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重慶農村商業銀行

CHONGQING RURAL COMMERCIAL BANK

重慶農村商業銀行股份有限公司*

Chongqing Rural Commercial Bank Co., Ltd.*

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

(Stock Code: 3618)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the “**Board**”) of Chongqing Rural Commercial Bank Co., Ltd. 重慶農村商業銀行股份有限公司* (the “**Bank**”) is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the “**Group**”) for the six months ended 30 June 2018 (the “**Interim Results**”). This announcement contains the full text of the interim report of the Group for the six months ended 30 June 2018 and the contents were prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and International Financial Reporting Standards. The Interim Results have also been reviewed by the Board and the audit committee of the Board. This results announcement is published on the websites of the Bank (www.cqrcb.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The interim report of the Bank for the six months ended 30 June 2018 will be despatched to shareholders and will also be available at the abovementioned websites in due course.

By order of the Board

Chongqing Rural Commercial Bank Co., Ltd.*

重慶農村商業銀行股份有限公司*

Liu Jianzhong

Chairman and Executive Director

Chongqing, the PRC, 30 August 2018

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

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

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Financial Summary

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Change in amount	Rate of change (%)
Operating results				
Net interest income ⁽¹⁾	8,951.7	10,270.9	N/A	N/A
Net fee and commission income	1,114.3	1,155.2	(40.9)	(3.54)
Other net non-interest income ⁽¹⁾	3,195.5	18.9	N/A	N/A
Operating income	13,261.5	11,445.0	1,816.5	15.87
Profit before tax	6,334.0	6,145.3	188.7	3.07
Net profit	4,886.6	4,634.1	252.5	5.45
Net profit attributable to equity holders of the Bank	4,835.6	4,594.1	241.5	5.26
Basic earnings per share (Expressed in RMB per share)	<u>0.48</u>	<u>0.49</u>	<u>(0.01)</u>	<u>(2.04)</u>

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018	As at 31 December 2017	Change in amount	Rate of change (%)
Scale indicators				
Total assets	908,637.4	905,778.1	2,859.3	0.32
Among which: loans and advances to customers, net	347,091.9	324,109.6	22,982.3	7.09
Total liabilities	840,795.5	840,532.4	263.1	0.03
Among which: deposits from customer	630,095.2	572,184.3	57,910.9	10.12
Equity attributable to equity holders of the Bank	66,496.2	63,688.7	2,807.5	4.41
Non-controlling interests	1,345.7	1,557.0	(211.3)	(13.57)
Total equity	<u>67,841.9</u>	<u>65,245.7</u>	<u>2,596.2</u>	<u>3.98</u>

Financial Summary

(Expressed in percentage)	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Change
Profitability indicators			
Annualised return on average assets ⁽²⁾	1.08	1.12	(0.04)
Annualised weighted average return on shareholders' equity ⁽³⁾	14.64	16.31	(1.67)
Net interest spread ⁽⁴⁾	2.44	N/A	N/A
Net interest margin ⁽⁵⁾	2.35	N/A	N/A
Net interest spread (adjusted) ⁽⁶⁾	2.51	2.42	0.09
Net interest margin (adjusted) ⁽⁶⁾	2.71	2.59	0.12
Net fee and commission income to operating income	8.40	10.09	(1.69)
Cost-to-income ratio ⁽⁷⁾	28.06	31.58	(3.52)

(Expressed in percentage)	As at 30 June 2018	As at 31 December 2017	Change
Assets quality indicators ⁽⁸⁾			
Non-performing loan ratio	1.23	0.98	0.25
Allowance to non-performing loans	339.38	431.24	(91.86)
Allowance to total loans	4.18	4.21	(0.03)
Capital adequacy indicators			
Core Tier 1 capital adequacy ratio ⁽⁹⁾	10.60	10.39	0.21
Tier 1 capital adequacy ratio ⁽⁹⁾	10.61	10.40	0.21
Capital adequacy ratio ⁽⁹⁾	13.21	13.03	0.18
Total equity to total assets	7.47	7.20	0.27

(Expressed in percentage)	As at 30 June 2018	As at 31 December 2017	Change
Other indicators			
Loan-to-deposit ratio ⁽⁸⁾	57.49	59.13	(1.64)

Financial Summary

Notes:

- (1) The Group implemented the new standard of financial instruments for the first time since 1 January 2018. Due to the different requirements of the standards, the data for the two periods with indication marked in the above table are not comparable.
- (2) 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.
- (3) Calculated in accordance with the requirements of “Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share” (Revision 2010) issued by CSRC.
- (4) Calculated as the difference between the average yield on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by average interest-earning assets.
- (6) The adjusted net interest spread and adjusted net interest margin were calculated based on IAS 39 as the same period of the previous year.
- (7) Calculated by dividing total operating expenses (excluding taxes and surcharges) by operating income.
- (8) Non-performing loan ratio, allowances to non-performing loans, allowances to total loans and loan-to-deposit ratio were calculated on basis of the contractual amount of loans.

In accordance with the Notice on Adjusting the Supervision Requirements the Loss Provisions for Commercial Bank Loan (Yin Jian Fa [2018] No.7) promulgated by the CBIRC (the former CBRC) and the Notice on Adjusting the Supervision Requirements for the Loss Provisions for Corporate Bank Loan (Yu Yin Jian Fa [2018] No.44) promulgated by the CBRC Chongqing Bureau, the regulatory standards for the allowance to non-performing loans and allowance to total loans of the Bank are 140% and 2.1% respectively.

- (9) Calculated in accordance with the “Regulation Governing Capital of Commercial Banks (Provisional)” promulgated by the CBIRC (the former CBRC).

BASIS OF PREPARATION OF CERTAIN FINANCIAL INDICATORS

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

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



Company Information

BASIC INFORMATION OF THE COMPANY

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (簡稱「重慶農村商業銀行」)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as “Chongqing Rural Commercial Bank”)
Legal representative	LIU Jianzhong
Authorised Representatives	LIU Jianzhong XIE Wenhui
Company Secretary	MOK Ming Wai
Registered address and postcode	No. 36 Jinshamen Road, Jiangbei District, Chongqing, the PRC 400023
Principal place of business in Hong Kong	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company's website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Listing stock exchange, stock name and stock code	The Stock Exchange of Hong Kong Limited Stock name: CQRC Bank Stock code: 3618
Date of first incorporation and registration authority	27 June 2008 Administration for Industry and Commerce of Chongqing, the PRC
Unified social credit code of corporate legal person business license	91500000676129728J
Financial license institution number	The Bank holds a financial license number B0335H250000001 approved by the China Banking Regulatory Authority

Company Information

Auditors	PricewaterhouseCoopers Certified Public Accountants 22/F, Prince's Building, Central, Hong Kong PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC
Legal advisor as to PRC laws	Exceedon & Partners 7/F, Block A, Fortune Mansion, No. 2 Fortune Road, Liangjiang New Area, Chongqing, the PRC
Legal advisor as to Hong Kong laws	Clifford Chance 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Domestic Share Registrar	China Securities Depository and Clearing Co., Ltd. Beijing Branch 5/F, Jinyang Building, No. 26 Jin Rong Street, Xi Cheng District, Beijing, the PRC



Management Discussion and Analysis

FINANCIAL REVIEW

In the first half of 2018, facing the complex and changing international environment and the arduous task from domestic reform and development, Chinese economy continued to grow steadily, the economic structure continued to be optimized and upgraded, new kinetic energy continued to grow significantly, showing an overall stable and positive trend. China's gross domestic product (GDP) amounted to RMB41,896.1 billion, representing a year-on-year increase of 6.8%, representing a decrease of 0.1 percentage points as compared with the growth rate of previous year, and maintaining a stable growth. In the first half year, enterprises operating at economies of scale and above throughout the country increased by 6.7% year-on-year, representing a decrease of 0.1 percentage point as compared with the growth rate of the first quarter and an increase of 0.1 percentage point as compared with the growth rate of previous year. Production growth rate was in a reasonable range. Fixed assets investment of the country (excluding rural householders) reached RMB29,731.6 billion, an increase of 6.0% year-on-year, representing a decrease of 1.5 percentage points as compared with the growth rate of the first quarter. As at the end of June in 2018, the balance of broad money (M2) reached RMB177.02 trillion, representing an increase of 8% compared with that of last year; the balance of narrow money (M1) reached RMB54.39 trillion, increased by 6.6% compared with that of last year. As at the end of June in 2018, the balance of RMB-denominated loans amounted to RMB129.15 trillion, representing a year-on-year increase of 12.7%. The balance of RMB deposits amounted to RMB173.12 trillion, representing a year-on-year increase of 8.4%.

In the first half of 2018, the economy of Chongqing City continued to maintain a stable development trend with continuous release of economic vitality, power and potential, and the quality of economic development was steadily improved. In the first half of 2018, the gross regional product (GRP) of Chongqing reached RMB982.109 billion, representing an increase of 6.5% year-on-year. The value-added output of strategic emerging manufacturing industries increased by 18.3%, representing a contribution of 167.1% to enterprises operating at economies of scale and above, being the main driving force for industrial economic growth. Fixed assets investment increased by 5.5% as compared with that of last year. The operation of the financial sector was stable in general. As at the end of June in 2018, the balance of deposits in Chongqing city's domestic and foreign currencies was RMB3,684.623 billion, representing an increase of 8.04% year-on-year; domestic and foreign currency loan balance was RMB3,061.310 billion, exceeding RMB3 trillion and ranking the second in the western regions, representing a year-on-year increase of 7.91%.

I. Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Change in amount	Rate of change(%)
Net interest income ⁽¹⁾	8,951.7	10,270.9	N/A	N/A
Net fee and commission income	1,114.3	1,155.2	(40.9)	(3.54)
Net other non-interest income ⁽¹⁾	3,195.5	18.9	N/A	N/A
Operating income	13,261.5	11,445.0	1,816.5	15.87
Operating expenses	(3,848.0)	(3,686.8)	(161.2)	4.37
Impairment losses on assets	(3,080.5)	(1,613.0)	(1,467.5)	90.98
Net profit or loss resulted from derecognition of financial assets at fair value through other comprehensive income ⁽¹⁾	(1.7)	N/A	N/A	N/A
Net profit or loss resulted from derecognition of financial assets measured at amortised cost ⁽¹⁾	2.7	N/A	N/A	N/A
Net gain or loss on disposal of available-for-sale financial assets ⁽¹⁾	N/A	0.1	N/A	N/A
Net gain or loss on disposal of investments of debt securities classified as receivables ⁽¹⁾	N/A	—	N/A	N/A
Profit before tax	6,334.0	6,145.3	188.7	3.07
Income tax expense	(1,447.4)	(1,511.2)	63.8	(4.22)
Net profit	4,886.6	4,634.1	252.5	5.45

Note:

- (1) The Group implemented the new standard of financial instruments for the first time since 1 January 2018. Due to the different requirements of the standards, the data for the two periods with indication marked in the above table are not comparable.

In the first half of 2018, the Group recorded a profit before tax of RMB6,334 million, representing an increase of 3.07% year-on-year and a net profit of RMB4,887 million, representing an increase of 5.45% year-on-year. Profit before tax and net profit achieved a steady growth, primarily due to the fact that (i) in response to the effect from liberalization of interest rate, the Group enhanced profitability of interest-earning assets and improved its capabilities in liability and cost management and control by strengthening the active management of assets and liabilities and the management of interest rate pricing, and achieved steady growth in net profit; (ii) the Group continuously optimized its cost control and enhanced its refined management of costs with its budgeting mechanism; and (iii) the Group continuously optimized the investment structure and allocation model by closely integrating with the trend of financial market, so as to improve the investment returns on the basis of ensuring liquidity and risk control.

(I) Net interest income

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Change in amount	Rate of change(%)
Interest income ⁽¹⁾	18,881.0	18,359.9	N/A	N/A
Interest expense	(9,929.3)	(8,089.0)	(1,840.3)	22.75
Net interest income ⁽¹⁾	<u>8,951.7</u>	<u>10,270.9</u>	<u>N/A</u>	<u>N/A</u>

Notes:

- (1) The Group implemented the new standard of financial instruments for the first time since 1 January 2018. Due to the different requirements of the standards, the data for the two periods with indication marked in the above table are not comparable.

In the first half of 2018, the interest income of the Group amounted to RMB18,881 million and the net interest income amounted to RMB8,952 million, accounting for 67.50% of the total operating income.

