225 |
| Mandatory reserves with central bank (i) | 62,857,883 | 57,540,461 |
| Surplus reserves with central bank (ii) | 17,507,855 | 21,575,869 |
| Fiscal deposits with central bank | 1,288,438 | 571,387 |
| Total | 84,073,904 | 83,022,942 |

(i) The Group is required to place mandatory reserve deposits with the PBOC, and these mandatory reserve deposits with the central bank are not available for use in the Group's daily operations. As at 30 June 2017 and 31 December 2016, the mandatory deposit reserve ratios of the Bank and its subsidiaries in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC.

(ii) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

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

## 16 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Nostro accounts: | | |
| Banks operating in Mainland China | 7,928,960 | 16,672,265 |
| Other financial institutions operating in Mainland China | 4,083,894 | 1,276,358 |
| Banks operating outside Mainland China | 5,422,093 | 432,224 |
| | 17,434,947 | 18,380,847 |

## 17 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Placements with banks and other financial institutions: | | |
| Banks operating in Mainland China | 5,095,957 | 1,655,819 |
| Other financial institutions operating in Mainland China | 5,490,000 | 2,255,000 |
| Less: Allowance for impairment losses | (26,482) | — |
| Total | 10,559,475 | 3,910,819 |

## 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Debt securities issued by: (i) | | |
| Government | 79,405 | 187,701 |
| Financial institutions | | |
| — Policy banks | 1,462,042 | 1,456,474 |
| — Other banks and non-bank financial institutions | 20,434,197 | 2,316,380 |
| Corporate | 582,191 | 3,201,786 |
| Subtotal | 22,557,835 | 7,162,341 |
| Funds (ii) | 14,659,006 | 28,818,037 |
| Total | 37,216,841 | 35,980,378 |

(i) All debt securities of financial assets at fair value through profit or loss are listed in Mainland China.

(ii) Funds are unlisted.

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

## 19 REVERSE REPURCHASE AGREEMENTS

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Reverse repurchase agreements analysed by counterparty: | | |
| Banks operating in Mainland China | 29,155,752 | 40,885,123 |
| Other financial institutions operating in Mainland China | 10,846,027 | 39,077,969 |
| | 40,001,779 | 79,963,092 |
| Reverse repurchase agreements analysed by collateral: | | |
| Securities | 20,935,822 | 68,757,577 |
| Bills | 19,065,957 | 11,205,515 |
| | 40,001,779 | 79,963,092 |

As part of the reverse repurchase agreements, the Group has received securities and bills as collateral that it is allowed to sell or repledge in the absence of default by their owners; the fair value of such collateral accepted by the Group was RMB18,681,075 thousand as at 30 June 2017 (31 December 2016: RMB66,382,311 thousand). Included in the above, certain collateral was sold or re-pledged by the Bank with a fair value of RMB3,707,714 thousand as at 30 June 2017 (31 December 2016: RMB14,542,945 thousand). These transactions were conducted under standard terms in the normal course of business.

## 20 LOANS AND ADVANCES TO CUSTOMERS

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Corporate loans and advances | 180,118,481 | 152,566,990 |
| Personal loans | | |
| Residential mortgages | 40,108,896 | 34,015,811 |
| Personal business loans | 27,308,600 | 28,946,516 |
| Personal consumption loans | 13,452,944 | 11,936,296 |
| Credit cards | 7,180,566 | 6,429,614 |
| Subtotal | 88,051,006 | 81,328,237 |
| Discounted bills | 8,163,130 | 11,996,069 |
| Total loans and advances to customers | 276,332,617 | 245,891,296 |
| Less: Allowance for impairment losses | (8,731,425) | (7,956,525) |
| Loans and advances to customers, net | 267,601,192 | 237,934,771 |

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

## 20 LOANS AND ADVANCES TO CUSTOMERS (continued)

Movements of allowance for impairment losses during the year/period are as follows:

| | Individually assessed | Collectively assessed | Total |
|---|---|---|---|
| At 1 January 2016 | 1,177,820 | 5,701,475 | 6,879,295 |
| Impairment allowances charged | 2,278,616 | 1,578,020 | 3,856,636 |
| Reversal of impairment allowances | (65,355) | (97,596) | (162,951) |
| Accreted interest on impaired loans | (123,591) | (13,649) | (137,240) |
| Write-offs | (2,768,744) | (527,217) | (3,295,961) |
| Recoveries of loans and advances previously written off | 735,150 | 81,596 | 816,746 |
| At 31 December 2016 and 1 January 2017 | 1,233,896 | 6,722,629 | 7,956,525 |
| Impairment allowances (reversed)/charged | (43,996) | 757,756 | 713,760 |
| Reversal of impairment allowances | (48,582) | (146,232) | (194,814) |
| Accreted interest on impaired loans (note 5) | (34,191) | (3,805) | (37,996) |
| Write-offs | (218,708) | (213,288) | (431,996) |
| Recoveries of loans and advances previously written off | 603,988 | 121,958 | 725,946 |
| At 30 June 2017 | 1,492,407 | 7,239,018 | 8,731,425 |

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Loans and advances: | | |
| Unimpaired loans and advances (i) | 271,539,900 | 241,435,762 |
| Impaired loans and advances to customers (ii) | | |
| Individually assessed | 3,058,069 | 2,608,223 |
| Collectively assessed | 1,734,648 | 1,847,311 |
| | 276,332,617 | 245,891,296 |
| Less: Allowance for impairment losses: | | |
| Unimpaired loans and advances (i) | (5,924,769) | (5,376,680) |
| Impaired loans and advances to customers (ii) | | |
| Individually assessed | (1,492,407) | (1,233,896) |
| Collectively assessed | (1,314,249) | (1,345,949) |
| | (8,731,425) | (7,956,525) |
| Net loans and advances: | | |
| Unimpaired loans and advances (i) | 265,615,131 | 236,059,082 |
| Impaired loans and advances to customers (ii) | | |
| Individually assessed | 1,565,662 | 1,374,327 |
| Collectively assessed | 420,399 | 501,362 |
| | 267,601,192 | 237,934,771 |
| Percentage of impaired loans and advances | 1.73% | 1.81% |

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

(ii) Impaired loans and advances identified are loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either:

- individually (including mainly corporate loans and advances which are impaired); or
- collectively (portfolios of individually insignificant homogenous loans which share similar credit risk characteristics, mainly personal loans which are impaired).

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

## 21 FINANCIAL INVESTMENTS

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Receivables (a) | 76,118,749 | 76,012,399 |
| Held-to-maturity investments (b) | 30,237,136 | 25,782,157 |
| Available-for-sale financial assets (c) | 104,396,322 | 88,278,361 |
| | 210,752,207 | 190,072,917 |

### (a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Trust fund plans and asset management plans (i) | 76,485,344 | 76,440,634 |
| Allowance for impairment losses | (366,595) | (428,235) |
| Including: Individually assessed | (156,526) | (238,104) |
| Collectively assessed | (210,069) | (190,131) |
| Total | 76,118,749 | 76,012,399 |

(i) The trust fund plans and asset management plans were purchased from trust companies and asset management companies, with no active market quotes. As at 30 June 2017, the definite period lengths are 1 to 60 months (31 December 2016: 1 to 60 months).

Movements of allowance for investments classified as receivables are as follows:

| | Individually assessed allowance | Collectively assessed allowance | Total |
|---|---|---|---|
| At 1 January 2016 | 169,041 | 185,507 | 354,548 |
| Charge for the year | 152,793 | 94,560 | 247,353 |
| Reversal for the year | (83,730) | (89,936) | (173,666) |
| At 31 December 2016 and 1 January 2017 | 238,104 | 190,131 | 428,235 |
| Charge for the period | — | 172,849 | 172,849 |
| Reversal for the period | (81,578) | (152,911) | (234,489) |
| At 30 June 2017 | 156,526 | 210,069 | 366,595 |

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

## 21 FINANCIAL INVESTMENTS (continued)

### (b) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Debt securities issued by: (i) | | |
| Government | 7,803,346 | 8,050,822 |
| Financial institutions | | |
| — Policy banks | 19,515,642 | 11,285,893 |
| — Other banks and non-bank financial institutions | 2,918,148 | 6,445,442 |
| Total | 30,237,136 | 25,782,157 |
| Market value of listed debt securities | 29,910,450 | 26,037,010 |

(i) All held-to-maturity investments debt securities are listed in Mainland China.

Movements of allowance on investments classified as held-to-maturity investments are as follows:

| | Collectively assessed allowance |
|---|---|
| At 1 January 2016 | 3,800 |
| Reversal for the year | (3,800) |
| At 31 December 2016 and 30 June 2017 | — |

### (c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Debt securities, at fair value, issued by (i): | | |
| Government | 16,979,467 | 12,801,575 |
| Financial institutions | | |
| — Policy banks | 38,683,178 | 35,984,691 |
| — Other banks and non-bank financial institutions | 5,344,710 | 3,691,477 |
| Corporate | 5,424,292 | 5,287,416 |
| Subtotal | 66,431,647 | 57,765,159 |
| Funds and other investments, at fair value (ii) | 37,913,621 | 30,462,148 |
| Equity and other investments, at cost (iii) | 51,054 | 51,054 |
| Total | 104,396,322 | 88,278,361 |

(i) All available-for-sale debt securities are listed in Mainland China.