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

Management Discussion and Analysis

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018			For the six months ended 30 June 2017		
	Average balance	Interest income/expense	Annualised average yield/cost rate (%)	Average balance	Interest income/expense	Annualised average yield/cost rate (%)
Assets						
Loans and advances to customers	348,806.7	9,198.8	5.27	311,296.2	8,040.2	5.17
Debt securities investments ⁽¹⁾	165,981.5	4,253.2	5.12	260,112.0	6,324.7	4.86
Balances with central bank	83,524.5	657.0	1.57	83,173.5	652.0	1.57
Due from banks and other financial institutions	162,093.8	3,798.2	4.69	135,951.5	2,634.8	3.88
Total interest-earning assets ⁽²⁾	760,406.5	17,907.2	4.71	790,533.2	17,651.7	4.47
Liabilities						
Deposits from customers	586,587.2	4,724.8	1.61	546,135.5	4,201.3	1.54
Borrowings from Central bank	30,632.5	497.9	3.25	29,003.0	438.8	3.03
Due to banks and other financial institutions	72,166.6	1,434.6	3.98	65,631.7	1,100.3	3.35
Bonds payable	97,925.3	2,298.2	4.69	84,394.6	1,685.9	4.00
Total interest-bearing liabilities ⁽²⁾	787,311.6	8,955.5	2.27	725,164.8	7,426.3	2.05
Net interest income		8,951.7			10,225.4	
Net interest spread ⁽³⁾			2.44			2.42
Net interest margin ⁽³⁾			2.35			2.59

Notes:

- (1) The Group implemented the new standard of financial instruments on 1 January 2018. The interest-earning assets for 2018 included financial assets measured at amortised cost and bonds under financial assets at fair values through other comprehensive income; interest-earning assets for 2017 included financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.
- (2) The impact of customer-driven wealth management products was excluded.
- (3) The Group implemented the new standard of financial instruments on 1 January 2018. During the Reporting Period, according to the basis of IAS 39 as the same period of the previous year, the net interest spread was 2.51%, representing an increase of 9 basis points from the same period of the previous year; the net interest margin was 2.71%, representing an increase of 12 basis points from the same period of the previous year.

In the first half of 2018, the average yield on overall interest-earning assets of the Group increased by 24 basis points from the same period of the previous year to 4.71%. The average cost rate of the overall interest-bearing liabilities increased by 22 basis points from the same period of the previous year to 2.27%.

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

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Change in interest income/expense
Assets			
Loans and advances to customers	988.4	170.2	1,158.6
Debt securities investments	(2,409.7)	338.2	(2,071.5)
Balances with central bank	2.8	2.2	5.0
Due from banks and other financial institutions	613.0	550.4	1,163.4
Changes in interest income	(805.5)	1,061.0	255.5
Liabilities			
Deposits from customers	325.6	197.9	523.5
Due to central bank, banks and other financial institutions	153.5	239.9	393.4
Issuance of debt instruments	317.3	295.0	612.3
Changes in interest expense	796.4	732.8	1,529.2

There was a decrease of RMB805 million of net interest income arising from changes in the average balance of various assets and liabilities, and an increase of RMB1,061 million in net interest income attributable to the changes in the average yield or the average cost rate. Details are analysed as follows:

1. Interest income

The Group implemented the new standard of financial instruments on 1 January 2018. Gains on financial assets at fair value through profit or loss were included in net trading gain or loss and no longer included in interest income. The bases for the period and the same period of the previous year were different, and comparison between the two periods cannot be directly compared.

In the first half of 2018, the interest income of the Group amounted to RMB18,881 million. The analysis below does not take into account of the interest income generated from the capital-preserve type of customer-driven wealth management products and non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation:

Management Discussion and Analysis

(1) Interest Income from Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018			For the six months ended 30 June 2017		
	Average balance	Interest income	Annualised average yield	Average balance	Interest income	Annualised average yield
Corporate loans	218,798.8	5,218.7	4.77	200,562.7	4,926.8	4.91
Personal loans	117,882.1	3,694.5	6.27	98,397.7	2,898.2	5.89
Discounted bills	12,125.8	285.6	4.71	12,335.8	215.2	3.49
Total loans and advances to customers	<u>348,806.7</u>	<u>9,198.8</u>	<u>5.27</u>	<u>311,296.2</u>	<u>8,040.2</u>	<u>5.17</u>

Interest income from loans and advances to customers amounted to RMB9,199 million, representing a year-on-year increase of RMB1,159 million or 14.42%, primarily due to (i) increase in average balance of loans and advances to customers as compared with the previous year, resulting in an increase in interest income of RMB989 million; and (ii) the fact that the Group enhanced the active management on interest rate through optimizing credit structure, gradually reducing the impact of interest rate marketization on the Group, which resulted in an increase in interest income for the period by RMB170 million over the previous year.

(2) Interest Income from Debt Securities Investments

The Group implemented the new standard of financial instruments on 1 January 2018. Financial assets at fair value through profit or loss were no longer presented as interest-earning assets. Therefore, the bases for the period and the same period of the previous year were different, and comparison between the two periods cannot be directly compared.

In the first half of 2018, income from debt securities investments amounted to RMB4,253 million. According to the basis of IAS 39 as the same period of the previous year, the interest income from debt securities investments for the period increased by RMB673 million, or 10.65% to RMB6,998 million as compared to the same period of the previous year, primarily due to the fact that the Group strengthened active management of bond investment scale, timely grasped favorable market opportunities and allocated resources in a rational manner, resulting in the increase in average balance and the average yield of debt securities investment over the same period of the previous year.

(3) Interest Income from Balances with Central Bank

In the first half of 2018, the Group's interest income from balances with central bank increased by RMB5 million or 0.77% to RMB657 million as compared to the same period of the previous year, primarily owing to the year-on-year increase in average balance of balances with central bank of RMB351 million.

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

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018			For the six months ended 30 June 2017		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Deposits and placements with banks and other financial institutions	140,241.1	3,490.5	4.98	123,736.9	2,449.0	3.96
Financial assets held under resale agreements	21,852.7	307.7	2.82	12,214.6	185.8	3.04
Total due from banks and other financial institutions	<u>162,093.8</u>	<u>3,798.2</u>	<u>4.69</u>	<u>135,951.5</u>	<u>2,634.8</u>	<u>3.88</u>

In the first half of 2018, the interest income from deposits and placements with banks and other financial institutions of the Group amounted to RMB3,491 million, representing an increase of RMB1,042 million, or 42.55% year-on-year, primarily due to the Group's enhanced active management of assets and liabilities, which resulted in an increase in certain deposits and placements with higher yields with banks and other financial institutions.

In the first half of 2018, the interest income from financial assets held under resale agreements of the Group amounted to RMB308 million, representing an increase of RMB122 million, or 65.59%, over the same period of the previous year, primarily due to the Group's flexible adjustment of assets and liabilities structure while adapting to market changes, resulting in a year-on-year increase in average balance of financial assets held under resale agreements.

Management Discussion and Analysis

2. Interest expense

In the first half of 2018, the Group's interest expense amounted to RMB9,929 million, representing an increase of RMB1,840 million or 22.75% over the same period of the previous year. The analysis below does not take into account of the interest expense generated from the capital-preserve type of customer-driven wealth management products and non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation:

(1) Interest Expense on Deposits from Customers

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018			For the six months ended 30 June 2017		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Corporate deposits						
Demand	115,633.4	397.0	0.69	112,063.5	386.7	0.69
Time	32,342.4	376.2	2.33	25,655.8	305.8	2.38
Subtotal	<u>147,975.8</u>	<u>773.2</u>	<u>1.05</u>	<u>137,719.3</u>	<u>692.5</u>	<u>1.01</u>
Personal deposits						
Demand	112,513.2	172.4	0.31	111,965.6	169.6	0.30
Time	326,098.2	3,779.2	2.32	296,450.6	3,339.2	2.25
Subtotal	<u>438,611.4</u>	<u>3,951.6</u>	<u>1.80</u>	<u>408,416.2</u>	<u>3,508.8</u>	<u>1.72</u>
Total deposits from customers	<u>586,587.2</u>	<u>4,724.8</u>	<u>1.61</u>	<u>546,135.5</u>	<u>4,201.3</u>	<u>1.54</u>

In the first half of 2018, interest expense on deposits from customers of the Group amounted to RMB4,725 million, representing an increase of RMB524 million, or 12.47% year-on-year, which was mainly due to the year-on-year increase in average balance for deposits of the Group.

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

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018			For the six months ended 30 June 2017		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Deposits and placements from banks and other financial institutions	56,829.2	1,230.5	4.33	51,900.0	899.3	3.47
Financial assets sold under repurchase agreements	15,337.4	204.1	2.66	13,731.7	201.0	2.93
Total due to banks and other financial institutions	72,166.6	1,434.6	3.98	65,631.7	1,100.3	3.35

In the first half of 2018, the Group's interest expense on deposits and placements from banks amounted to RMB1,231 million, representing an increase of RMB332 million, or 36.93% over the same period of the previous year, which was primarily due to the increase in fund price of interbank market over the same period of the previous year.

In the first half of 2018, the interest expense on financial assets sold under repurchase agreements amounted to RMB204 million, representing a year-on-year increase of RMB3 million, primarily due to the increase in the average balance of financial assets sold under repurchase agreements when compared to the corresponding period of last year.

3. Net interest spread and net interest margin

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

Management Discussion and Analysis

In the first half of 2018, the net interest spread of the Group increased by 2 basis points to 2.44% as compared to the same period of the previous year, the increase of which reflected a higher increase rate in the average yield of interest-earning assets over the same period of the previous year than that in the average cost rate of interest-bearing liabilities over the same period of the previous year. In the first half of 2018, the net interest margin of the Group was 2.35%, representing a decrease of 24 basis points from the same period of the previous year, primarily due to the change of the application of new and old standards on debt securities investments after the implementation of the new standard of financial instruments on 1 January 2018 by the Group. During the Reporting Period, according to the basis of IAS 39 as the same period of the previous year, the net interest spread was 2.51%, representing an increase of 9 basis points from the same period of the previous year; the net interest margin was 2.71%, representing an increase of 12 basis points from the same period of the previous year.

(II) Non-interest Income

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Change in amount	Rate of change(%)
Fee and commission income	1,162.9	1,202.5	(39.6)	(3.29)
Wealth management fees	635.8	716.7	(80.9)	(11.29)
Agency and fiduciary service fees	245.9	190.6	55.3	29.01
Bank card fees	148.8	163.0	(14.2)	(8.71)
Settlement and clearing fees	58.9	55.6	3.3	5.94
Others	73.5	76.6	(3.1)	(4.05)
Less: Fee and commission expense	(48.6)	(47.3)	(1.3)	2.75
Net fee and commission income	1,114.3	1,155.2	(40.9)	(3.54)
Net trading gain or loss ⁽¹⁾	3,034.9	23.2	N/A	N/A
Other net operating gain or loss	160.6	(4.3)	164.9	(3,834.88)
Other net non-interest income ⁽¹⁾	3,195.5	18.9	N/A	N/A
Total net non-interest income	4,309.8	1,174.1	3,135.7	267.07

Note:

- (1) The Group implemented the new standard of financial instruments for the first time since 1 January 2018. Due to the different requirements of the standards, the data for the two periods with indication marked in the above table are not comparable.

1. *Net fee and commission income*

In the first half of 2018, the net fee and commission income of the Group amounted to RMB1,114 million, representing a decrease of RMB41 million, or 3.54%, over the same period of the previous year, and its proportion to operating income was 8.40%.

Income from wealth management fees amounted to RMB636 million, representing a decrease of RMB81 million, or 11.29%, over the same period of the previous year.

Income from agency and fiduciary service fees amounted to RMB246 million, representing an increase of RMB55 million, or 29.01%, over the same period of the previous year.

Income from bank card fees amounted to RMB149 million, representing a decrease of RMB14 million, or 8.71%, over the same period of the previous year.

Income from settlement and clearing fees amounted to RMB59 million, representing an increase of RMB3 million, or 5.94%, over the same period of the previous year.

2. *Other Non-interest Income*

In the first half of 2018, the Group's net trading gain amounted to RMB3,035 million, representing a relatively large year-on-year change. It was mainly due to the Group's implementation of the new standard of financial instruments on 1 January 2018. Gains on financial assets at fair value through profit or loss were included in this item.

In the first half of 2018, other net operating income amounted to RMB161 million, representing an increase of RMB165 million, or 3,834.88%, over the same period of the previous year, mainly due to the increase in exchange gains resulted from fluctuation of international exchange rate.

(III) Operating expenses

In the first half of 2018, the operating expenses of the Group amounted to RMB3,848 million, representing an increase of RMB161 million or 4.37% as compared to the same period of the previous year.

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Change in amount	Rate of change(%)
Staff costs	2,534.8	2,498.1	36.7	1.47
Depreciation and amortisation	380.3	371.4	8.9	2.40
Taxes and surcharges	126.8	72.3	54.5	75.38
Others	806.1	745.0	61.1	8.20
Total operating expenses	<u>3,848.0</u>	<u>3,686.8</u>	<u>161.2</u>	<u>4.37</u>

1. Staff costs

Staff costs are the largest component of operating expenses of the Group, accounting for 65.87% and 67.76% of its total operating expenses for the six months ended 30 June 2018 and for the six months ended 30 June 2017 respectively.

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Change in amount	Rate of change (%)
Salaries, bonuses and allowances	1,782.5	1,804.9	(22.4)	(1.24)
Staff welfare, social insurance and housing funds	621.6	595.1	26.5	4.45
Others	130.7	98.1	32.6	33.23
Total staff costs	<u>2,534.8</u>	<u>2,498.1</u>	<u>36.70</u>	<u>1.47</u>

In the first half of 2018, staff costs of the Group amounted to RMB2,535 million, representing an increase of RMB37 million, or 1.47%, over the same period of the previous year.



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2. *Taxes and surcharges*

Taxes and surcharges mainly relate to revenue generated from lending (interest income), transfer of securities and gains arising from the provision of other financial products and services. In the first half of 2018, taxes and surcharges amounted to RMB127 million, representing an increase of RMB55 million, or 75.38%, over the same period of the previous year, primarily due to turnover expansion of the Group and the tax policies.

3. *Depreciation and amortisation*

In the first half of 2018, depreciation and amortisation of the Group was RMB380 million, representing an increase of RMB9 million, or 2.40%, over the same period of the previous year.

4. *Others*

For the six months ended 30 June 2018, other expenses increased by RMB61 million to RMB806 million, compared to RMB745 million for the same period of the previous year, primarily due to business expansion and the increase in premium of deposit insurance.



(IV) Impairment losses on assets

Impairment losses on assets consist primarily of provisions charged on loans and advances to customers and other assets. Provisions charged for impairment losses on assets were RMB3,081 million for the first half of 2018, representing an increase of RMB1,467 million or 90.98% over the same period of the previous year.

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Change in amount	Rate of change (%)
Loans and advances to customers	3,001.9	1,251.7	1,750.2	139.83
Other assets	78.6	361.3	(282.7)	(78.25)
Total provisions for impairment losses on assets	3,080.5	1,613.0	1,467.5	90.98

In the first half of 2018, provisions for impairment losses on loans and advances to customers were RMB3,002 million, representing an increase of RMB1,750 million over the same period of the previous year, primarily due to an increase in the scale of Group's loan while taking full account of macro-economic factors to make provisions for impairment on loans in a more prudent manner according to the impairment model under the new standard of financial instruments. In the first half of 2018, provisions for impairment on other assets were RMB79 million, representing a decrease of RMB283 million over the same period of the previous year. It was mainly for impairment provision for non-credit financial assets.

(V) Income tax expense

In the first half of 2018, income tax expense amounted to RMB1,447 million, representing a decrease of RMB64 million over the same period of the previous year. The effective income tax rate was 22.85%.

II. Analysis on Statement of Financial Position

(I) Assets

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Total loans and advances to customers	362,229.8	39.87	338,346.6	37.35
Allowances for impairment losses on loans and advances to customers	(15,137.7)	(1.67)	(14,237.0)	(1.57)
Changes in fair value of loans and advances to customers	(0.2)	—	N/A	N/A
Carrying amount of loans and advances to customers	347,091.9	38.20	324,109.6	35.78
Investment securities ⁽¹⁾	214,883.5	23.65	316,967.9	34.99
Cash and balances with the central bank	100,365.9	11.05	97,012.1	10.71
Deposits with banks and other financial institutions	30,250.5	3.33	45,380.4	5.01
Placements with banks and other financial institutions	130,660.3	14.38	102,641.4	11.33
Financial assets held under resale agreements	12,984.1	1.43	2,443.7	0.27
Financial assets measured at fair value through profit and loss	55,328.1	6.09	519.2	0.06
Goodwill	440.1	0.05	440.1	0.05
Other assets ⁽²⁾	16,633.0	1.82	16,263.7	1.80
Total assets	908,637.4	100.00	905,778.1	100.00

Notes:

- (1) The Group implemented the new standard of financial instruments on 1 January 2018. The assets for 2018 included financial assets measured at amortised cost and financial assets at fair values through other comprehensive income; the assets for 2017 included available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.
- (2) Other assets consist of property and equipment, deferred tax assets and other assets.

Management Discussion and Analysis

As at 30 June 2018, the Group's total assets amounted to RMB908,637 million, representing an increase of RMB2,859 million, or 0.32%, as compared to the end of the previous year. Among which:

The gross amount of loans and advances to customers increased by RMB23,883 million, or 7.06%, as compared to the end of the previous year. This was primarily due to the fact that based on effective control over risks, the Group further optimised the credit structure, reasonably allocated credit resources, focused on supporting the strategic new industries with traditional advantages which have good prospects for development and are advocated by the government and the agriculture-related industries, prudently supported the traditional industries with large industry fluctuations that need to focus on optimizing the credit structure;

Investment securities for the period amounted to RMB214,884 million, representing a large year-on-year change. It was mainly due to the Group's implementation of the new standard of financial instruments on 1 January 2018. Certain invested financial assets were presented under financial assets at fair value through profit or loss. The second reason was that the Group's active implementation of new assets management requirements and rational adjustment of investment structure on the basis of considering risks and benefits;

Cash and balances with central bank increased by RMB3,354 million, or 3.46%, as compared to the end of the previous year, primarily because of the growth in reserve deposits with central bank following the increase in deposits from customers;

The total amount of deposits with banks and other financial institutions and placements with banks and other financial institutions increased by RMB12,889 million, or 8.71%, as compared to the end of the previous year primarily due to that the Group increased amount of placements with banks in conjunction with its own business needs;

Financial assets held under resale agreements increased by RMB10,540 million, or 431.33%, as compared to the end of the previous year. It was mainly due to the adjustment by the Group taking into consideration asset-liability matching and market liquidity.

Financial assets at fair value through profit or loss for the period amounted to RMB55,328 million, representing a large year-on-year change, mainly due to the Group's implementation of new standard of financial instruments on 1 January 2018, and hence certain invested financial assets were presented under this item according to the new standard of financial instruments in 2018.

1. *Loans and advances to customers (Contractual Amount)*

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Corporate loans	224,742.5	62.04	214,752.5	63.47
Short-term loans ⁽¹⁾	87,468.9	24.14	87,303.8	25.80
Medium-and long- term loans ⁽²⁾	137,273.6	37.90	127,448.7	37.67
Personal loans	123,670.3	34.14	113,551.3	33.56
Residential mortgage and personal commercial property loans ⁽³⁾	55,762.1	15.39	50,185.5	14.83
Personal business and re-employment loans ⁽⁴⁾	40,713.7	11.24	38,120.6	11.27
Others ⁽⁵⁾	27,194.5	7.51	25,245.2	7.46
Discounted bills	13,817.0	3.82	10,042.8	2.97
Total loans and advances to customers	362,229.8	100.00	338,346.6	100.00

Notes:

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

Management Discussion and Analysis

As at 30 June 2018, the amount of gross loans and advances to customers of the Group increased by RMB23,883 million, or 7.06%, to RMB362,230 million as compared to the end of the previous year.

Corporate loans (excluding discounted bills) increased by RMB9,990 million, or 4.65%, to RMB224,743 million as compared to the end of the previous year. During the period, on the basis of complying with the national industrial policy, the Group actively adjusted the credit structure, and focused on real economic development, mainly extending to industries such as manufacturing, water conservation, environmental and public utility management, wholesale and retail.

Personal loans increased by RMB10,119 million, or 8.91%, to RMB123,670 million as compared to the end of the previous year. This is due to the fact that the Group focused on meeting the credit needs of consumer spending, devoted efforts in supporting personal business and employment and greatly promoted automobile mortgage, credit card, travel, education and other value-added services, by following the principle of prudent operations and adapting to the changing market condition. Personal business and re-employment loans increased by RMB2,593 million as compared to the end of the previous year.

Discounted bills increased by RMB3,774 million, or 37.58%, to RMB13,817 million as compared to the end of the previous year, largely due to the satisfaction of short-term financing needs of real economy on the basis that the asset and liability management objectives could be satisfied.

Distribution of Loans and Advances by Type of Collateral (Contractual Amount)

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Credit loans	50,017.2	13.81	43,481.3	12.85
Guaranteed loans	100,654.3	27.79	97,902.0	28.94
Collateralised loans	160,227.8	44.23	152,766.0	45.15
Pledged loans	51,330.5	14.17	44,197.3	13.06
Total loans and advances to customers	362,229.8	100.00	338,346.6	100.00

Allowances for impairment losses on loans and advances to customers (Contractual Amount)

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

Corporate loans and advances	For the six months ended 30 June 2018 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	2,722.2	4,472.0	3,371.9	10,566.1
Transfer:				
Transfer to stage 1	148.3	(885.6)	–	(737.3)
Transfer to stage 2	(212.5)	1,294.8	(34.5)	1,047.8
Transfer to stage 3	(11.6)	(440.9)	2,004.2	1,551.7
New financial assets				
originated or purchased	1,065.2	360.9	269.6	1,695.7
Derecognition and settlement	(541.9)	(516.9)	(65.0)	(1,123.8)
Remeasurement	(64.5)	131.7	40.4	107.6
Write-offs and others	–	–	(1,195.1)	(1,195.1)
Closing balance of impairment losses on corporate loans and advances	<u>3,105.2</u>	<u>4,416.0</u>	<u>4,391.5</u>	<u>11,912.7</u>

Personal loans and advances	For the six months ended 30 June 2018 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	1,652.0	394.5	1,109.5	3,156.0
Transfer:				
Transfer to stage 1	4.3	(76.7)	(27.7)	(100.1)
Transfer to stage 2	(14.2)	223.6	(16.3)	193.1
Transfer to stage 3	(40.1)	(131.2)	551.9	380.6
New financial assets				
originated or purchased	672.0	60.1	22.6	754.7
Derecognition and settlement	(390.6)	(43.2)	(48.0)	(481.8)
Remeasurement	(59.7)	0.9	(14.1)	(72.9)
Write-offs and others	–	–	(604.5)	(604.5)
Closing balance of impairment losses on personal loans and advances	<u>1,823.7</u>	<u>428.0</u>	<u>973.4</u>	<u>3,225.1</u>

Management Discussion and Analysis

In the first half of 2018, the Group always adhered to sound and prudent business principles, complied strictly with the relevant requirements of accounting standards, gave full consideration to changes in the external economic situation and the macro-control policies, and fully provided for impairment of loans and advances. As at 30 June 2018, balance of allowances for impairment losses on corporate loans increased by RMB1,367 million to RMB11,913 million over the end of the previous year. The balance of allowances for impairment losses on personal loans increased by RMB69 million to RMB3,225 million over the end of the previous year.

2. Investments

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Financial assets measured at fair value through profit and loss	55,328.1	20.48	519.2	0.16
Financial assets measured at fair value through other comprehensive income	11,603.0	4.29	N/A	N/A
Financial assets measured at amortised cost	203,280.5	75.23	N/A	N/A
Available-for-sale financial assets	N/A	N/A	165,780.6	52.22
Held-to-maturity investments	N/A	N/A	72,444.2	22.82
Debt securities classified as receivables	N/A	N/A	78,743.1	24.80
Total investment	270,211.6	100.00	317,487.1	100.00

As at 30 June 2018, the total investments amounted to RMB270,212 million, representing a decrease of RMB47,275 million or 14.89% as compared to the end of the previous year, which was mainly attributable to the Group's active implementation of new asset management requirements and constant optimization of investment structure and configuration pattern combined with asset and liability management objectives as the Group constantly maintained its liquidity requirements and risk controllability, so as to achieve flexible allocation of assets while maximizing the operating revenue.

Financial investments

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Government bonds	51,617.4	19.14	31,789.9	10.03
Public sector, and quasi-government bonds	34,717.1	12.88	24,878.2	7.85
Financial institution bonds	9,543.0	3.54	8,893.8	2.81
Corporate bonds	60,504.5	22.45	50,120.3	15.82
Debt instruments issued by financial institutions	89,750.5	33.30	197,950.8	62.50
Interbank deposit	17,193.4	6.38	1,653.7	0.50
Others	6,237.5	2.31	1,504.0	0.50
Total	<u>269,563.4</u>	<u>100.00</u>	<u>316,790.7</u>	<u>100.00</u>

(II) Liabilities

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Deposits from customers	630,095.2	74.94	572,184.3	68.08
Deposits and placements from banks and borrowings from the central bank	88,225.7	10.49	139,806.1	16.63
Financial assets sold under repurchase agreements	1,134.0	0.13	7,545.0	0.90
Debt securities issued	104,395.1	12.42	103,901.3	12.36
Other liabilities ⁽¹⁾	16,945.5	2.02	17,095.7	2.03
Total liabilities	840,795.5	100.00	840,532.4	100.00

Note:

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

As at 30 June 2018, the total liabilities increased by RMB263 million, or 0.03%, to RMB84,079,550 million as compared to the end of the previous year. The deposits from customers were the Group's largest source of capital, which grew by RMB57,911 million or 10.12% as compared to the end of the previous year.