(ii) All funds and other investments are unlisted.

(iii) All available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

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

## 22 PROPERTY AND EQUIPMENT

| | Properties and buildings | Construction in progress | Leasehold improvements | Office equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| At 1 January 2016 | 3,873,579 | 200,532 | 490,118 | 1,134,285 | 71,411 | 5,769,925 |
| Additions | 8,121 | 219,224 | 34,209 | 92,398 | 2,495 | 356,447 |
| CIP transfers | 21,118 | (147,759) | 39,629 | 87,012 | — | — |
| Other transfer in | 52,459 | — | — | 27,769 | — | 80,228 |
| Disposals | (8,469) | — | — | (125,268) | (1,437) | (135,174) |
| Other transfer out | (1,446) | (16,245) | (598) | — | — | (18,289) |
| At 31 December 2016 and 1 January 2017 | 3,945,362 | 255,752 | 563,358 | 1,216,196 | 72,469 | 6,053,137 |
| Additions | 86,583 | 47,291 | 7,266 | 17,583 | 2,329 | 161,052 |
| CIP transfers | 19,745 | (64,914) | 23,088 | 22,081 | — | — |
| Other transfer in | — | — | 1,994 | — | — | 1,994 |
| Disposals | — | — | (37) | (26,696) | (480) | (27,213) |
| Other transfer out | — | (79,792) | (2) | — | — | (79,794) |
| At 30 June 2017 | 4,051,690 | 158,337 | 595,667 | 1,229,164 | 74,318 | 6,109,176 |
| **Accumulated depreciation:** | | | | | | |
| At 1 January 2016 | 2,597,209 | — | 260,136 | 754,238 | 60,809 | 3,672,392 |
| Depreciation charge for the year | 198,481 | — | 84,763 | 164,758 | 5,360 | 453,362 |
| Disposals | (8,077) | — | — | (87,119) | (1,336) | (96,532) |
| Other transfer out | (1,434) | — | — | — | — | (1,434) |
| At 31 December 2016 and 1 January 2017 | 2,786,179 | — | 344,899 | 831,877 | 64,833 | 4,027,788 |
| Depreciation charge for the period | 97,267 | — | 41,677 | 75,946 | 1,560 | 216,450 |
| Other transfer in | — | — | 104 | — | — | 104 |
| Disposals | — | — | — | (25,167) | (467) | (25,634) |
| At 30 June 2017 | 2,883,446 | — | 386,680 | 882,656 | 65,926 | 4,218,708 |
| **Net carrying amount:** | | | | | | |
| At 31 December 2016 | 1,159,183 | 255,752 | 218,459 | 384,319 | 7,636 | 2,025,349 |
| At 30 June 2017 | 1,168,244 | 158,337 | 208,987 | 346,508 | 8,392 | 1,890,468 |

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

## 22 PROPERTY AND EQUIPMENT (continued)

The carrying value of the Group's properties and buildings is analysed based on the remaining terms of the land leases as follows:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Held in Mainland China | | |
| Over 50 years | 145,390 | 66,239 |
| 10 to 50 years | 966,770 | 1,034,015 |
| | 1,112,160 | 1,100,254 |

As at 30 June 2017, the process of obtaining the title for the Group's properties and buildings with an aggregate net carrying amount of RMB56,084 thousand (31 December 2016: RMB58,929 thousand) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 30 June 2017 and 31 December 2016, the carrying value of other transfer out from construction in progress was to intangible assets, and the carrying value of other transfer out from properties and buildings was to investment properties.

## 23 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority. As at 30 June 2017, the qualifying amounts offset was RMB3,530 thousand (31 December 2016: RMB4,983 thousand).

### Movements of deferred tax

| 2017 | Unaudited | | | |
|---|---|---|---|---|
| | At 1 January 2017 | Total gains/(losses) recorded in profit or loss | Total gains recorded in other comprehensive income (note 33) | At 30 June 2017 |
| Deferred tax assets: | | | | |
| Allowance for impairment losses | 2,644,509 | (197,593) | — | 2,446,916 |
| Change in fair value of available-for-sale financial assets | 237,946 | — | 261,732 | 499,678 |
| Change in financial assets at fair value through profit or loss | 68,798 | (9,409) | — | 59,389 |
| Salaries, bonuses, allowances and subsidies payable | 255,087 | (38,296) | — | 216,791 |
| Early retirement benefits | 30,245 | 867 | — | 31,112 |
| Provisions | 2,355 | (2,291) | — | 64 |
| Others | 39,154 | 63,358 | — | 102,512 |
| Total | 3,278,094 | (183,364) | 261,732 | 3,356,462 |
| Deferred tax liabilities: | | | | |
| Government grants and subsidies | 3,319 | — | — | 3,319 |
| Unrealised gains on repossessed assets | 1,664 | (1,453) | — | 211 |
| Total | 4,983 | (1,453) | — | 3,530 |

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

## 23 DEFERRED TAX ASSETS AND LIABILITIES (continued)

### Movements of deferred tax (continued)

| 2016 | Audited | | | |
|---|---|---|---|---|
| | At 1 January 2016 | Total gains/(losses) recorded in profit or loss | Total gains/(losses) recorded in other comprehensive income | At 31 December 2016 |
| Deferred tax assets: | | | | |
| Allowance for impairment losses | 2,024,656 | 619,853 | — | 2,644,509 |
| Change in fair value of available-for-sale financial assets | — | — | 237,946 | 237,946 |
| Change in financial assets at fair value through profit or loss | — | 68,798 | — | 68,798 |
| Salaries, bonuses, allowances and subsidies payable | 237,930 | 17,157 | — | 255,087 |
| Early retirement benefits | 20,522 | 9,723 | — | 30,245 |
| Provisions | 7,013 | (4,658) | — | 2,355 |
| Others | 10,769 | 28,385 | — | 39,154 |
| Total | 2,300,890 | 739,258 | 237,946 | 3,278,094 |
| Deferred tax liabilities: | | | | |
| Change in fair value of available-for-sale financial assets | 259,701 | — | (259,701) | — |
| Change in financial assets at fair value through profit or loss | 30,624 | (30,624) | — | — |
| Government grants and subsidies | 7,397 | (4,078) | — | 3,319 |
| Unrealised gains on repossessed assets | 1,814 | (150) | — | 1,664 |
| Total | 299,536 | (34,852) | (259,701) | 4,983 |

The Group did not have significant unrecognised deferred tax assets and liabilities as at 30 June 2017 and 31 December 2016. Deferred tax assets have been recognised in respect of the above items as it is considered probable that taxable profits will be available against which the above items can be utilized.

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

## 24 OTHER ASSETS

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Interest receivable (a) | 4,987,522 | 4,661,497 |
| Land use rights (b) | 21,877 | 22,572 |
| Receivables and prepayments | 402,526 | 354,946 |
| Settlement and clearing accounts | 555,970 | 174,941 |
| Repossessed assets (c) | 374,716 | 506,794 |
| Intangible assets (d) | 178,158 | 115,898 |
| Investment properties | 177,926 | 188,938 |
| Receivable from agency services | — | 311,985 |
| Prepayment for potential investment (e) | 419,220 | — |
| Others | 47,366 | 49,318 |
| | 7,165,281 | 6,386,889 |

### (a) Interest receivable

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Bonds and other investments | 4,016,634 | 3,664,534 |
| Loans and advances to customers | 788,596 | 685,987 |
| Others | 228,480 | 360,577 |
| Subtotal | 5,033,710 | 4,711,098 |
| Less: Impairment provisions | (46,188) | (49,601) |
| | 4,987,522 | 4,661,497 |

As at 30 June 2017, the Group's interest receivable with aging over one year was RMB193,191 thousand (31 December 2016: RMB103,392 thousand) which mainly arose from receivables. As at 30 June 2017, management had made impairment provision amounting to RMB46,188 thousand (31 December 2016: RMB49,601 thousand).

### (b) Land use rights

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Located in Mainland China | | |
| Over 50 years | 4,015 | 4,056 |
| 10–50 years | 17,862 | 18,516 |
| | 21,877 | 22,572 |

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

## 24 OTHER ASSETS (continued)

### (c) Repossessed assets

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Land use rights and buildings | 435,191 | 589,066 |
| Others | — | 830 |
| Subtotal | 435,191 | 589,896 |
| Less: Allowance for impairment losses | (60,475) | (83,102) |
| | 374,716 | 506,794 |

### (d) Intangible assets

Intangible assets consist primarily of computer software.

### (e) Prepayment for potential investment

On 5 January 2016, the Bank entered into a memorandum of understanding with Zhuzhou Rural Credit Cooperative ("ZRCC"), the China Banking Regulatory Commission Hunan Office, Hunan Rural Credit Union and Zhuzhou County People's Government in relation to a potential investment by the Bank upon the proposed restructuring of ZRCC into Zhuzhou Zhujiang Rural Commercial Bank, a rural commercial bank. On 10 January 2017, the Bank prepaid RMB419,220 thousand to ZRCC for this potential investment. As of the date of this report, the transaction has not been completed as all the required regulatory approvals have not been obtained.