1. Deposits from customers

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Corporate deposits	171,008.9	27.14	147,855.5	25.84
Demand deposits	140,760.6	22.34	121,315.2	21.20
Time deposits	30,248.3	4.80	26,540.3	4.64
Personal deposits	451,915.1	71.72	414,815.6	72.49
Demand deposits	109,558.5	17.39	107,609.1	18.81
Time deposits	342,356.6	54.33	307,206.5	53.68
Pledged deposits	7,089.2	1.13	9,417.9	1.65
Other deposits	82.0	0.01	95.3	0.02
Total deposits from customers	630,095.2	100.00	572,184.3	100.00

As at 30 June 2018, the deposits from customers amounted to RMB630,095 million, representing an increase of RMB57,911 million or 10.12% as compared to the end of the previous year. The percentage of personal deposits accounted for 71.72% with respect to the customer structures of the Group, and the balance of deposits increased by RMB37,099 million or 8.94% as compared to the end of the previous year. The percentage of corporate deposits (exclude the pledged deposits) accounted for 27.14%, and the balance of deposits increased by RMB23,153 million or 15.66% as compared to the end of the previous year. With respect to the maturity structure, demand deposits accounted for 39.73% of total deposits from customers, representing a decrease of 0.28 percentage points from the end of previous year, while the time deposits accounted for 59.13%, representing an increase of 0.81 percentage points over the end of the previous year.

(III) Shareholders' Equity

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Share capital	10,000.0	14.74	10,000.0	15.33
Capital reserve	12,483.9	18.40	12,501.6	19.16
Investment revaluation reserve	(88.1)	(0.13)	(109.7)	(0.17)
Actuarial changes reserve	(196.6)	(0.29)	(130.7)	(0.20)
Surplus reserve	9,457.2	13.94	9,457.2	14.49
General reserve	12,212.1	18.00	10,726.3	16.44
Retained earnings	22,627.7	33.36	21,244.0	32.6
Equity attributable to equity holders of the Bank	66,496.2	98.02	63,688.7	97.61
Non-controlling interests	1,345.7	1.98	1,557.0	2.39
Total equity	67,841.9	100.00	65,245.7	100.00

As at 30 June 2018, paid-in capital recorded RMB10,000 million and capital reserve reached RMB12,484 million. General reserve increased by RMB1,486 million as compared to the end of the previous year, as the general reserve was required to be not less than an additional reserve of 1.50% of balance of risk assets at the end of the previous year. Retained earnings increased by RMB1,384 million as compared to the end of the previous year, mainly due to profit growth in the first half of 2018, as well as deducting the dividends for the previous year which should be allocated and increasing provision for general risks.

III. Loan Quality Analysis (Contractual Amount)

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

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Normal	348,741.1	96.28	326,590.8	96.52
Special mention	9,024.9	2.49	8,454.4	2.50
Substandard	2,477.7	0.68	1,753.9	0.52
Doubtful	1,859.1	0.51	1,514.8	0.45
Loss	127.0	0.04	32.7	0.01
Total loans and advances to customers	362,229.8	100.00	338,346.6	100.00
Amount of non-performing loans	4,463.8		3,301.4	
Non-performing loan ratio (%)		1.23		0.98

In the first half of 2018, subject to the increasingly complicated economic and financial circumstances in China and overseas, the Group upheld our baseline of thinking (底線思維), strictly implemented the national policies and financial regulatory requirements, took proactive actions to optimize and adjust the credit structure, and prudently carried out asset quality risk classification and management. Greater efforts were devoted to collect and dispose of non-performing assets and risks of credit assets were under control. As at 30 June 2018, the balance of non-performing loans increased by RMB1,162 million from the end of the previous year to RMB4,464 million; while the non-performing loan ratio was 1.23% which was 0.25 percentage points higher than that of the end of the previous year. The portion of special mention loans accounted for 2.49%, representing a decrease of 0.01 percentage points as compared to the end of the previous year.

(II) Concentration of Loans

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

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018				As at 31 December 2017			
	Loan amount	Percentage of Total (%)	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Percentage of Total (%)	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans	224,742.5	62.04	3,371.8	1.50	214,752.5	63.47	2,066.9	0.96
Manufacturing	64,561.0	17.82	1,742.0	2.70	64,861.3	19.17	893.4	1.38
Production and supply of electricity, gas and water	15,164.2	4.19	–	–	14,185.6	4.19	–	–
Real estate	7,744.8	2.14	–	–	10,725.3	3.17	–	–
Leasing and commercial service	23,971.5	6.62	163.7	0.68	17,953.1	5.31	48.0	0.27
Water conservation, environment and public utilities management	49,752.4	13.74	3.8	0.01	46,746.1	13.82	–	–
Construction	8,688.4	2.40	136.5	1.57	7,512.1	2.22	82.5	1.10
Retail and wholesale	19,873.3	5.49	1,044.9	5.26	21,351.4	6.31	814.2	3.81
Others	34,986.9	9.64	280.9	0.80	31,417.6	9.28	228.8	0.73
Personal loans	123,670.3	34.14	1,092.0	0.88	113,551.3	33.56	1,234.5	1.09
Discounted bills	13,817.0	3.82	–	–	10,042.8	2.97	–	–
Total	362,229.8	100.00	4,463.8	1.23	338,346.6	100.00	3,301.4	0.98

In the first half of 2018, faced with the complex and ever-changing external economic conditions, the Group continued to optimise industry investment guidance, strictly controlled credit lending and exit criteria. With stringent execution of relevant PRC control policies, the scale of property loans has continued to decline, and the credit structure has been continuously optimised.

2. *Concentration of Borrowers*

In the first half of 2018, the Group's total loans to its largest single borrower accounted for 6.11% of its net capital while the total loans to its top ten clients accounted for 32.31% of its net capital; both of which were in compliance with regulatory requirements. As at 30 June 2018, the Group's loans to top ten largest single borrowers were not non-performing loans.

(1) Indicators of concentration

Major Regulatory Indicators	Regulatory standard	As at 30 June 2018	As at 31 December 2017	As at 31 December 2016
Loan ratio for the largest single borrower (%)	≤10%	6.11	6.47	6.11
Loan ratio for the single group borrower (%)	≤15%	8.32	7.88	6.97

Management Discussion and Analysis

(2) Loans to top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	As at 30 June 2018	
		Amount	Percentage of the total amount of loans (%)
Borrower A	Manufacturing	5,078.0	1.40
Borrower B	Water conservation, environmental and public utility management	3,854.5	1.06
Borrower C	Leasing and commercial service	2,900.0	0.80
Borrower D	Water conservation, environmental and public utility management	2,834.2	0.78
Borrower E	Water conservation, environmental and public utility management	2,765.0	0.76
Borrower F	Water conservation, environmental and public utility management	2,517.0	0.69
Borrower G	Real estate	1,833.0	0.51
Borrower H	Water conservation, environmental and public utility management	1,765.0	0.49
Borrower I	Manufacturing	1,650.0	0.46
Borrower J	Manufacturing	<u>1,635.8</u>	<u>0.45</u>

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

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018			As at 31 December 2017		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans	224,742.5	3,371.8	1.50	214,752.5	2,066.9	0.96
Short-term loans	87,468.9	1,775.0	2.03	87,303.8	1,440.6	1.65
Medium-and long-term loans	137,273.6	1,596.8	1.16	127,448.7	626.3	0.49
Personal loans	123,670.3	1,092.0	0.88	113,551.3	1,234.5	1.09
Housing mortgages and personal loans for commercial real estate property	55,762.1	284.1	0.51	50,185.5	307.1	0.61
Personal business and re-employment loans	40,713.7	377.7	0.93	38,120.6	534.0	1.40
Other loans	27,194.5	430.2	1.58	25,245.2	393.4	1.56
Discounted bills business	13,817.0	–	–	10,042.8	–	–
Total	362,229.8	4,463.8	1.23	338,346.6	3,301.4	0.98

As at 30 June 2018, non-performing ratio of corporate loans increased by 0.54 percentage points to 1.50% as compared with the end of the previous year, whereas non-performing ratio of retail loans decreased by 0.21 percentage points to 0.88% as compared with the end of the previous year.

(IV) Rescheduled Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018 of the total amount of loans and advances		As at 31 December 2017 of the total amount of loans and advances	
	Amount	Percentage (%)	Amount	Percentage (%)
Rescheduled loans and advances to customers	463.0	0.13	615.6	0.18

(V) Overdue Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018 of the total amount of loans and advances		As at 31 December 2017 of the total amount of loans and advances	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue within 3 months	2,324.9	0.63	1,542.3	0.46
Overdue for 3 months to 1 year	2,525.2	0.70	1,841.9	0.54
Overdue for over 1 year and within 3 years	853.1	0.24	1,417.5	0.42
Overdue for more than 3 years	218.9	0.06	200.9	0.06
Total overdue loans and advances to customers	5,922.1	1.63	5,002.6	1.48

As at 30 June 2018, the total overdue loans amounted to RMB5,922 million, representing an increase of RMB920 million from the end of the previous year. Overdue loans accounted for 1.63%, representing an increase of 0.15 percentage points from the end of the previous year.

IV. Analysis of Capital Adequacy Ratio

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018	As at 31 December 2017
Core tier 1 capital adequacy ratio (%)	10.60	10.39
Tier 1 capital adequacy ratio (%)	10.61	10.40
Capital adequacy ratio (%)	13.21	13.03
Components of capital base		
Core tier 1 capital:		
Portion of paid-in capital that may be included	10,000.0	10,000.0
Portion of capital reserve that may be included	12,199.3	12,261.2
Surplus reserve and general risk reserve	21,669.3	20,183.5
Unappropriated profit	22,636.4	21,244.0
Non-controlling interests	639.6	561.5
Total core tier 1 capital	67,144.6	64,250.2
Deductible items:		
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	(101.1)	(103.8)
Core tier 1 capital, net	66,603.4	63,706.3
Other tier 1 capital:		
Non-controlling interests	85.3	74.9
Net tier 1 capital	66,688.7	63,781.2
Tier 2 capital:		
Tier 2 capital instruments and related premium that may be included	9,000.0	9,000.0
Excessive loan allowances	7,187.6	7,012.6
Non-controlling interests	170.6	148.0
Net capital	83,046.9	79,941.8
Total risk-weighted assets	628,466.1	613,436.6
Credit risk weighted assets	582,198.8	568,017.0
Market risk weighted assets	4,192.1	3,344.4
Operational risk weighted assets	42,075.2	42,075.2

Management Discussion and Analysis

As at 30 June 2018, the capital adequacy ratio of the Group was 13.21%, representing an increase of 0.18 percentage points as compared with the end of the previous year, which was 2.71 percentage points higher than the regulatory requirement of 10.50%. The core tier 1 capital adequacy ratio and tier 1 capital adequacy ratio of the Group were 10.60% and 10.61%, respectively, both representing an increase of 0.21 percentage points as compared with the end of the previous year respectively. At the end of 2017, the increase in the capital adequacy ratio of the Group as compared with the beginning of the year was mainly due to the fact that, on one hand, the stable growth in net profit effectively replenished the core tier 1 capital. On the other hand, the size of assets and risk-weighted assets of affiliates were growing, and non-controlling interests have increased. Meanwhile the asset size maintained stable and risk-weighted assets grew moderately. Based on the above factors, the increase in net capital was higher than the increase in risk-weighted assets.

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

V. Analysis of Leverage Ratio

As at 30 June 2018, the Group measured and disclosed its leverage ratio in accordance with Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》).

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018
Consolidated total assets	908,637.4
Consolidated adjustments	—
Customer assets adjustments	—
Derivatives adjustment	145.1
Securities financing transactions adjustments	—
Off balance sheet item adjustments	24,934.0
Other adjustments	(541.3)
The balance of assets on and off-balance sheet after adjustments	<u>933,175.2</u>

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

(Expressed in RMB million, unless otherwise stated)		As at 30 June 2018
Assets on the balance sheet (excluding derivatives and securities financing transactions)		895,460.8
Less: tier 1 capital deduction		(541.3)
The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)		894,919.5
Replacement cost of various types of derivatives (net of qualified margins)		192.5
Potential risk exposure in various derivatives		145.1
The sum of collaterals deducted from the balance sheet		—
Less: assets receivables formed due to qualified margins		—
Less: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers		—
Notional principal for sold credit derivatives		—
Less: the balance of sold credit derivatives assets which can be deducted		—
The balance of derivatives assets		337.6
The balance of accounting assets for securities financing transactions		12,984.1
Less: the balance of securities financing transactions assets which can be deducted		—
Counterparty credit risk exposure to securities financing transactions		—
The balance of securities financing transactions assets formed due to securities financing transactions by proxy		—
The balance of securities financing transactions assets		12,984.1
The balance of items off balance sheet		36,710.4
Less: the balance of items off balance sheet reduced due to credit conversion		(11,236.4)
The balance of items off balance sheet after adjustments		24,934.0
Tier 1 capital, net		66,688.6
The balance of assets on and off-balance sheet after adjustments		933,175.2
Leverage ratio (%)		7.15

As at 30 June 2018, the Group's leverage ratio was 7.15%, representing an increase of 0.30 percentage points as compared with the end of the previous year. The increase in the leverage ratio was mainly due to the fact that the increase rate of net tier-one capital was higher than the growth rate of asset size on and off balance sheet.

VI. Segment Information

(I) Summary of Geographical Segment

(Expressed in percentage)	As at 30 June 2018		As at 31 December 2017	
	County Area	Urban Area	County Area	Urban Area
Deposits	67.66	32.34	67.83	32.17
Loans	45.38	54.62	44.67	55.33
Assets	45.02	54.98	45.65	54.35
Loan-deposit ratio	38.56	97.09	38.94	101.70

(Expressed in percentage)	For the six months ended 30 June 2018		For the six months ended 30 June 2017	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.06	1.10	1.12	1.12
Net fee and commission income to operating income	7.86	8.90	8.68	11.44
Cost-to-income ratio	31.88	24.57	34.02	29.25

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

(II) Summary of Business Segment

Operating income

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018		For the six months ended 30 June 2017	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Corporate banking business	3,864.3	29.14	3,724.5	32.54
Personal banking business	4,770.4	35.97	3,751.1	32.78
Financial market business	4,619.7	34.84	3,940.0	34.63
Unallocated	7.1	0.05	5.4	0.05
Total operating income	<u>13,261.5</u>	<u>100.00</u>	<u>11,445.0</u>	<u>100.00</u>

VII. Analysis of Off-Balance-Sheet Items

Off-balance-sheet items of the Group include acceptances, issuance of letters of credit, issuance of letters of guaranteed funds, receivables under export letters of credit, collection of foreign exchange funds receivables, collection of foreign exchange funds, foreign letters of credit and customer-driven wealth management. Among these items, acceptances, issuance of letters of guaranteed and issuance of letters of credit were the key components. As at 30 June 2018, the balances of acceptances, issuance of letters of guaranteed and issuance of letters of credit were RMB11,161 million, RMB7,653 million and RMB1,946 million, respectively.

VIII. Significant Accounting Estimates and Judgments

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

BUSINESS OPERATION

I. Corporate Banking Business

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Change (%)
Net interest income	3,543.0	3,412.3	3.83
Net fee and commission income	315.7	343.5	(8.09)
Other operating gain, net	5.6	(31.3)	(117.89)
Operating income	3,864.3	3,724.5	3.75
Operating expenses	(1,339.4)	(1,293.9)	3.52
Impairment losses on assets	(2,433.7)	(1,069.6)	127.53
Profit before tax	91.2	1,361.0	(93.30)

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018	As at 31 December 2017	Change (%)
Segment assets	223,473.0	217,486.7	2.75

In the first half of 2018, net interest income from the corporate banking business amounted to RMB3,543 million, representing an increase of 3.83% over the same period previous year. The asset of the corporate banking business increased by 2.75% over the beginning of the year to RMB223,473 million. The total profit before tax from the corporate banking business decreased over the same period previous year, mainly due to the increase in non-performing ratio.

(I) Corporate Deposits and Loans Business

The Group strived to expand the corporate deposit market and continued to maintain steady growth in corporate deposits. As at 30 June 2018, the balance of corporate deposits (including pledged deposits and other deposits) of the Group reached RMB178,180 million, ranking the second in Chongqing, which accounted for 28.28% of the outstanding balance of total deposits of the Group whilst posting a growth of RMB20,811 million or 13.22% as compared with the end of the previous year, ranking the first in Chongqing in respect of increment.

For the loan policy on extending corporate loans, the Group persisted in operating in compliance with laws and abided by the principle. The Group effectively observed the control policy of the country and the local economic operation situation, and expanded its corporate loan business in a prudent, steady and appropriate manner. As at 30 June 2018, the outstanding balance of corporate loans (including discount) amounted to RMB238,559 million, representing an increase of RMB13,764 million or 6.12% as compared with the end of the previous year. Meanwhile, outstanding non-performing loans amounted to RMB3,372 million and the non-performing loan ratio was 1.50%, representing an increase of RMB1,305 million or 0.54 percentage point as compared with the end of the previous year.

In respect of the structure of loan, in response to the policy of Supply-Side Structural Reform and in adherence to “Three Major Tough Fights” and “Eight Action Plans” in Chongqing, with focus on the construction of infrastructure, the transformation and upgrading of traditional industries and the development of ten strategic emerging industries, the Group focused on extending loans (excluding discounted bills) to the industries such as manufacturing, water conservation, environmental and public utility management, leasing and commercial services, wholesale and retail, production and supply of electricity, heat, gas and water, construction and real estate, which accounted for 17.82%, 13.74%, 6.62%, 5.49%, 4.19%, 2.40%, 2.14% of the total amount of loans of the Group as of 30 June 2018.

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

(II) Institutional Business

The Bank continued to strengthen its cooperation channel construction with functional departments of the Chongqing Municipal Government, the financial industry and institutions at different levels. The Bank launched a pre-sale network signing system for commodity housing of homeland and became one of the first banks in Chongqing to launch the system. The Bank actively established collaboration platforms in respect of insurance, securities and trust among industry players. The increasing abundance of collaboration channel effectively facilitated continuous stable development of the Bank's corporate banking business. In addition, the Bank was the only financial services bank to handle urban and rural pension insurance for residents in Chongqing City. 12 million people in the city have already paid and been distributed pension insurance through the Bank.

(III) Small and Micro Enterprises Businesses

Small and micro enterprises business was growing steadily. By the end of June 2018, according to specifications prescribed by CBRC, the number of small and micro enterprise loans customers of the Bank (including small and micro enterprises according to specifications prescribed by four ministries and commissions of the nation, individual business owners, and small and micro enterprise owners) amounted to 119,723, representing an increase of 19,612 as compared with the same period of the previous year; the outstanding balance of small and micro enterprise loans according to specifications prescribed by CBRC amounted to RMB110,186 million, representing an increase of RMB4,642 million as compared to the beginning of the year or a year-on-year increase of RMB11,490 million or 11.64%, and the growth rate is 0.96 percentage points higher than the average loan growth rate of the Bank; the success rate of applying for small and micro enterprise loans according to specifications prescribed by CBRC amounted to 98.72%.

1. *Strengthened innovation and improved financial service system*

In the first half of 2018, based on the market and small and micro enterprise financing needs, the Bank strengthened the innovation and promotion of product and service features, differentiation and technology, and committed to providing high-quality financial services to small and micro enterprises. Firstly, the Bank launched “supporting agriculture and investment loans” to further improve and enrich the small and micro product system and promote rural revitalization. Secondly, the Bank continued to innovate the special financial service program. In the first half of this year, the Bank launched a “Special Financial Service Plan for Enhancing Loans” for the operators of the Majiayan solar panel market. As of the end of June, the Bank formulated 9 types of exclusive financial service programs for 23 branches and sub-branches, such as “Income-secured Loan for Small Hydropower”, “Sanya Bay Aquatic Trading Market Operator Loan” and “Online-booking Car for Rental instead of Purchase Financing Business”. Thirdly, the Bank optimized the business process of “Rural One-two-three Industry Consolidation Development Loan” and increased the promotion of “Rural One-two-three Industry Consolidation Development Loan”. In the first half of this year, a total of RMB494 million was invested, accounting for 46% of the total investment amount of banking institutions in Chongqing. Fourthly, the Bank completed the development of automatic renewal function of personal loans for business purposes with a stock amount under RMB1,000,000, which was launched in the first half of the year. Borrowers can initiate a loan renewal application through the mobile banking of the Bank, and the system uses the big data to automatically approve the loan and complete the loan renewal.

2. *Enhanced cooperation between banking and government and actively expanded cooperation results*

In the first half of 2018, the Bank continued to strengthen cooperation with relevant departments at the municipal level, steadily promoted cooperation projects, and actively expanded cooperation results. Firstly, the Bank expanded the scope of pilot projects for knowledge-based credit loans for science and technology enterprises. In addition to the Jiulongpo pilot area in the previous year, five pilot areas including Yubei, Jiangjin, Yongchuan, Rongchang and Bishan were added. As of the end of June, the Bank had 213 scientific and technological knowledge-based credit loans with a balance of RMB279 million. The loan balance accounted for more than 70% of the market share of the knowledge-based credit loans of science and technology enterprises in Chongqing. Secondly, the Bank promptly transferred the new policy of entrepreneurial guarantee loans to various branches and sub-branches, and demanded to accelerate the promotion of entrepreneurial guarantee loan business and fully supported the “double-investment” group. In the first half of this year, a total of 7,911 entrepreneurial guarantee loans were issued, with a distributed amount of RMB906 million, accounting for more than 65% of the market share of entrepreneurial guarantee loans of the banking institutions in Chongqing.

(IV) International business

The international business achieved stable development. In the first half of 2018, the international settlement (inclusive of RMB cross-border settlement of RMB637 million) of the Bank amounted to USD3,300 million, representing a year-on-year increase of 36.82%; foreign exchange settlement (inclusive of cooperative forward foreign exchange settlement) amounted to USD1,458 million, a year-on-year increase of 18.63%; on-balance-sheet and off-balance-sheet trade financing and foreign exchange loans balance amounted to USD1,728 million, an increase of USD288 million as compared with that of the beginning of the year. Transaction volume of foreign exchange transaction ranked the first among local corporate banks in Chongqing, of which the cumulative transaction volume of foreign currency interbank borrowings was USD7,755 million, representing a year-on-year increase of 8.62%. The cumulative transaction volume of inter-bank foreign exchange swaps and foreign exchange settlements amounted to USD1,987 million, representing a year-on-year increase of 85.88%. The interbank collaboration was further expanded. The Bank has established correspondent banking relationship with 555 banks at home and abroad and has newly added a number of financial institution credit at home and abroad, thus broadened the channels for foreign capital inflow and utilisation. In addition, the Bank actively promoted product innovation and new business. In the first half of 2018, the city’s first “Southbound Channel” import was completed, and the innovation breakthrough of sea-rail multimode joint transport credit settlement was achieved, attracting attention and report by Chongqing Daily and other mainstream media. The first foreign exchange fund centralized operation management business of multinational companies was established, and the Bank became the first local corporate bank in Chongqing to handle that business, enhancing the brand influence and market competitiveness of the Bank’s international business. The first agency foreign exchange forward settlement business of the Bank was established, and the Bank became the only local corporate bank in Chongqing to be qualified to handle agency foreign exchange forward settlement business, which expanded the scope of our international business operations.

II. Personal Banking Business

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Rate of change (%)
Net interest income	4,283.0	3,341.5	28.18
Net fee and commission income	483.3	404.0	19.63
Other operating income, net	4.1	5.6	(26.79)
Operating income	4,770.4	3,751.1	27.17
Operating expense	(1,507.1)	(1,399.9)	7.66
Impairment losses on assets	(540.9)	(182.1)	197.03
Profit before tax	2,722.4	2,169.1	25.51

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018	As at 31 December 2017	Rate of change (%)
Segment assets	120,962.5	104,576.7	15.67

Personal banking business recorded a profit before tax of RMB2,722 million, representing 42.98% as a proportion of the Bank's profit. Customer-driven wealth management, banking card and agency business, etc. have been on steady growth, leading to a year-on-year increase of 19.63% in fee and commission income of this line, thus contributing to the increase in profit from personal banking business of the Bank in the first half of 2018.

(I) Personal Deposits

To address China's macro-economic adjustment and intense market competitions, the Bank positioned itself by aligning its brand value services with key marketing campaigns, highlighting streamlined management and taking full advantage of the regional competitiveness of its brands whilst formulating with targeted sales and marketing strategies. On the one hand, the Bank laid its emphasis on marketing and attracting deposits in the peak season of the first quarter. With migrant workers who went home to visit their families as the target, the Bank continued to organise the public campaign named "Serving Fellow Townsman and Delivering Geniality Along the Way Back Home" (服務眾鄉親情暖回鄉路) during the travel rush in the Chinese New Year for the fifth consecutive year, and set up "Townsman's Post House" (鄉情驛站) in railway stations to provide travellers with advisory service and help and release supplies, benefiting more than one million passengers. On the other hand, the Bank creatively carried out "Group Leader Project" (組長工程) marketing activities and took key personnel such as group leaders and team leaders of each village as entry points to go deep into the village community. We visited customers' homes through the way of entering households, popularize financial knowledge for customers, introduce financial products and services, and further consolidate the retail customer base. At the same time, on the basis of regulation and standardization, the Bank organized the "Service Quality Improvement Year" (服務品質提升年) campaign in the Bank, vigorously promoted service differentiation, specialization and humanization, improved service reputation, and continuously deepened network transformation and upgraded network competitiveness.

As of 30 June 2018, the Bank continued to maintain a stable and rapid growth in personal deposits, which amounted to RMB451,915 million, representing an increase of RMB37,099 million, or 8.94% over the end of the previous year. The Bank continued to rank the top among its peers in the region in terms of the total amount, growth and market share of personal deposits.