## 25 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Deposits: | | |
| Banks operating in Mainland China | 14,975,072 | 3,690,686 |
| Other financial institutions operating in Mainland China | 10,735,422 | 29,890,246 |
| | 25,710,494 | 33,580,932 |

## 26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Placements: | | |
| Banks operating in Mainland China | 3,260,666 | 1,798,321 |
| Banks operating outside Mainland China | 170,024 | — |
| | 3,430,690 | 1,798,321 |

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

## 27 REPURCHASE AGREEMENTS

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Repurchase agreements analysed by counterparty: | | |
| Banks operating in Mainland China | 17,292,602 | 48,597,796 |
| Other financial institutions operating in Mainland China | 100,000 | — |
| | 17,392,602 | 48,597,796 |
| Repurchase agreements analysed by collateral: | | |
| Securities | 17,392,602 | 48,597,796 |

## 28 DUE TO CUSTOMERS

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Demand deposits: | | |
| Corporate customers | 95,440,013 | 96,876,070 |
| Personal customers | 85,300,823 | 81,438,653 |
| | 180,740,836 | 178,314,723 |
| Time deposits: | | |
| Corporate customers | 83,490,482 | 82,712,546 |
| Personal customers | 114,601,209 | 110,200,321 |
| | 198,091,691 | 192,912,867 |
| Pledged deposits | 11,419,578 | 11,538,231 |
| Other deposits (i) | 50,623,227 | 40,976,217 |
| | 440,875,332 | 423,742,038 |

(i) As at 30 June 2017, the deposits arising from wealth management products with the principal amount guaranteed by the Group amounted to RMB44,237,235 thousand (31 December 2016: RMB35,721,140 thousand).

## 29 DEBT SECURITIES ISSUED

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| 2012 subordinated bonds tranche (a) | — | 3,497,914 |
| 2014 tier two capital bonds (b) | 4,096,450 | 4,097,125 |
| | 4,096,450 | 7,595,039 |
| Interbank negotiable certificates of deposit (c) | 122,636,430 | 84,700,337 |
| Total | 126,732,880 | 92,295,376 |

### (a) Subordinated bonds

Pursuant to the approval of the PBOC and the CBRC, the Bank issued subordinated bonds with a total amount of RMB3.5 billion in the domestic inter-bank bond market on 28 June 2012. The bonds have a maturity of 10 years, with a fixed coupon rate of 5.99% and annual interest payment on 29 June. The Bank exercised the option to early redeem the bonds on 29 June 2017.

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

## 29 DEBT SECURITIES ISSUED (continued)

### (b) Tier two capital bonds

Pursuant to the approval of the PBOC and the CBRC, the Bank issued tier two capital bonds in an amount of RMB4.1 billion in the domestic interbank bond market on 11 September 2014. The bonds have a maturity of 10 years, with a fixed coupon rate of 6.26% and annual interest payment on 15 September. The principal is repaid upon its maturity and the Bank has the option to early redeem the bonds at the end of the fifth year.

### (c) Interbank negotiable certificates of deposit

As at 30 June 2017 and 31 December 2016, the outstanding balance was RMB122,636,430 thousand and RMB84,700,337 thousand, with the interest rates ranging from 2.83% to 5.00% and from 2.83% to 5.00%, and the amounts would mature within one year.

## 30 OTHER LIABILITIES

| | 30 June 2017 | 31 December 2016 |
|---|---:|---:|
| Interest payable (a) | 7,574,331 | 7,826,714 |
| Payables for commission funds | 90,500 | 90,500 |
| Settlement and clearing accounts | 631,779 | 403,986 |
| Salaries, bonuses, allowances and subsidies payable (b) | 1,558,410 | 1,743,439 |
| Payables to Social Security Fund Council | 640,747 | — |
| Payable in relation to agency services | 66,285 | — |
| Sundry tax payables | 445,356 | 145,703 |
| Repossessed assets collection | 15,000 | 15,000 |
| Non-performing assets collection (c) | 106,086 | 32,278 |
| Guarantee deposits from lessees (d) | 828,693 | 836,793 |
| Deposits and guarantees received | 40,230 | 69,891 |
| Deposit insurance premium payable | 31,650 | 30,555 |
| Other borrowings (e) | 7,255,000 | 9,675,000 |
| Deferred revenue | 310,233 | 244,959 |
| Provisions | 185 | 9,417 |
| Others | 427,692 | 217,665 |
| | 20,022,177 | 21,341,900 |

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

## 30 OTHER LIABILITIES (continued)

### (a) Interest payable

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Deposits and placements from banks and other financial institutions | 140,661 | 157,722 |
| Due to customers | 7,123,311 | 7,379,577 |
| Other borrowings (i) | 83,279 | 64,273 |
| Repurchase agreements | 23,635 | 40,722 |
| Bonds payable | 203,189 | 184,056 |
| Others | 256 | 364 |
| | 7,574,331 | 7,826,714 |

(i) The interest payable arose from the borrowings raised by Zhujiang Financial Leasing Co., Ltd., which is a wholly-owned subsidiary of the Bank.

### (b) Salaries, bonuses, allowances and subsidies payable

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Salaries, bonuses and allowances | 860,325 | 1,049,143 |
| Social insurance | 6,248 | 5,429 |
| Housing fund | 649 | 488 |
| Employee benefits | 393 | 728 |
| Labour union expenditure and education costs | 103,303 | 88,012 |
| Defined contribution plans | 18,942 | 18,966 |
| Defined benefit plans | | |
| — Supplemental retirement benefits (i) | 461,875 | 459,640 |
| Early retirement benefits | 106,669 | 120,983 |
| Others | 6 | 50 |
| | 1,558,410 | 1,743,439 |

*(i) Supplemental retirement benefits*

The movement of supplementary retirement benefits of the Group are as follows:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| At 1 January | 459,640 | 445,075 |
| Benefits paid during the period/year | (10,961) | (23,471) |
| Defined benefit cost recognised in profit or loss | 22,161 | 60,254 |
| Defined benefit cost recognised in other comprehensive income | (8,965) | (22,218) |
| At 30 June/31 December | 461,875 | 459,640 |

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

## 30 OTHER LIABILITIES (continued)

### (b) Salaries, bonuses, allowances and subsidies payable (continued)

*(i) Supplemental retirement benefits (continued)*

The principal actuarial assumptions adopted as at 30 June 2017 and 31 December 2016 are as follows:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Discount rate | | |
| — Normal retirees | 3.80% | 3.01% |
| — Early retirees | 4.05% | 3.50% |
| Expected growth rate of benefits | 0–5% | 0–5% |
| Age of retirement | | |
| — Male | 60 | 60 |
| — Female | 50/55 | 50/55 |

The assumptions regarding future mortality as at 30 June 2017 and 31 December 2016 are based on the China Life Insurance Mortality table (2010–2013) and the China Life Insurance Mortality table (2000–2003), respectively, which are the published statistics in Mainland China.

### (c) Non-performing assets collection

The promoters of the additional shares issued during the Bank's restructuring donated the Bank's net proceeds received from the disposal of non-performing assets which were entrusted to be managed by the Bank. Up to 30 June 2017, the Bank has received accumulative proceeds of RMB2,054,201 thousand (31 December 2016: RMB1,980,393 thousand) from the non-performing assets. The donation procedures of these proceeds amounting to RMB1,948,115 thousand have been completed (31 December 2016: RMB1,948,115 thousand). After deducting income tax of RMB306,013 thousand (31 December 2016: RMB306,013 thousand), the net accumulative proceeds amounting to RMB1,642,102 thousand as at 30 June 2017 (31 December 2016: RMB1,642,102 thousand) have been recorded as capital reserve, and the remaining proceeds amounting to RMB106,086 thousand were recorded as other liabilities and pending for completion of the donation procedures as at 30 June 2017 (31 December 2016: RMB32,278 thousand).

### (d) Guarantee deposits from lessees

The wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., received deposits from lessees when entering into the finance lease contracts. These deposits are interest-free and will be repaid upon maturity of the lease contracts.

### (e) Other borrowings

The wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., borrowed long-term and short-term loans for its leasing operation business, with maturity ranging from 7 to 36 months and fixed interest rates ranging from 3.70% to 5.60%.

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

## 31 SHARE CAPITAL

| | 30 June 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Number of shares | Norminal value | Number of shares | Norminal value |
| Opening balance | 8,153,419 | 8,153,419 | 8,153,419 | 8,153,419 |
| Issuance of shares | 1,439,000 | 1,439,000 | — | — |
| As at 30 June 2017/31 December 2016 | 9,592,419 | 9,592,419 | 8,153,419 | 8,153,419 |

In June 2017, 1,439,000 thousand ordinary shares with par value of RMB1 were issued at HK$5.10 per share in an initial public offering on The Stock Exchange of Hong Kong Limited. The premium arising from the issuance of new shares was recorded in capital reserve accounts.

## 32 RESERVES

### (a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value and shareholders' donation.

### (b) Surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles of association to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

No appropriation was made to the surplus reserve for the six-month period ended 30 June 2017 (31 December 2016: RMB484,428 thousand).

### (c) General reserve

Pursuant to the relevant regulations issued by the Ministry of Finance (the "MOF"), the Bank and its subsidiaries are required to maintain a general reserve within equity, through the appropriation of net profit, which, starting from 1 July 2012, should not be less than 1.5% of the year end balance of their respective risk assets as defined by the regulations by year 2017. No appropriation was made to the general reserve for the six-month period ended 30 June 2017 (31 December 2016: RMB1,190,000 thousand), and the reserve has reached 1.5% of the period end balance of its risk assets as required at 30 June 2017 (31 December 2016: 1.5%).

### (d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes of available-for-sale financial assets.

### (e) Remeasurement gains on defined benefit plans

Remeasurement gains on defined benefit plans are the actuarial gains or losses of supplemental retirement benefits.

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

## 33 COMPONENTS OF OTHER COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | **2016** |
| Remeasurement gains on defined benefit plans | 8,964 | 333 |
| Available-for-sale financial assets | | |
| Changes in fair value | (1,098,033) | (118,337) |
| Less: Transfer to profit or loss upon disposal | (51,106) | 108,668 |
| Income tax effect (note 23) | (261,732) | (56,751) |
| Total | (776,231) | (169,921) |

## 34 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

On the consolidated statement of cash flows, cash and cash equivalents have an original maturity of less than three months and include the following:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Cash on hand (note 15) | 2,419,728 | 3,335,225 |
| Surplus reserves with central bank (note 15) | 17,507,855 | 21,575,869 |
| Deposits with banks and other financial institutions | 12,462,190 | 9,082,733 |
| Placements with banks and other financial institutions | 2,440,776 | 668,862 |
| Reverse repurchase agreements | 19,935,822 | 70,712,346 |
| Debt securities | — | 821,046 |
| | 54,766,371 | 106,196,081 |

## 35 TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets in the consolidated statement of financial position.

### Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. The following table analyses the carrying amounts of the abovementioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Carrying amount of transferred assets | 363,101 | 14,204,853 |
| Carrying amount of associated liabilities | 200,702 | 14,358,296 |

## 35 TRANSFERS OF FINANCIAL ASSETS (continued)

### Bond lending arrangements

The Group entered into bonds lending agreements with security borrowers to lend out its bond securities classified as available-for-sale financial assets of carrying amount totaling RMB1,629,960 thousand (31 December 2016: 2,445,832 thousand) and held-to-maturity investments of carrying amount totaling RMB170,197 thousand as at 30 June 2017 (31 December 2016: 524,918 thousand), which are secured by borrowers' bonds held as collateral. As stipulated in the bonds lending agreements, the legal ownership of these bond securities is transferred to the borrowers. Although the borrowers are allowed to sell these bond securities during the covered period, they have obligations to return these bond securities to the Group at specified future dates and the maximum covered period is 113 days. The Group has determined that it retains substantially all the risks and rewards of these bond securities and therefore has not derecognised them in the consolidated financial statements.

## 36 INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

### Structured entities sponsored by the Group

In conducting wealth management business, the Group has established various structured entities to provide customers with specialised investment opportunities within narrow and well-defined objectives. As at 30 June 2017, the balance of the unconsolidated non-guaranteed wealth management products sponsored by the Group amounted to RMB134,766,598 thousand (31 December 2016: RMB134,820,177 thousand). During the six-month period ended 30 June 2017, the Group recorded commission income as the manager of these wealth management products amounting to RMB127,862 thousand (for the six-month period ended 30 June 2016: RMB44,436 thousand). The gains from the unconsolidated non-guaranteed wealth management products of the Group are the same as the Bank's maximum exposure to loss from its gains in such business. The Group considered its variable returns from its involvement with the structured entities are not significant and hence it does not consolidate these structured entities.

For the purpose of asset-liability management, the Group's unconsolidated structured entities may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. The Group may enter into repurchase and placement transactions with these unconsolidated structured entities in accordance with market principles. As at 30 June 2017, the balance of the above repurchase and placement transactions was nil (31 December 2016: nil). The maximum exposure to loss of those placements approximated the carrying amount.

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

## 36 INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES (continued)

### Structured entities sponsored by other financial institutions

As at 30 June 2017, the interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out below:

| | 30 June 2017 | | | | |
|---|---|---|---|---|---|
| | Financial assets at fair value through profit or loss | Available-for-sale financial assets | Receivables | Total | Maximum exposure to loss |
| Trust fund plans, asset management plans and funds | 14,659,006 | 29,612,597 | 76,118,749 | 120,390,352 | 120,390,352 |
| Wealth management products | — | 8,301,024 | — | 8,301,024 | 8,301,024 |
| Assets-backed securities | 626,314 | 422,742 | — | 1,049,056 | 1,049,056 |
| Total | 15,285,320 | 38,336,363 | 76,118,749 | 129,740,432 | 129,740,432 |

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | Financial assets at fair value through profit or loss | Available-for-sale financial assets | Receivables | Total | Maximum exposure to loss |
| Trust fund plans, asset management plans and funds | 28,818,037 | 27,261,135 | 76,012,399 | 132,091,571 | 132,091,571 |
| Wealth management products | — | 3,201,013 | — | 3,201,013 | 3,201,013 |
| Assets-backed securities | 735,910 | 549,951 | — | 1,285,861 | 1,285,861 |
| Total | 29,553,947 | 31,012,099 | 76,012,399 | 136,578,445 | 136,578,445 |

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

## 37 COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Capital commitments

At the end of the period, the Group had capital commitments as follows:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Contracted, but not provided for | 97,544 | 79,341 |

### (b) Operating lease commitments

*Operating lease commitments — Lessee*

During the period, the Group leased certain of their office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases are as follows:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Within one year | 272,246 | 286,361 |
| After one year but not more than five years | 790,744 | 863,149 |
| After five years | 241,865 | 257,076 |
| | 1,304,855 | 1,406,586 |

### (c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limits are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the period had the counterparties failed to perform as contracted.

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Bank acceptances | 11,172,629 | 14,254,858 |
| Guarantees issued | 12,455,911 | 11,159,152 |
| Letters of credit issued | 3,557,158 | 4,880,321 |
| Loan commitments (i) | 71,590,668 | 76,060,474 |
| Undrawn credit card limits | 11,409,834 | 10,102,271 |
| | 110,186,200 | 116,457,076 |

(i) Loan commitments of the Group are the unconditionally revocable loan commitments.

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

## 37 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

### (d) Credit risk-weighted amount of financial guarantees and credit related commitments

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Financial guarantees and credit related commitments | 24,495,804 | 20,309,319 |

The credit risk-weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

### (e) Legal proceedings

As at 30 June 2017, the total claimed amounts of the litigation cases of which the Bank or its subsidiaries are the defendant amounted to RMB7,116 thousand (31 December 2016: RMB12,350 thousand). In the opinion of management, the Bank has made adequate provisions for any probable losses based on the current facts and circumstances. The litigation cases are not expected to have a significant impact on the Bank's business, financial condition and performance.

### (f) Forward purchase commitments

The Bank has committed to purchasing trust products and asset management plans in the future with a total contract amount of nil as at 30 June 2017 (31 December 2016: RMB200,000 thousand).

### (g) Cooperation fund commitment

As a result of the subscription of shares in the cooperation risk fund established by Asia Financial Cooperation Association, the Bank had rescue bailout commitment to the Association members amounting to RMB90,000 thousand as at 30 June 2017 (31 December 2016: RMB90,000 thousand).

## 38 FIDUCIARY ACTIVITIES

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Designated funds | (29,689,685) | (30,993,542) |
| Designated loans | 29,689,685 | 30,993,542 |

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group does not bear any risk. The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

The Group provides custody services to third parties. Revenue from such activities is included in "Net fee and commission income" set out in note 6 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

## 39 ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as security for liabilities or contingent liabilities, mainly arising from repurchase agreements and negotiated deposits. As at 30 June 2017, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB17,259,150 thousand (31 December 2016:RMB39,388,868 thousand).

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

## 40 RELATED PARTY DISCLOSURES

### (a) Significant related party disclosures

Details of the subsidiaries of the Bank are set out in note 1 Corporate Information and Structure.

### (b) Related party transactions

*(i) Transactions between the Bank and major shareholders*

Major shareholders include shareholders of the Bank with a shareholding of 5% or above, or assigning a director in the Bank.

Major transactions between the Group and its major shareholders were conducted under normal commercial terms and conditions in the ordinary course of business. Details are as follows:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Balances at end of the period/year: | | |
| Loans | 1,120,000 | 1,145,000 |
| Receivables | 855,000 | 860,000 |
| Interest receivable | 1,874 | 2,431 |
| Deposits | 5,099,116 | 345,029 |
| Interest payable | 29,358 | 63 |

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Transactions during the period: | | |
| Interest income on loans | 28,463 | 14,785 |
| Interest expense on deposits | 17,492 | 354 |
| Interest rate ranges during the period are as follows: | | |
| Loans | 4.36%–5.23% | 4.03%–4.35% |
| Deposits | 0.30%–0.39% | 0.30%–0.39% |
| Receivables | 4.65%–5.31% | 4.25%–5.00% |

*(ii) Transactions between the Bank and subsidiaries*

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are equitable and follow regular business procedures. The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements. In the opinion of management, the transactions between the Bank and subsidiaries have no significant impact on profit or loss.