(II) Personal loans

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

As of 30 June 2018, the balance of personal loans of the Group amounted to RMB123,670 million, representing an increase of RMB10,119 million over the beginning of the year, among which the balance of general consumption loans which aimed at supporting general consumption⁽¹⁾ of urban and rural residents amounted to RMB23,036 million, representing an increase of RMB2,222 million over the end of the previous year.

Note:

(1) General consumption excludes housing mortgage loans, with data from regulatory statements.

(III) Bank Cards

1. Debit Card Business

With respect to the debit card business, the product brand awareness of financial IC cards and social insurance cards were continuously enhanced. As of 30 June 2018, the total number of debit cards in issue accumulated to 19,699.9 thousand, representing an increase of 1,563.7 thousand, or 8.39%, as compared with that at the end of the previous year; spending related to debit cards amounted to RMB51,124 million.

2. Credit Card Business

The Bank made persistent efforts to the innovation of credit card business, and was committed to branding credit card business with distinctive features and optimized the two main product lines of standard cards and characteristic cards. Rapid progress has been made in organizational structure, system construction, business innovation and customer service. For adjustment of organizational structure, the Bank concentrated on financial technology innovation, set up a product research and development team to create a “digital credit card” competitive product, to achieve credit card business risk control and process intelligence, and open credit card network application channels and attract new customers. For strengthening of system construction, the Bank carried out the relocation of core systems in a steadily manner and became the first financial institution of its kind in China to commence the in-house research and development of credit card core system. For business innovation, the Bank launched asset business outbound staging, implemented the list-based proactive marketing for quality customers, launched the credit card transfer and instalment function to provide more convenient user experiences for customers. For optimisation of customer service, the Bank continued to take Jiangyu credit card product life cycle as the main line to promote the expansion of new customers, stimulation of existing customers and other marketing efforts. It also continued to carry out promotional activities to create a favourable environment for use of credit cards and encourage customers to use credit cards. Based on the existing business, the Bank focused on sustainable development, complied with market demand, continued to expand Internet-based electronic service channels, and continued cooperation with well-known enterprises in cities and domestic and international well-known enterprises to strengthen credit card financial services and create opportunities for sustainable development.

As of 30 June 2018, the accumulative total number of credit cards in issue throughout the Bank accumulated to 653.9 thousand, representing an increase of 89.1 thousand or 15.78% over the end of the previous year; while the number of valid activation cards was 419 thousand, representing a year-on-year increase of 22.06%. The cumulative spending related to credit cards for the first half of 2018 amounted to RMB14,849 million, representing a year-on-year increase of RMB439 million or 3.05%. Credit card issuance and transaction scale continued to develop steadily.

(IV) Agency Business

The structure of revenue of intermediary business was optimised with enriched sales techniques. Great efforts were made to establish an online+offline marketing platform for community finance. The Bank consolidated and enlarged its quality customer base via the “Passing Bless with Endless Enjoyment” (祝福傳遞 樂享不停) special event for community customers and introduction of products and activities including the collection and disbursement services brands “All-round Payment (全能繳)” and “Easy Pay for Tuition Fee (繳學易)”. As of 30 June 2018, the physical sales of precious metals of the Group amounted to RMB21,523.5 thousand, representing a year-on-year increase of 30.76%. The income from the agency sale of insurance was RMB324 million, representing a year-on-year decrease of 55.74%. The income from the agency sale of funds was RMB25,945 million, representing a year-on-year increase of 152.21%.

In December 2017, the Bank successfully obtained the qualifications for underwriting of government saving bonds for 2018-2020 from the Ministry of Finance and became one of the 40 national government saving bonds underwriting banks. As of 30 June 2018, the Bank totally sold 8 tranches of government saving bonds, among which four were in certificate form with a sales amount of RMB180,000,000.00; four were in electronic form with a sales amount of RMB149,075,500.00; the total sales amounted to RMB329,075,500.00.

III. Financial Market Business

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

Expressed in RMB million, except for percentages	For the six months ended	For the six months ended	
Item	30 June 2018	30 June 2017	Changes(%)
Net interest income ⁽¹⁾	1,125.6	3,517.1	N/A
Net fee and commission income	315.3	407.7	(22.66)
Net trading gain ⁽¹⁾	3,034.9	23.2	N/A
Other operating gain, net	143.9	16.0	799.38
Operating income	4,619.7	3,964.0	16.54
Operating expense	(1,001.5)	(993.0)	0.86
Impairment on assets	(105.9)	(361.3)	(70.69)
Profit or loss resulted from derecognition of financial assets at fair value through other comprehensive income	(1.7)	N/A	N/A
Profit or loss resulted from derecognition of financial assets measured at amortised cost	2.7	N/A	N/A
Net loss or gain on disposal of available-for-sale financial assets	N/A	0.1	N/A
Net gain on disposal of debt investments classified as receivables	N/A	—	N/A
Profit before tax	3,513.3	2,609.8	34.62
	As at 30 June 2018	As at 31 December 2017	Changes(%)
Segment assets	555,051.6	575,007.5	(3.47)

Note:

- (1) The Group implemented the new standard of financial instruments for the first time since 1 January 2018. Due to the different requirements of the standards, the data for the two periods with indication marked in the above table are not comparable.

In the first half of 2018, the Chinese economy slowed down but progressed towards stability and positive development. The financial market remained stable. Under a favourable external environment, increasingly stricter regulatory policies and a series of documents regulating the financial market were promulgated. With high-handed regulation, the effect of removal of leverage and bubbles has begun to show. Market risk appetite declined, and capital business was facing tough challenges because scale and scope of investment are restricted. In this regard, the Bank withstood the pressure to respond flexibly, and took the initiative to have a forecast of the market and make arrangement in advance. It also flexibly adjusted its business structure according to the objective environment, so as to secure the steady growth in capital business in a compliant manner.

The financial market business recorded profit before tax of RMB3,513 million in June 2018, representing an increase of RMB904 million or 34.62% as compared with the corresponding period of the previous year.

(I) Segment assets

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage%	Amount	Percentage%
Financial investments ⁽¹⁾	269,563.4	48.57	316,790.7	55.09
Financial assets held under resale agreements	12,984.1	2.34	2,443.7	0.42
Cash and balances with central bank	100,365.9	18.08	97,012.1	16.87
Deposits and placements with banks and other financial institutions	160,910.8	28.99	148,021.8	25.74
Discounted bills	4,412.8	0.79	3,637.5	0.63
Other assets	6,814.6	1.23	7,101.7	1.25
Total assets	555,051.6	100.00	575,007.5	100.00

As at 30 June 2018, the total size of operating assets was RMB555,052 million, representing a decrease of RMB19,956 million, or 3.47%, as compared with the end of the previous year. In particular, financial investments decreased by RMB47,227 million, or 6.52 percentage points, in proportion to total assets; cash and balances with central bank increased by RMB3,354 million, or 1.21 percentage points, in proportion to total assets; financial assets held under resale agreements increased by RMB10,540 million, or 1.92 percentage points, in proportion to total assets; deposits and placements with banks and other financial institutions increased by RMB12,889 million, or increased by 3.25 percentage points, in proportion to total assets; discounted bills increased by RMB775 million, or 0.16 percentage points, in proportion to total assets.

(II) Financial investments

1. Distribution of Financial Investments

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage%	Amount	Percentage%
Financial assets at fair value through profit or loss	55,328.1	20.53	519.2	0.16
Financial assets at fair value through other comprehensive income	10,954.8	4.06	N/A	N/A
Financial assets measured at amortised cost	203,280.5	75.41	N/A	N/A
Available-for-sale financial assets	N/A	N/A	165,084.2	52.11
Held-to-maturity financial investments	N/A	N/A	72,444.2	22.87
Financial investments classified as receivables	N/A	N/A	78,743.1	24.86
Total	269,563.4	100.00	316,790.7	100.00

Note:

- (1) Financial investments: include assets designated at fair value through profit or loss, investments designated at fair value through other comprehensive income, investments measured at amortised cost, available-for-sale financial investments, held-to-maturity financial investments, financial investments classified as receivables. It does not include equity investment.

In the first half of 2018, the Group implemented the classification management of its financial investments according to the requirements of IFRS 9 and based on business model and contractual cash flow characteristics. Apart from taking financial assets at fair value through profit or loss and financial assets measured at amortised cost as the major investment targets, the Bank took the market condition into consideration and moderately invested in certain financial assets at fair value through other comprehensive income. As at 30 June 2018, financial assets measured at amortised cost of the Group amounted to RMB203,281 million, accounting for 75.41% of total financial investments. Financial assets at fair value through profit or loss amounted to RMB55,328 million, accounting for 20.53% of total financial investments. Financial assets at fair value through other comprehensive income amounted to RMB10,955 million, accounting for 4.06% of total financial investments.

2. *Distribution of Financial Investments by Credit Rating*

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage%	Amount	Percentage%
AAA	18,017.0	6.68	18,043.1	5.70
AA	13,995.2	5.19	10,620.6	3.35
A and below	89.4	0.03	108.2	0.03
Unrated	237,461.8	88.10	288,018.8	90.92
Total	269,563.4	100.00	316,790.7	100.00

In the first half of 2018, according to the policy guidance of the central government on risk prevention and de-leveraging, the Group continued to further analysed on the policy and market. With the expectation of a macro situation in which prudent monetary policy and deleveraging measures will be maintained, the Group determined the bond investment strategy of “risk prevention, appropriate allocation, delicate selection”.

With respect to operation, given the decreasing interest rate in the interbank market and frequent credit risk events, the main objective of the strategy was to enhance the prevention of credit risk and liquidity risk, select medium-term bonds with better quality and higher coupon rate at higher interest rate for investments well as increase in holdings of government bonds, debt securities issued by policy banks and bonds issued by local government with better liquidity and AAA rating.

As at 30 June 2018, financial investment with a rating of AA and above increased by RMB3,349 million, or 2.82 percentage points, in proportion to total financial investment as compared with the end of the previous year, while unrated financial investment decreased by RMB50,557 million, or 2.82 percentage points, in proportion to total financial investment as compared with the end of the previous year. Unrated financial investment are mainly government bonds, public sector bonds, quasi-government bonds, certificate treasury bonds and wealth management products issued by financial institutions.

3. Distribution of Financial Investments by Remaining Maturity

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018		As at 31 December 2017	
	Amount	Percentage%	Amount	Percentage%
Within 3 months	39,783.3	14.76	86,751.9	27.38
3 to 12 months	64,073.8	23.77	91,823.2	28.99
1 to 5 years	121,384.1	45.03	109,948.2	34.71
Over 5 years	44,322.2	16.44	28,267.4	8.92
Total	269,563.4	100.00	316,790.7	100.0

As at 30 June 2018, the Group's financial investments with a remaining maturity of less than 12 months decreased by RMB74,718 million, or 17.84 percentage points, in proportion to total financial investments from the end of the previous year. The Group's financial investments with a remaining maturity of over 5 years increased by RMB16,055 million, or 7.52 percentage points, in proportion to total financial investments from the end of the previous year. The Group's financial investments with a remaining maturity of 1-5 years increased by RMB11,436 million, or 10.32 percentage points, in proportion to total financial investments from the end of the previous year. These mainly due to the Group's improvement in the maturity structure of the investment portfolio given a proper build-up of investments in long-term debt securities with higher interest rates and relatively higher investment value in accordance with the changes in the bond market and the reasonable allocation of the maturity and yield of its investment portfolio.

4. *Holding of Financial Bonds*

Financial bonds refer to the marketable securities issued by policy banks, commercial banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. As at 30 June 2018, the outstanding balance of the Group's financial bonds amounted to RMB40,304 million, which mainly consisted of the financial bonds issued by policy banks. The table below sets out the top ten financial bonds in terms of nominal value held by the Group as at the dates indicated:

Expressed in RMB million, except for percentages

Name of debt securities	Nominal value	Interest rate per annum	Maturity date	Impairment
Debt securities issued by policy banks in 2018	2,500.0	4.88	2028/2/9	—
Debt securities issued by policy banks in 2017	2,000.0	4.30	2024/8/21	—
Debt securities issued by policy banks in 2018	1,500.0	4.69	2023/3/23	—
Debt securities issued by policy banks in 2017	1,000.0	3.83	2024/1/6	—
Debt securities issued by policy banks in 2017	1,000.0	4.39	2027/9/8	—
Debt securities issued by policy banks in 2018	1,000.0	4.37	2023/5/25	—
Debt securities issued by policy banks in 2018	1,000.0	4.73	2025/4/2	—
Debt securities issued by policy banks in 2013	1,000.0	4.02	2018/7/18	—
Debt securities issued by policy banks in 2017	1,000.0	4.44	2022/11/9	—
Debt securities issued by policy banks in 2013	950.0	4.07	2020/4/11	—

(III) Assets Management Business

The wealth management business achieved steady and continuous development. The Bank always adheres to the principle of customer-oriented. Two Series of special wealth management products, “Building up Your Fortune” and “Happy life in the Ba-Yu Region” were launched to create a stable investment income for investors. In the first half of 2018, the Bank successfully issued the first net worth-type wealth management products, and launched a number of open wealth management products to solidly promote the transformation of wealth management business in accordance with the new assets management requirements. Efforts are also made to improve the management level of wealth management business through actively preventing exposures and promoting the compliant development of it in accordance with the regulatory requirements.