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

## 40 RELATED PARTY DISCLOSURES (continued)

### (b) Related party transactions (continued)

*(iii) Transactions between the Bank and other related parties*

Other related parties include the companies controlled or jointly controlled by the key management personnel and their close family members. During the period/year, the Group entered into transactions with other related parties in the ordinary course of business. Details are as follows:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Balances at end of the period/year: | | |
| Loans | 7,957,258 | 5,784,361 |
| Interest receivable | 13,178 | 9,546 |
| Deposits | 5,776,051 | 19,933,118 |
| Interest payable | 14,754 | 8,915 |

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Transactions during the period: | | |
| Interest income on loans | 152,144 | 389,970 |
| Interest expense on deposits | 18,481 | 32,620 |
| Fee and commission income | 34,661 | 23,022 |
| Interest rate ranges during the period are as follows: | | |
| Loans | 2.68%–10.00% | 2.28%–10.00% |
| Deposits | 0.05%–2.94% | 0.05%–2.94% |

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

## 40 RELATED PARTY DISCLOSURES (continued)

### (c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

*(i) Transactions between the Bank and key management personnel*

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Balances at end of the period/year: | | |
| Loans | 35,863 | 39,246 |
| Interest receivable | 58 | 72 |
| Deposits | 200,030 | 87,272 |
| Interest payable | 271 | 212 |

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Transactions during the period: | | |
| Interest income on loans | 811 | 995 |
| Interest expense on deposits | 1,724 | 100 |
| | | |
| Interest rate ranges during the period are as follows: | | |
| Loans | 3.43%–6.00% | 3.43%–6.30% |
| Deposits | 0.01%–5.40% | 0.03%–5.40% |

*(ii) Key management personnel compensation*

The aggregate compensation of key management personnel is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | 2017 | 2016 |
| Emoluments and other short-term employee benefits | 8,986 | 7,853 |

## 41 FINANCIAL RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The Board of Directors of the Group is responsible for setting the Group's overall risk tolerance, risk management and internal control strategies, supervising and ensuring that senior management performs risk management duties effectively. The Group has a Related Party Transactions and Risk Management Committee under the Board of Directors, which is responsible for monitoring the risk management of senior management, regularly evaluating the Group's situation of risk management, risk tolerance ability and level, and taking case precautions against, reviewing and controlling the significant related party transactions. The Board of Supervisors is responsible for inspecting the Group's risk management and taking case precautions against, comprehensively evaluating the risk management performance of the directors and senior management. Senior management is responsible for executing the policies of risk management and internal control approved by the Board of Directors, developing the specific rules and regulations of risk management. The Group has a Compliance and Risk Management Committee under senior management, which is responsible for reviewing the Group's significant matters of compliance and risk management.

The Compliance and Risk Management Department is the lead department of overall risk management, responsible for overall planning and coordination of risk management. The Credit Management Center, Assets Monitoring Center; Financial Market Business Management Department, Legal and Compliance Department and Financial and Accounting Department are responsible for leading managing credit risk, market risk, operation risk and liquidity risk. The Internal Audit Department is responsible for supervising, inspecting, evaluating and reporting the risk management's effect independently and objectively.

### (a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers, investment portfolio, commitments and other on-balance sheet and off-balance sheet credit risk exposures.

The Group measures and manages the credit risk of its credit assets through the five-category system based on the "Guideline of Risk-based Classification of Loans" (the "Guideline") issued by the CBRC. The Guideline requires commercial banks to classify their credit assets into five categories, namely normal, special-mention, sub-standard, doubtful and loss categories.

The five categories are defined by the Guideline as follows:

Normal: loans for which borrowers can honor the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.

Special mention: loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.

Substandard: loans for which borrowers' ability to service loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.

Doubtful: loans for which borrowers cannot pay back principal and interest of loans in full and significant losses will be incurred by the Group even when guarantees are executed.

Loss: principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures.

## 41 FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and management. The Group enhances its credit risk management by strict compliance with its credit management procedures to identify, measure, monitor and manage the potential credit risk, which includes:

- strengthening customer investigation, lending approval and post lending monitoring;
- setting up authorisation limits over loan review and approval;
- establishing the internal assessment system in respect of the credit rating towards different kinds of customers, as the fundamental procedures for granting credit;
- setting up the authority limit over risk classification of credit assets. Review periodically and update risk classification of credit assets, and carry out on-site sample review and off-site review to monitor the risk; and
- implementing and continuously upgrading the Credit Management System based on the requirements of risk management, developing and popularizing various risk management tools.

In respect of the corporate loans, credit managers of the Group are responsible for accepting application from the applicants, carrying out credit investigation and making recommendations on credit rating through credit risk assessment of the applicants and their business. According to the authority limit over credit review and approval, applications will be assessed and authorised at the branch level or/and head office level. The credit limit will be determined based on assessment of the factors including the applicant's credit rating, financial position, collateral and guarantee, the overall credit risk of the portfolio, macro-economic policies, and restriction imposed by laws and regulations. The Group minimise losses over credit risk through: (1) collecting; (2) restructuring; (3) repossessing the collateral or resourcing from the guarantor; (4) seeking arbitration or pursuing lawsuits; and (5) written off according to relevant regulations.

Apart from the credit risk exposures on credit-related assets and deposits with banks and other financial institutions, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality, centralised trading and setting the authorisation limit. In addition, the Group also provides financial guarantee service to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the contract. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies. Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. Credit risk affecting the Group is primarily due to loans, debt instruments, guarantees, commitments as well as other risks both on and off the balance sheet.

*Impairment assessment*

#### Key factors in impairment assessment

For the accounting policies regarding the Group's estimation of financial asset impairment of the Group, please refer to the Accountant's Report included in the Prospectus.

Regarding the debt investment, the Group assesses its impairment at the end of the period/year on individual and collective bases.

## 41 FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

*Impairment assessment (continued)*

#### Individual assessment

The Group assesses whether objective evidence of impairment exists individually for corporate loans and discounted bills that are individually significant, and an impairment loss is estimated based on such individual assessment.

If there is objective evidence that an impairment loss on loans and advances has been incurred on an individual basis, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the credit asset's original effective interest rate. The allowance for the impairment loss is deducted in the carrying amount. In determining the allowance on an individual basis, the following factors are considered:

- the sustainability of the counterparty's business plan;
- its ability to improve performance once a financial difficulty has arisen;
- projected receipts and the expected dividend payout should bankruptcy ensue;
- the availability of other financial support and the realisable value of collateral; and
- the timing of the expected cash inflows.

#### Collective assessment

The loans that are assessed for impairment losses on a collective basis include the following:

- corporate loans that are individually insignificant;
- homogeneous groups of loans of similar credit risk, including all personal loans; and
- all loans for which no impairment can be identified individually, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

For the purpose of collective assessment, assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

#### Collateral

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level, the most typical of these is by obtaining collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

- personal mortgage loans are generally collateralised by mortgages over residential properties;
- other personal lending and corporate loans and advances are mainly collateralised by charges over land and properties and other assets of the borrowers; and
- reverse repurchase transactions are mainly collateralised by bonds, bills or receivables under finance leases.

Corporate loans are mainly collateralised by properties or other assets. Personal loans are mainly collateralised by residential properties. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

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

## 41 FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

*Impairment assessment (continued)*

**Risk concentration**

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different industrial sectors and geographic areas have their unique characteristics in terms of economic development, and could present a different credit risk.

The Group's main operation is within Guangdong Province. For additional information about the analysis of concentration of loans and advances to customers by industry, please refer to Note 41(a)(ii).

*(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements*

As at the end of the period/year, the maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is set out below:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Balances with central bank | 81,654,176 | 79,687,717 |
| Deposits with banks and other financial institutions | 17,434,947 | 18,380,847 |
| Placements with banks and other financial institutions | 10,559,475 | 3,910,819 |
| Financial assets at fair value through profit or loss | 37,216,841 | 35,980,378 |
| Reverse repurchase agreements | 40,001,779 | 79,963,092 |
| Loans and advances to customers | 267,601,192 | 237,934,771 |
| Financial investments | | |
| — Receivables | 76,118,749 | 76,012,399 |
| — Held-to-maturity investments | 30,237,136 | 25,782,157 |
| — Available-for-sale financial assets | 104,396,322 | 88,278,361 |
| Others | 5,820,999 | 5,512,428 |
| Subtotal | 671,041,616 | 651,442,969 |
| Forward purchase commitments | — | 200,000 |
| Credit commitments | 110,186,200 | 116,457,076 |
| Total maximum credit risk exposure | 781,227,816 | 768,100,045 |