In January to June 2018, the Bank issued 783 tranches of wealth management products in total with the issue amount of RMB181,259 million, representing a year-on-year decrease of RMB87,319 million or 32.51%. As at the end of June 2018, the outstanding balance of wealth management products amounted to RMB119,599 million, representing a decrease of RMB24,627 million or 17.08% over the end of the previous year, mainly due to the overall supervision policies of the asset management industry and market influence.

IV. Distribution Channels

(I) Physical Outlets

Operating outlets are the primary distribution channels of the Bank. As at 30 June 2018, the Bank had 1,777 branches of various kinds, including 1 headquarter, 5 branches, 1 business department, 37 sub-branches, 53 tier-two sub-branches, 1,678 branch outlets and 2 community branch outlets, among which Qujing Branch in Yunnan became the first cross region branch among the domestic rural commercial banks. The network of sub-branches covers all the 38 administrative districts and counties of Chongqing with 1,462 distribution outlets in the County Area of Chongqing, covering all the blank areas in Chongqing and with 313 outlets in the city’s urban area. The Bank ranked first in the number of branches in both County Area and the urban area among its peers.

The Bank has put the construction of distribution channels into its medium-and long-term strategic development plan and stepped up optimising the layout of outlets and restructuring to improve its service coverage, service capabilities and operational efficiency. In 2018, the Bank planned to establish 1 new branch, reallocate 20 existing branches and refurbish 82 existing branches.

(II) Self-service Banking

In order to expand the scope of customer services and provide customers with more convenient services, as at 30 June 2018, the Bank established 170 24-hour self-service centers and the number of ATMs and self-service inquiry terminals reached to 4,881 (including Qujing City). The proportion of machine to outlet was nearly 2.75:1, among which the number of ATMs put into use amounted to 3,992 units over the end of the previous year and self-service inquiry terminals put into use amounted to 889 units over the end of the previous year.

The Bank continued to deepen the basic financial services in rural areas and effectively established the “last mile” of financial services in rural areas. As at 30 June 2018, 556 convenient rural financial self-service centres had been established and commenced on-line operation across the organization. As such, the Bank extended its financial service coverage whilst bringing convenience and benefits to the people in rural area. It won widespread recognition from the local government and the general public, achieving both social and economic benefits.

(III) Electronic Internet Finance

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

1. Mobile banking

The Bank continued to innovate its mobile banking, launched encrypted SMS authentication for mobile bank card, online bonus point redemption, login pattern password/fingerprint password, as well as services and functions for the convenience of the customers including card-free cash withdrawal, recharge, school bill payment, payment of cable bill, traffic fines, public rental, ETC top-up, agency purchase of car insurance, outlet reservation and queuing, etc. to improve customer viscosity and satisfaction with bank mobile payments.

As at 30 June 2018, the number of mobile banking customers of the Bank reached 7,691,300, representing an increase of 875,500 new customers, or 12.85%, as compared to the end of the previous year. The aggregate number of financial transactions for the first half of the year amounted to 31,934 thousand and the amount of transactions was RMB528.489 billion.

2. *WeChat banking*

The Group also launched a corporate WeChat banking and a new personal Wechat banking. Corporate WeChat banking was equipped with bank reconciliation, account enquiry, to-do-list notice, business processing guidance and other functions, which provided corporate customers with convenient business process and effective information access. With a customer-oriented approach, new personal Wechat banking created an innovative “all-around comprehensive service platform integrating financial service and living service” and improved the interactive model of WeChat banking and UI Style, which upgraded the operational and visual experience of customers. As at 30 June 2018, WeChat banking has attracted the attention of 597.6 thousand customers, with a total of 14,408.1 thousand messages received.

3. *Internet banking*

(1) Corporate internet banking

The Group continued to carry out the direct connection and customer service between the Bank and the enterprises and actively cooperated with various trading centre in districts/counties to promote electronic tendering system. As at 30 June 2018, the number of customers of the Bank reached 124 and there were 5 more customers of direct connection and access between the Bank and the enterprises which increased by 4.20% over the end of the previous year.

As at 30 June 2018, the number of corporate internet banking customers of the Bank increased by 21.68% over the end of the previous year to 62.3 thousand, increased 11.1 thousand in this year; 3,104.4 thousand financial transactions have occurred in this year; the amount of transactions was RMB401,650 million.

(2) Personal internet banking

The Group has been actively engaged in improving customers' experience. It has strengthened security for E-banking to improve the security in using E-banking. In the meantime, the Group continued to strengthen risk control of online payment business, entered into in-depth cooperation with third party payment service providers and improved the risk control of quick payment. The Group enriched the functions of the products, in order to meet the multi-layered and diversified customers' needs for financial services.

As at 30 June 2018, the number of personal internet banking customers was 2,910.9 thousand, representing an increase of 135.9 thousand, or 4.90%, over the end of the previous year. 126,563.6 thousand financial transactions have occurred in the year; the amount of transactions occurred in the year was RMB119,367 million.

4. *Local living service platform*

Focusing on the promotion of the online and offline e-commerce living service platform, and through the integration of mobile payment of the Bank, Alipay and WeChat payment channels, the Bank launched Yukuaifu (渝快付) QR code payment service to provide customers with a variety of shopping payment methods. As of 30 June 2018, the platform had 40,800 users. Number of transactions in the year reached 1,223.6 thousand, with a transaction amount of RMB185 million.

5. *Mobile integrated terminal*

The Group enriched the business content of the mobile integrated terminal to optimize business process and increase business efficiency. The mobile integrated terminal platform realized the signing and maintenance of electronic channels, loan application and progress inquiry (operating loans, personal housing mortgage loans, auto loans, administrative enterprises and institutions staff credit loans, personal parking loans, personal consumer loans), ETC processing, intermediary business application (withholding), wealth management product purchase, personal customer risk rating and credit card application. Through expansion of mobile integrated terminal, customer demands were adequately met. The Group strived to extend the coverage to marketing, access and operation to further expand the scope and improve the ability of customer service of the Bank.

As at 30 June 2018, the number of contracted clients during the year were 459.7 thousand among which 132 thousand were contracted debit card users, 179,200 were mobile banking users, 48.4 thousand were personal online banking users, and 100.1 thousand were contracted SMS service users.

(1) Telephone and SMS banking

The service capacity of telephone banking continuously strengthened. The Bank established the telephone banking prediction model to enhance the accuracy of prediction of incoming call data. The Bank also strengthened telephone data monitoring and analysis and improved the site management to enhance the quality of telephone banking services and strengthen the business support. As at 30 June 2017, the Bank had offered services to 4,427.3 thousand customers via telephone banking. The growth of SMS banking is promising. As at 30 June 2018, the accounts of SMS amounted to 11,055.6 thousand, while contracts signed by high-end customers accounted for 80.24%.

The electronic internet finance of the Group achieved sustainable and effective development through relentless efforts and bold innovations. As at 30 June 2018, the substitution rate of E-banking account transactions of the Bank reached 92.06%, representing an increase of 1.94 percentage points as compared to the end of the previous year.

(IV) Direct sales banking

The direct sales banking platform of the Group is a platform utilising internet to carry out integration of direct sales business of banks' financial products. It is a breakthrough of banks' reliance on outlet expansion to expand business scale and adopts the mode of internet finance for trans-outlet and trans-regional sales of bank products. The direct sales banking provides customers with "Jiangyu FOF" (江渝基金寶) product, fund products, intelligent deposits product, bank wealth management product, payment of living expenses, loan application and other financial services through its official website, mobile banking client, and other channels. As at 30 June 2018, the direct sales banking had 716.3 thousand users with 54.7 thousand transaction and aggregate transaction amount of RMB1,421 million.

V. Principal Subsidiaries

CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as a major promoter. The establishment of village and township banks is of great significance to the performance of social responsibility, broadening and deepening the service to new rural construction, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. As at the end of the Reporting Period, the Bank has established 12 CQRC Village and Township Banks with aggregate capital amounting to RMB3,275 million and the outstanding balance of deposits and loans in aggregate amounting to RMB1,403 million and RMB2,053 million, respectively.

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

VI. Information Technology

In 2018, the information technology work of the Bank was guided by the principle of "Independent and Controllable, Sustainable Development, and Technological Innovation", and continuously intensified the supporting role of information technology in the development of banking business. In the first half of 2018, each important information system of the Bank was operating stably; no unplanned system interrupt accidents occurred; and the network operation was stable.

(I) Technological governance

In the first half of 2018, a total of two working meetings were organized and convened by the IT Strategic Development Committee, to approve a series of important proposals including the Construction Plan on Information Technology Project for the Year 2018, software development human resource outsourcing program, fund sales system optimization and upgrading; continuous optimization of personnel structure, captured the IT personnel and introduced them into work through multiple channels such as school recruitment and social recruitment, and continuously intensified the personnel training mechanism at the same time to form the benign technology team construction mechanism; improved the construction of assessment mechanism, introduced and implemented an outsourcing supplier assessment system, continuously standardized the project quality review mechanism, intensified the demand guide and test review and intensified the information technology project life-cycle management.

(II) Information security guarantee

The Bank adopted three-layer risk prevention system structure, implemented the information safety guarantee work; integrated the operation and maintenance system, standardized the operation process, strengthened the skills of maintenance personnel, implemented the site duty, to ensure the operation and maintenance efficiency of the overall system and ensure emergency response capabilities. The Bank also implemented daily security loophole monitoring of the system and carried out the rolling inspections and special inspections on the risks in the information security and carried out the key inspections on holidays and festivals and during the peak season of marketing to ensure the comprehensive, safe and stable operation of the information system.

(III) Business continuity management

The Bank paid high attention to the business continuity management, and continuously optimized and perfected the contingency plan for the business continuity. In the first half of 2018, emergency drill, the drill of three-level network switch and other service continuity emergency drills were completed as scheduled, which fully verified the effectiveness of relevant emergency plans. The Bank improved the on-site personnel's emergency operation proficiency and disaster awareness, and further optimized the organizational structure and operational procedures of the emergency drill. The Bank pushed forward the construction of a new data center in Yu Zui, which will apply advanced technologies such as virtualisation, modularization and low-energy consumption, taking into account safety, science and scalability, and incorporating environmental protection concepts to ensure the sustainable development of the center, effectively meet the requirements of the future informationization construction and group information system hosting for the basic environment, and carry out infrastructure support.

(IV) Information system construction

The Bank strived to “online and offline” systems, actively promoted the construction of smart banking platforms, accelerate the introduction of advanced technologies such as big data platforms, artificial intelligence, private cloud platforms and distributed systems, integrated electronic channels such as mobile banking and online banking, effectively enhanced the user experience, promoted business intelligence reform, and provided strong support for rapid business development and innovation. In the first half of 2018, a total of 7 online projects were completed, including risk data collection construction project, seal management system, performance optimization project of audit information system, Cloud Micro-Loan•Guaranteed E-loan, government bonds project, Yinzhijie inspection system upgrade, self-service terminal operation and maintenance platform optimization project.

VII. Employees and Human Resources Management

(I) Basic Information on Employees

As at 30 June 2018, the Bank had 15,704 regular employees, 11,161 of whom held Bachelor’s degrees or above, representing 71.07% of all the Bank’s regular employees. In addition, the Bank had 487 dispatch workers, 780 internally retired employees and 5,767 retired employees.

(II) Overview of Human Resources Management

In the first half of 2018, adhering to the “Three-Transformation” strategy, the Bank actively explored new ideas in strategic planning, open selection, systematic cultivation and scientific management of human resources, promoted improvement of human resources management level, showing a good situation of reform and orderly advancement, continuous optimization of structure, continuous improvement of quality, and steady improvement of efficiency.

(III) Training

The Bank was devoted to the business development and the improvement of the occupational quality of staff, enhancing staff training with continuous efforts, integrating educational training resources, resulting in comprehensive trainings for different levels and categories. Staff’s comprehensive quality was completely upgraded. In the first half of 2018, the Bank held 762 sessions of training of all kinds with attendances of 43 thousand.

FINANCIAL BUSINESS IN COUNTY AREA

County Area is the principle base where the Group carries out Sannong Financial Services. The financial business in County Area has been a long-term strategic focus, and also one of the Group's major sources of revenue. The Group provides diversified financial services for customers in County Area through four branches, 27 first level sub-branches, 36 secondary level sub-branches and their 1,395 distribution outlets, two community branch outlets as well as 12 village and township banks located in County Area. During the Reporting Period, the Group took advantage of interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, actively innovated products, and strived to enhance the financial service in County Area, all of which have led to the rapid growth of financial services in County Area.