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

## 41 FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

*(ii) Risk concentrations*

**By industry**

The credit risk exposures of the Group mainly comprise loans and advances to customers, amounts due from banks and other financial institutions and financial investments. Details of the composition of the Group's amounts due from banks and other financial institutions are set out in note 41(a)(iv), and the Group's financial investments are set out in note 41(a)(v) to the financial statements. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

| | 30 June 2017 | | |
|---|---|---|---|
| Loans and advances to customers: | Amount | Percentage | Loans and advances secured by collateral |
| Agriculture, forestry, animal husbandry and fishing | 5,336,053 | 1.93% | 2,333,486 |
| Mining | 583,479 | 0.21% | 416,845 |
| Manufacturing | 25,771,333 | 9.33% | 16,421,470 |
| Production and supply of electricity, gas and water | 2,557,290 | 0.93% | 1,559,856 |
| Construction | 10,283,296 | 3.72% | 4,921,680 |
| Transportation, storage and postal services | 8,099,540 | 2.93% | 4,394,816 |
| Information transmission, computer services and software | 3,216,818 | 1.16% | 2,437,758 |
| Wholesale and retail trades | 27,236,151 | 9.86% | 17,871,290 |
| Accommodation and catering | 8,256,790 | 2.99% | 5,505,769 |
| Finance | 5,915,912 | 2.14% | 1,794,797 |
| Real estate | 34,091,325 | 12.34% | 26,959,026 |
| Leasing and commercial services | 30,546,353 | 11.05% | 21,193,332 |
| Scientific research, technological services and geological prospecting | 693,663 | 0.25% | 154,989 |
| Water, environment and public utility management | 7,664,976 | 2.78% | 2,805,119 |
| Resident, repair and other services | 1,555,761 | 0.56% | 1,239,938 |
| Education | 3,700,567 | 1.34% | 3,256,168 |
| Health, social security and social welfare | 3,034,916 | 1.10% | 1,327,689 |
| Culture, sports and entertainment | 1,522,708 | 0.55% | 1,493,292 |
| Public administration and social organisations | 51,550 | 0.02% | 9,475 |
| Subtotal for corporate loans and advances | 180,118,481 | 65.19% | 116,096,795 |
| Personal loans | 88,051,006 | 31.86% | 66,982,782 |
| Discounted bills | 8,163,130 | 2.95% | 6,908,477 |
| Total for loans and advances to customers | 276,332,617 | 100% | 189,988,054 |

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

## 41 FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

*(ii) Risk concentrations (continued)*

**By industry (continued)**

| | 31 December 2016 | | |
|---|---|---|---|
| Loans and advances to customers: | Amount | Percentage | Loans and advances secured by collateral |
| Agriculture, forestry, animal husbandry and fishing | 4,347,044 | 1.77% | 2,550,984 |
| Mining | 695,311 | 0.28% | 497,897 |
| Manufacturing | 23,679,202 | 9.63% | 16,805,544 |
| Production and supply of electricity, gas and water | 2,060,304 | 0.84% | 962,700 |
| Construction | 9,875,543 | 4.02% | 5,277,488 |
| Transportation, storage and postal services | 6,453,985 | 2.62% | 3,498,820 |
| Information transmission, computer services and software | 2,950,044 | 1.20% | 2,398,120 |
| Wholesale and retail trades | 25,937,735 | 10.56% | 20,611,352 |
| Accommodation and catering | 7,551,007 | 3.07% | 5,945,767 |
| Finance | 2,756,965 | 1.12% | 1,514,659 |
| Real estate | 24,790,735 | 10.08% | 20,905,841 |
| Leasing and commercial services | 24,014,817 | 9.77% | 16,648,394 |
| Scientific research, technological services and geological prospecting | 450,582 | 0.18% | 100,463 |
| Water, environment and public utility management | 8,059,176 | 3.28% | 3,142,327 |
| Resident, repair and other services | 2,187,686 | 0.89% | 1,937,338 |
| Education | 2,563,903 | 1.04% | 2,241,577 |
| Health, social security and social welfare | 2,494,498 | 1.01% | 921,663 |
| Culture, sports and entertainment | 1,622,286 | 0.66% | 1,600,166 |
| Public administration and social organisations | 76,167 | 0.03% | 12,469 |
| Subtotal for corporate loans and advances | 152,566,990 | 62.05% | 107,573,569 |
| Personal loans | 81,328,237 | 33.07% | 61,356,429 |
| Discounted bills | 11,996,069 | 4.88% | 9,365,304 |
| Total for loans and advances to customers | 245,891,296 | 100.00% | 178,295,302 |

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

## 41 FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

*(ii) Risk concentrations (continued)*

**By industry (continued)**

Details of impaired loans in respect of industry sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

| | 30 June 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Allowance | | | |
| | Gross amount | Impaired loans | Overdue loans | Individually assessed | Collectively assessed | Provision charged for the period | Write-off for the period |
| Real estate | 34,091,325 | 1,604 | 170,917 | 321 | 663,828 | 127,280 | — |
| Wholesale and retail trades | 30,546,353 | 104,722 | 545,814 | 38,958 | 636,489 | 42,322 | 14,412 |

| | 31 December 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Allowance | | | |
| | Gross amount | Impaired loans | Overdue loans | Individually assessed | Collectively assessed | Provision charged for the year | Write-off for the year |
| Real estate | 24,790,735 | — | 544,915 | — | 526,965 | 200,161 | 195,938 |
| Wholesale and retail trades | 25,937,735 | 1,009,908 | 2,173,787 | 637,076 | 550,622 | 1,093,928 | 1,316,928 |

*(iii) Loans and advances to customers*

The total credit risk exposures of loans and advances to customers are summarised as follows:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Neither past due nor impaired | 269,062,489 | 237,114,635 |
| Past due but not impaired | 2,477,411 | 4,321,127 |
| Impaired | 4,792,717 | 4,455,534 |
| Subtotal | 276,332,617 | 245,891,296 |
| Less: Allowance for impairment losses | (7,239,018) | (6,722,629) |
| Collectively assessed | (1,492,407) | (1,233,896) |
| Individually assessed | (8,731,425) | (7,956,525) |
| Subtotal | 267,601,192 | 237,934,771 |

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

## 41 FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

#### *(iii) Loans and advances to customers (continued)*

**Neither past due nor impaired**

Management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of the period/year.

The following table presents the types of loans and advances to customers which are neither past due nor impaired as at the end of the period/year:

| | 30 June 2017 | | | 31 December 2016 | | |
|---|---|---|---|---|---|---|
| | Normal | Special Mention | Total | Normal | Special Mention | Total |
| Unsecured loans | 25,806,585 | 488,187 | 26,294,772 | 21,590,966 | 285,929 | 21,876,895 |
| Guaranteed loans | 54,317,055 | 2,243,435 | 56,560,490 | 40,173,565 | 2,521,207 | 42,694,772 |
| Loans secured by mortgages | 156,581,996 | 2,987,728 | 159,569,724 | 144,672,176 | 2,711,521 | 147,383,697 |
| Pledged loans | 26,538,640 | 98,863 | 26,637,503 | 24,802,839 | 356,432 | 25,159,271 |
| | 263,244,276 | 5,818,213 | 269,062,489 | 231,239,546 | 5,875,089 | 237,114,635 |

**Past due but not impaired**

The following tables present the ageing analysis of each type of loans and advances to customers of the Group that are subject to credit risk and are past due but not impaired as at the end of the period/year:

| | 30 June 2017 | | | 31 December 2016 | | |
|---|---|---|---|---|---|---|
| | Corporate loans and advances | Personal loans | Total | Corporate loans and advances | Personal loans | Total |
| Past due for: | | | | | | |
| Less than one month | 347,861 | 587,786 | 935,647 | 1,848,668 | 616,397 | 2,465,065 |
| One to two months | 215,034 | 226,227 | 441,261 | 213,597 | 321,691 | 535,288 |
| Two to three months | 323,673 | 197,632 | 521,305 | 326,110 | 226,805 | 552,915 |
| Over three months | 517,789 | 61,409 | 579,198 | 740,806 | 27,053 | 767,859 |
| | 1,404,357 | 1,073,054 | 2,477,411 | 3,129,181 | 1,191,946 | 4,321,127 |
| Fair value of collateral held | 2,383,139 | 1,414,179 | 3,797,318 | 5,029,852 | 1,587,983 | 6,617,835 |

**Impaired**

Impaired loans and advances are defined as those loans and advances have objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated.

The fair values of collateral that the Group held relating to loans determined to be impaired as at 30 June 2017 amounted to RMB 4,419,977 thousand (31 December 2016: RMB3,437,042 thousand). The collateral mainly consists of land, buildings and equipment.

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

## 41 FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

*(iii) Loans and advances to customers (continued)*

**Rescheduled loans and advances**

Rescheduled loans and advances arise from rescheduling or deferring the repayment terms. Rescheduled loans and advances are under continuous monitoring by the Group.

The contractual amount of rescheduled loans and advances for the Group as at 30 June 2017 was RMB3,475,470 thousand (31 December 2016: RMB3,673,963 thousand).

*(iv) Amounts due from banks and other financial institutions*

The Group executes regular review and management of credit risk related to individual financial institutions, and sets credit limits for individual banks and other financial institutions that it conducts business with. The balances due from banks and other financial institutions are as follows:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Neither past due nor impaired | 67,692,683 | 102,254,758 |
| Impaired | 330,000 | — |
| Subtotal | 68,022,683 | 102,254,758 |
| Less: Allowance for impairment losses | (26,482) | — |
| | 67,996,201 | 102,254,758 |

*Neither past due nor impaired*

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Deposits with banks and other financial institutions | 17,434,947 | 18,380,847 |
| Placements with banks and other financial institutions | 10,255,957 | 3,910,819 |
| Reverse repurchase agreements | 40,001,779 | 79,963,092 |
| | 67,692,683 | 102,254,758 |

*(v) Debt instruments*

The credit risk of debt instruments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt instruments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt instruments by types of issuers and investments:

| | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Neither past due nor impaired | 246,642,108 | 224,699,057 |
| Impaired | 1,693,535 | 1,782,473 |
| Subtotal | 248,335,643 | 226,481,530 |
| Less: Allowance for impairment losses | (366,595) | (428,235) |
| | 247,969,048 | 226,053,295 |

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

## 41 FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

*(v) Debt instruments (continued)*

**Neither past due nor impaired**

| 30 June 2017 | Receivables | Held-to-maturity investments | Available-for-sale financial assets | Financial assets at fair value through profit or loss | Total |
|---|---|---|---|---|---|
| Government | — | 7,803,346 | 16,979,467 | 79,405 | 24,862,218 |
| Financial institutions | | | | | |
| — Policy banks | — | 19,515,642 | 38,683,178 | 1,462,042 | 59,660,862 |
| — Other banks and non-bank financial institutions | — | 2,918,148 | 5,344,710 | 20,434,197 | 28,697,055 |
| Corporate | — | — | 5,424,292 | 377,864 | 5,802,156 |
| Trust fund plans and asset management plans | 74,996,136 | — | — | — | 74,996,136 |
| Total | 74,996,136 | 30,237,136 | 66,431,647 | 22,353,508 | 194,018,427 |

| 31 December 2016 | Receivables | Held-to-maturity investments | Available-for-sale financial assets | Financial assets at fair value through profit or loss | Total |
|---|---|---|---|---|---|
| Government | — | 8,050,822 | 12,801,575 | 187,701 | 21,040,098 |
| Financial institutions | | | | | |
| — Policy banks | — | 11,285,893 | 35,984,691 | 1,456,474 | 48,727,058 |
| — Other banks and non-bank financial institutions | — | 6,445,442 | 3,691,477 | 2,316,380 | 12,453,299 |
| Corporate | — | — | 5,287,416 | 2,997,459 | 8,284,875 |
| Trust fund plans and asset management plans | 74,862,488 | — | — | — | 74,862,488 |
| Total | 74,862,488 | 25,782,157 | 57,765,159 | 6,958,014 | 165,367,818 |

**Past due but not impaired**

Trust fund plans and asset management plans which are past due but not impaired as at 30 June 2017 were nil (31 December 2016: nil).

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

## 41 FINANCIAL RISK MANAGEMENT (continued)

### (a) Credit risk (continued)

*(v) Debt instruments (continued)*

**Impaired**

| 30 June 2017 | Receivables | Financial assets at fair value through profit or loss | Total |
|---|---|---|---|
| Corporate | — | 204,327 | 204,327 |
| Trust fund plans and asset management plans | 1,489,208 | — | 1,489,208 |
| Total | 1,489,208 | 204,327 | 1,693,535 |

| 31 December 2016 | Receivables | Financial assets at fair value through profit or loss | Total |
|---|---|---|---|
| Corporate | — | 204,327 | 204,327 |
| Trust fund plans and asset management plans | 1,578,146 | — | 1,578,146 |
| Total | 1,578,146 | 204,327 | 1,782,473 |

Debt securities are analysed by credit rating as follows:

| 30 June 2017 | Held-to-maturity investments | Available-for-sale financial assets | Financial assets at fair value through profit or loss | Receivables | Total |
|---|---|---|---|---|---|
| AAA | 4,027,761 | 5,373,165 | 908,679 | — | 10,309,605 |
| AA- to AA+ | 350,000 | 1,813,287 | 90,703 | — | 2,253,990 |
| No rating (i) | 25,859,375 | 59,245,195 | 21,558,453 | 76,118,749 | 182,781,772 |
| Total | 30,237,136 | 66,431,647 | 22,557,835 | 76,118,749 | 195,345,367 |

| 31 December 2016 | Held-to-maturity investments | Available-for-sale financial assets | Financial assets at fair value through profit or loss | Receivables | Total |
|---|---|---|---|---|---|
| AAA | 4,028,696 | 4,683,914 | 1,770,806 | — | 10,483,416 |
| AA- to AA+ | 350,000 | 3,881,961 | 199,689 | — | 4,431,650 |
| No rating (i) | 21,403,461 | 49,199,284 | 5,191,846 | 76,012,399 | 151,806,990 |
| Total | 25,782,157 | 57,765,159 | 7,162,341 | 76,012,399 | 166,722,056 |

(i) The no rating debt securities classified as held-for-trading, available-for-sale and held-to-maturity mainly consist of investment and trading securities issued by the MOF, central bank, policy banks and other financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies.

## 41 FINANCIAL RISK MANAGEMENT (continued)

### (b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at reasonable cost in a timely manner for the repayment of debts due. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims to:

- optimise the structure of assets and liabilities;
- maintain the stability of the deposit base;
- project cash flows and evaluate the level of current assets; and
- in terms of liquidity of the branches, maintain an efficient internal fund transfer mechanism.

### (c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group's market risk contains currency risk, interest rate risk and other price risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly arises from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank uses different management methods to control market risk which comprises trading book and banking book risks respectively.

The Group considers the market risk arising from commodity or stock price fluctuations in respect of its investment portfolios to be immaterial.

#### *(i) Currency risk*

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures and foreign exchange business.

#### *(ii) Interest rate risk*

The Group's bank account interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest- generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

## 41 FINANCIAL RISK MANAGEMENT (continued)

### (d) Capital management

The Group follows the following capital management principles:

- Maintain the high quality and adequacy of capital to meet asset regulatory requirements, support business growth and advance the sustainable development scale in the Group;
- Sufficiently identify, calculate, monitor, mitigate and control various types of risks, ensuring that the capital employed is commensurate with the related risks and the level of risk management of the Group; and
- Optimise asset structure and allocate capital properly, to steadily improve the efficiency and return of capital, and advance the sustainable development of the Group.

Capital adequacy and regulatory capital are monitored by the Group's management by employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBRC, for supervisory purposes. The required information is filed with the CBRC on a quarterly basis. From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBRC.

The Group's regulatory capital is managed by its financial department and consists of the following:

- Common equity tier 1 capital, mainly including share capital, capital reserve, surplus reserve, general reserve, retained profits, eligible portion of minority interests and others;
- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests; and
- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss provisions and eligible portion of minority interests.

The Group implements a weighted approach to measuring credit risk-weighted assets, which are determined according to the credit risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee, with adjustments made to reflect the potential losses. Market risk-weighted assets and operational risk weighted assets are calculated using the standardised approach and basic indicator approach, respectively.

The Group takes various measures to manage risk-weighted assets including adjusting the composition of its on-balance and off-balance sheet assets.

The Group was in compliance with the capital requirement promulgated by the regulators in the reporting period. The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBRC.

There have been no significant changes in the risk management department or in any risk management policies since the year end of 2016.

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

## 42 FAIR VALUE OF FINANCIAL INSTRUMENTS

### (a) Financial instruments measured at fair value

*Determination of fair value and fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy:

| 30 June 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Debt securities | — | 22,353,508 | 204,327 | 22,557,835 |
| Funds and other investments | 14,659,006 | — | — | 14,659,006 |
| Available-for-sale financial assets | | | | |
| Debt securities | — | 66,431,647 | — | 66,431,647 |
| Funds and other investments | — | — | 37,913,621 | 37,913,621 |
| | 14,659,006 | 88,785,155 | 38,117,948 | 141,562,109 |

| 31 December 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Debt securities | — | 6,958,014 | 204,327 | 7,162,341 |
| Funds and other investments | 28,818,037 | — | — | 28,818,037 |
| Available-for-sale financial assets | | | | |
| Debt securities | — | 57,765,159 | — | 57,765,159 |
| Funds and other investments | — | — | 30,462,148 | 30,462,148 |
| | 28,818,037 | 64,723,173 | 30,666,475 | 124,207,685 |

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

## 42 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### (a) Financial instruments measured at fair value (continued)

*Determination of fair value and fair value hierarchy (continued)*

The following tables present the changes in Level 3 assets for the six-month period ended 30 June 2017 and the year ended 2016:

| | Financial assets at fair value through profit or loss | Available-for-sale financial assets | | |
|---|---|---|---|---|
| | Debt securities | Debt securities | Funds and other investments | Total |
| At 1 January 2017 | 204,327 | — | 30,462,148 | 30,666,475 |
| Purchase | — | — | 18,100,011 | 18,100,011 |
| Transfers into Level 3 | — | — | — | — |
| Total gains and losses | | | | |
| — other comprehensive income | — | — | (169,799) | (169,799) |
| — settlement | — | — | (10,478,739) | (10,478,739) |
| At 30 June 2017 | 204,327 | — | 37,913,621 | 38,117,948 |

| | Financial assets at fair value through profit or loss | Available-for-sale financial assets | | |
|---|---|---|---|---|
| | Debt securities | Debt securities | Funds and other investments | Total |
| At 1 January 2016 | — | 9,851 | 14,760,500 | 14,770,351 |
| Purchase | — | — | 19,696,013 | 19,696,013 |
| Transfers into Level 3 | 204,327 | — | — | 204,327 |
| Total gains and losses | | | | |
| — other comprehensive income | — | — | (243,865) | (243,865) |
| — settlement | — | (9,851) | (3,750,500) | (3,760,351) |
| At 31 December 2016 | 204,327 | — | 30,462,148 | 30,666,475 |

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

## 42 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### (a) Financial instruments measured at fair value (continued)

*Determination of fair value and fair value hierarchy (continued)*

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 quantitative information of Level 3 fair value measurement is as blow:

| | Fair value as at 30 June 2017 | Valuation techniques | Unobservable input |
|---|---|---|---|
| Financial assets at fair value through profit or loss | | | |
| — Debt securities | 204,327 | Discounted cash flow | Risk-adjusted discount rate, cash flow |
| Available-for-sale financial assets | 37,913,621 | Discounted cash flow | Risk-adjusted discount rate, cash flow |
| — Funds and other investments | | | |

| | Fair value as at 31 December 2016 | Valuation techniques | Unobservable input |
|---|---|---|---|
| Financial assets at fair value through profit or loss | | | |
| — Debt securities | 204,327 | Discounted cash flow | Risk-adjusted discount rate, cash flow |
| Available-for-sale financial assets | 30,462,148 | Discounted cash flow | Risk-adjusted discount rate, cash flow |
| — Funds and other investments | | | |

During the six-month period ended 30 June 2017 and the year ended 31 December 2016, there were no significant change in the valuation techniques.

As at 30 June 2017 and 31 December 2016, unobservable inputs such as estimated future cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly asset management plans and wealth management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value measurement on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis.

The fair value of financial instruments are, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 2 per cent of change in fair value to reasonably possible alternative assumptions.

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

## 42 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### (a) Financial instruments measured at fair value (continued)

*Determination of fair value and fair value hierarchy (continued)*

**The Group**

| | 30 June 2017 | |
|---|---|---|
| | Effect on profit or loss or other comprehensive income | |
| | Favourable | (Unfavourable) |
| Financial assets at fair value through profit or loss | | |
| — Debt securities | 4,087 | (4,087) |
| Available-for-sale financial assets | | |
| — Funds and other investments (reflected in other comprehensive income) | 758,272 | (758,272) |

| | 31 December 2016 | |
|---|---|---|
| | Effect on profit or loss or other comprehensive income | |
| | Favourable | (Unfavourable) |
| Financial assets at fair value through profit or loss | | |
| — Debt securities | 4,087 | (4,087) |
| Available-for-sale financial assets | | |
| — Funds and other investments (reflected in other comprehensive income) | 609,243 | (609,243) |

There are no transfers between Level 1 and Level 2 for financial assets measured at fair value during the six-month period ended 30 June 2017 and the year ended 31 December 2016.

As at 30 June 2017 and 31 December 2016, unobservable inputs such as estimated future cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly asset management plans and wealth management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

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

## 42 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### (b) Financial instruments for which fair values are disclosed

Financial assets and liabilities not presented at fair value on the statement of financial position mainly represent "Balances with central bank", "Deposits with banks and other financial institutions", "Placements with banks and other financial institutions", "Loans and advances to customers", "Financial investments" classified as "Held-to-maturity investments" and "Receivables", "Due to central bank", "Deposits from banks and other financial institutions", "Placements from banks and other financial institutions", "Due to customers" measured at amortised cost, and "Debt securities issued".

The tables below summarise the carrying amounts and fair values of "Debt securities" classified as "Held-to-maturity investments" and "Receivables", and "Debt securities issued" not presented at fair value on the statement of financial position.

| | Carrying value | |
|---|---|---|
| | **30 June 2017** | **31 December 2016** |
| **Financial assets** | | |
| Debt securities (i) | | |
| Receivables | 76,118,749 | 76,012,399 |
| Held-to-maturity investments | 30,237,136 | 25,782,157 |
| | 106,355,885 | 101,794,556 |
| **Financial liabilities** | | |
| Debt securities issued (ii) | 126,732,880 | 92,295,376 |

| | Fair value | |
|---|---|---|
| | **30 June 2017** | **31 December 2016** |
| **Financial assets** | | |
| Debt securities (i) | | |
| Receivables | 76,118,749 | 76,012,399 |
| Held-to-maturity investments | 29,910,450 | 26,037,010 |
| | 106,029,199 | 102,049,409 |
| **Financial liabilities** | | |
| Debt securities issued (ii) | 118,797,567 | 92,189,741 |

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

## 42 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### (b) Financial instruments for which fair values are disclosed

#### *(i) Debt securities classified as "Held-to-maturity investments" and "Receivables"*

Fair values of debt securities are based on market prices or broker/dealer price quotations. Where this information is not available, the Group will perform valuation by referring to prices from valuation service providers or on the basis of discounted cash flow models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd.

#### *(ii) Debt securities issued*

The aggregate fair values are calculated based on quoted market prices. For those debt securities where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

The tables below summarise the three levels' fair values of "Debt securities" classified as "Held-to-maturity investments" and "Receivables", and "Debt securities issued" not presented at fair value on the statement of financial position.

| 30 June 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets disclosed at fair value** | | | | |
| Receivables | — | — | 76,118,749 | 76,118,749 |
| Held-to-maturity investments | — | 29,910,450 | — | 29,910,450 |
| | — | 29,910,450 | 76,118,749 | 106,029,199 |
| Financial liabilities disclosed at fair value | | | | |
| — Debt securities issued | — | 118,797,567 | — | 118,797,567 |

| 31 December 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets disclosed at fair value** | | | | |
| Receivables | — | — | 76,012,399 | 76,012,399 |
| Held-to-maturity investments | — | 26,037,010 | — | 26,037,010 |
| | — | 26,037,010 | 76,012,399 | 102,049,409 |
| Financial liabilities disclosed at fair value | | | | |
| — Debt securities issued | — | 92,189,741 | — | 92,189,741 |

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

## 42 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### (b) Financial instruments for which fair values are disclosed (continued)

*Determination of fair value and fair value hierarchy*

Financial assets at fair value through profit or loss and available-for-sale financial assets are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of discounted cash flows or pricing models. For debt securities, the fair values of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., and the valuation results are determined based on a valuation technique for which all significant inputs are observable market data.

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(i) The receivables are not quoted in an active market. In the absence of any other relevant observable market, the fair values of receivables are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of held-to-maturity investments, subordinated bonds and financial bonds are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

The following are the financial instruments for which their carrying amounts are the reasonable approximations of their fair values. The carrying amounts are reasonable approximation because, for example, these financial instruments are short-term in nature or repriced at current market rates frequently.

| Assets | Liabilities |
|---|---|
| Cash and balances with central bank | Due to central bank |
| Deposits with banks and other financial institutions | Due to banks and other financial institutions |
| Placements with banks and other financial institutions | Placements from banks and other financial institutions |
| Reverse repurchase agreements | Repurchase agreements |
| Loans and advances to customers | Due to customers |
| Other financial assets | Other financial liabilities |

## 43 EVENTS AFTER THE REPORTING PERIOD

The Over-allotment Option described in the Prospectus was fully exercised on 13 July 2017, in respect of an aggregate of 237,435,000 H Shares. The Bank issued and allotted the shares at HK$5.10 per share and the total number of shares in issue immediately after the full exercise of the Over-allotment Option increased from 9,592,418,539 to 9,808,268,539.

## 44 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 25 August 2017.

# Definitions

| | |
|---|---|
| "AGM" | annual general meeting of the Bank |
| "Articles of Association" or "Articles" | the articles of association of the Bank, which was passed by the shareholders of the Bank at the extraordinary general meeting held on September 7, 2016 and was approved by the CBRC, Guangdong Bureau on December 23, 2016 to take effect after the listing (as amended, supplemented or otherwise revised from time to time) |
| "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) |
| "Company, Bank, our Bank and GRCB" | Guangzhou Rural Commercial Bank Co., Ltd. |
| "CSRC" | China Securities Regulatory Commission (中國證券監督管理委員會) |
| "Domestic Shares" | the ordinary shares with a nominal value of RMB1.00 each issued by the Bank, which are subscribed for or credited as paid up in RMB |
| "EU" | European Union |
| "FED" | the Federal Reserve of the United States |
| "H Shares | the foreign shares which are registered in Mainland China and listed in Hong Kong |
| "IFRS" | the International Financial Reporting Standards and the International Accounting Standards issued by the International Accounting Standards Board, including the relevant standards, amendments and interpretations |
| "Latest Practicable Date" | August 25, 2017 |
| "Reporting Period" | for the six months period from January 1, 2017 to June 30, 2017 |
| "RMB" | the lawful currency of the People's Republic of China |
| "Sannong" | the Chinese pronunciation of the phrase "agriculture, rural areas and farmers" |
| "USD" | the lawful currency of the United States of America |
| "village and township bank(s)" | bank institution(s) that are approved by the CBRC to be incorporated in rural areas to provide services to local farmers or enterprises |

广州农商银行
GUANGZHOU RURAL COMMERCIAL BANK