As at 30 June 2018, the loan balance of the financial business⁽¹⁾ of the Group in County Area amounted to RMB164,397 million, representing an increase of RMB13,257 million, or 8.77%, over the end of the previous year. In particular, the corporate loan balance of the financial business in County Area amounted to RMB71,632 million which accounted for 30.03% of the corporate loan balance of the Group, representing an increase of RMB5,511 million, or 8.33%, over the end of the previous year. The personal loan balance of the financial business in the County Area amounted to RMB92,765 million, representing an increase of RMB7,746 million, or 9.11%, over the end of the previous year, accounting for 75.01% of the personal loan balance of the Group. The deposits balance in County Area amounted to RMB426,337 million, representing an increase of RMB38,236 million, or 9.85%, over the end of the previous year.

The Bank firmly established the new development concepts, adhered to the requirements of high-quality development, and served the rural revitalization strategy as the general focus for Sannong financial services. Adhering to the general keytone of making progress while maintaining stability and based on the new industries, new business normal and new dominance in county areas, channelling of financial resources was propelled to enhance the efficiency of Sannong financial services. As of 30 June 2018, the outstanding balance of agricultural loans⁽²⁾ of the Group amounted to RMB151,382 million.

Notes:

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

I. Reform and Innovation

(I) Management Reinforcement

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

(II) Strengthening Incentives

The Bank further enhanced the capacity of the financial services in County Area, solely prepared the credit plan for the financial services in County Area and implemented differentiated incentives policy. Resources including staff, funds, self-service machines and others were shifted towards the sub-branches providing the financial services in County Area to ensure that the financial services in County Area could become fast and convenient, timely, effective and satisfying.

(III) Innovation-driven

With a focus on the improving inclusive financial services, the Bank accelerated innovative product and service models and increased financial supply for “Sannong”. The Bank actively promoted cooperation models such as bank to government and bank to guarantor, accelerated the use of new technologies such as cloud computing, big data, and artificial intelligence, and innovated “online + offline” two-way driving, fast and efficient financial service products to meet the needs of customers in rural areas. The Bank also revised existing measures and operating procedures of “Sannong” credit loan based on new situations, new changes and new characteristics of rural areas, so as to promote the integration of products and markets.

II. Corporate Banking Business in County Area

During the Reporting Period, we centered on the key banking businesses in County Area such as facilitating the integrated development of urban and rural areas and the modernization of agriculture and rural areas, the Bank continued to, with leading enterprises in the Bank as its main target customers, tighten classified management of corporate customers, energetically intensify marketing efforts and strive to foster core customer groups. For flagship companies of relevant industries, the Group developed integrated banking services plans, improved its banking services, consolidated and deepened the cooperative relations between banks and enterprises.

III. Personal Banking Business in County Area

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

As the only bank in Chongqing offering the social pension insurance services for urban and rural residents, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11.20 million people. Departments of finance and social insurance of the city and district/county have opened social insurance accounts with the Bank, with a capital balance of RMB12,000 million as at 30 June 2018. In the first half of 2018, the number of individual pensions withheld by the Bank amounted to 3,938.6 thousand, totaling RMB923 million; the number of individual pensions paid by the Bank as an agent amounted to 22,502.1 thousand, totaling RMB2,765 million. These services provided the Bank with an extensive customer base and helped stabilize the customer resources and facilitate the development of the Bank's businesses.

Management Discussion and Analysis

The Bank made greater efforts in the construction of electronic channels in County Area and vigorously marketed the Jiangyu Card (江渝卡), the Jiangyu Xiangqing Card (江渝乡情卡), the Farmer's Fortune Card (福农卡), credit card, personal internet banking and mobile banking. As at 30 June 2018, the Bank operated 2,808 ATMs, 707 multi-media enquiry machines in County Area and established and operated 556 convenient rural financial self-service centres. The number of debit cards and credit cards issued by the Bank in County Area also decreased by 1,197.5 thousand and increased by 69.4 thousand over the end of the previous year, respectively, to 15,291.2 thousand and 502.8 thousand, respectively, which accounted for 77.62% of the debit cards issued by the Bank and 76.89% of the credit cards issued by the Bank, respectively. 2,034.7 thousand customers in County Area opened for personal internet banking service, accounting for 70.04% of the number of customers opening for personal internet banking service of the Bank and representing an increase in 106.1 thousand customers over the end of the previous year. 6,166.4 thousand customers in County Area opened for mobile phone banking service, accounting for 80.45% of the number of customers opening for mobile phone banking service of the Bank and representing an increase of 714.3 thousand customers over the end of the previous year. With the gradual enhancement in electronic equipment, the increase in the number of cards and the promotion and marketing on E-banking products, the Bank is well poised to keep expanding its customer base in County Area, increase the penetration of banking business in County Area, and build good business relationship with customers.

IV. Summary of Information on Geographical Segments

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2018			For the six months ended 30 June 2017		
	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	2,038.0	6,913.7	8,951.7	1,994.9	8,276.0	10,270.9
Net fee and commission income	498.0	616.3	1,114.3	486.5	668.7	1,155.2
Net trading gain	—	3,034.9	3,034.9	—	23.2	23.2
Other operating gain or loss, net	25.8	134.8	160.6	34.9	(39.2)	(4.3)
Total operating income	2,561.8	10,699.7	13,261.5	2,516.3	8,928.7	11,445.0
Internal transfer of income and expense	3,772.7	(3,772.7)	—	3,085.9	(3,085.9)	—
Gain after adjustment	6,334.5	6,927.0	13,261.5	5,602.2	5,842.8	11,445.0

For the six months ended 30 June 2018, the gain of County Area segment after adjustment was RMB6,335 million, mainly due to the increases in net interest income, net fee and commission income.

RISK MANAGEMENT

In the first half of 2018, guided by the New Basel Accord and the Comprehensive Risk Management Guidelines for Banking Financial Organizations by the CBIRC (the former CBRC), the Group continued to improve organization structure and relevant comprehensive risk management policies and systems, published the written risk appetite statement and continuously monitored the performance of appetites. During the Reporting Period, the Group maintained sufficient capital with adequate liquidity and stable asset quality, and effectively implemented internal control and risk management that matched the development of the Bank.

I. Credit Risk Management

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

In the first half of 2018, confronted with the macro-economic and financial environment, the Group earnestly implemented the macro-economic control policy of the country, and further improved the credit risk management system based on the “Three Transformation” strategy and the philosophy of “focusing on the basis, strengthening the management, adjusting the structure, controlling risks, making innovations and steady development”. The Group also extended the scope of the risk management committee under the senior management to ensure the effective supervision of credit risk by management. The Bank facilitated the reform and innovation in a practical manner, made timely adjustment to the credit policy based on the change in macro environment and adjustment of industrial structure, formulated the annual credit granting guidelines, and continued to improve the industry structure. It also strengthened the risk management and control of local debts, real estate sector, industries with high pollution, high energy consumption and excess capacity and other key sectors, and adopted list-based management in respect of customers with high risk and continuously monitored the risk profile. The Bank continued to implement the team system for post loan management and interactive management of large-scale problematic loans. It also increased its efforts in proactive risk inspection, identification and mitigation as well as termination of loan to customers with potential risks. The Bank prudently carried out the management of asset risk classification and made provisions to enhance risk compensation. The Bank strengthened the management of loan interest settlement and the clearing, disposal and write off of non-performing loans as well as innovated transfer of non-performing loans. It also continued to improve the functions and scope of application of the credit business management system, thereby further enhancing the ability in credit risk management and control.

II. Liquidity Risk Management

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

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

In the first half of 2018, the Group insisted on the business ideology of prudence and compliance, prioritised asset safety and mobility in its operation and adopted a series of measures to improve its asset and liability structure. By formulating the liquidity risk appetite in 2018, the Group enhanced daytime liquidity risk management, and further optimized liquidity risk management information system to facilitate the refined management.

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

Liquidity Risk Analysis

In the first half of 2018, strong supervision and stable monetary policy continued to be officially promulgated, the financial environment continued to tighten, and market liquidity stratification was strengthened. The central bank successively used tools, such as targetedly Cutting the Reserve Requirement Ratio for the Sake of Inclusive Finance, medium-term lending facilities, and reverse repurchase operations, in a timely and appropriate manner to provide liquidity. Money market liquidity became neutral and gradually abundant. The Bank actively managed provisions, increased the excess reserve ratio and strictly complied with the liquidity quota management mechanism and therefore, its liquidity was improved.

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. At the end of June 2018, the liquidity gap analysis of the Group by remaining maturity is as follows:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018							Total
	Past due/ Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Net position of assets and liabilities	<u>79,890.2</u>	<u>(493,461.0)</u>	<u>43,294.1</u>	<u>51,642.8</u>	<u>110,727.5</u>	<u>142,516.7</u>	<u>130,618.2</u>	<u>65,228.5</u>

The Group measured and disclosed its liquidity coverage ratio in accordance with the relevant requirements of Methods for Liquidity Risk Management in Commercial Banks (Provisional) (《商業銀行流動性風險管理辦法(試行)》) issued by the CBIRC (the former CBRC). As at the end of June 2018, the liquidity coverage ratio of the Group is as follows:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018
Qualified and high-quality current assets	85,070.09
Net cash outflows in future 30 days	35,760.34
Liquidity coverage (%)	<u>237.89</u>

III. Market Risk Management

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

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

Management Discussion and Analysis

Interest Rate Risk Analysis

Interest rate risk is the major market risk faced by the bank accounts. The Group measures interest rate sensitivity gap on a regular basis, evaluates interest rate risk through gap analysis, and further assesses the impact of interest rate changes on net interest income and corporate net value in varied interest rate scenarios.

In the first half of 2018, on the one hand, the liquidity of the money market was neutral and gradually abundant; interest rate in money market decreased after hike, showing a staged downward trend. On the other hand, the bond market was affected by the intensive introduction of regulatory policies. Market sentiment was once cautious, and long-term yields rose. As the funds turned to loose, the market gradually understood the marginal changes in monetary policy, and bond yields fell. In response to the complex market situation, the Group kept a close eye on the changes in macro monetary policy and domestic and foreign financial markets. By applying the FTP internal fund transfer pricing system properly, the Group further improved the management of interest rate pricing, duly adjusted the pricing of funds and effectively controlled the fall of interest rates for loans and interest costs for deposits with a view to improving the proactiveness of risk management and ensuring the sustained growth in the revenue and market value of the Group.

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2018						Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Interest rate gap	<u>(349,750.3)</u>	<u>54,204.7</u>	<u>219,101.8</u>	<u>53,939.7</u>	<u>35,341.3</u>	<u>52,391.3</u>	<u>65,228.5</u>

As at 30 June 2018, the Group's accumulated interest rate gaps for all maturities amounted to RMB65,229 million, representing an increase of RMB2,524 million from the end of the previous year.

Exchange Rate Risk Analysis

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

In the first half of 2018, the global economy continued to recover. China's economy was stable and improving. The supply-side structural reforms were solidly promoted. Financial market-related reforms and opening up to the outside world have been implemented steadily, forming a two-way flow and a more balanced pattern of cross-border capital flows. However, the current economy was at the bottom of the new production cycle and at the top of the financial cycle. Trade and investment protectionism has risen. Due to the strength of the US dollar and the sentiment of trade wars, the RMB exchange rate depreciated sharply in the short term. In the future, China will gradually weaken the emphasis on the external environment and domestic and foreign economic and financial links, weaken exchange rate concerns, and further promote the marketization of the RMB exchange rate. The Group strengthened its management capability of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilisation of foreign exchange capital reasonably. It also actively explored the usage of financial instruments for exchange rate to hedge against exchange rate risk.

IV. Operational Risk Management

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

In the first half of 2018, the Group strengthened the internal management in the comprehensive risk management system according to the regulatory requirements, established various important measures to control operational risk and continuously enhanced its overall prevention and control over operational risks. Firstly, the Group strengthened daily risk management by strengthening the analysis and identification of risk exposure in the process of business management activities through carrying out the “year of operational risk management”, annual risk case examination and other activities to strengthen the long-term mechanism of rectification. The Group also organized and carried out various special inspection on accounting business and counter operation, continuously monitored the practices and took measures to mitigate and control the risks. Secondly, the Group implemented the regulatory requirements, comprehensively carried out the work of rectifying the chaos in the banking industry market, and carried out self-examination, cross-checking and special supervision at all levels of institutions in light of the rectification requirements of the China Banking Regulatory Authority, effectively prevented and control cross-financial risks, and ensured compliance with laws and regulations. The bottom line of risks was kept. Thirdly, the business continuity management was implemented in a stable manner. We formulated the drill plan for business continuity of the Bank for the year, formulated the emergency plan for the launch of emergency drills by business and technology departments as scheduled, reviewed and recorded the business emergency plans submitted by different departments, and comprehensively improved the business continuity management system. Fourthly, the Group facilitated the risk management of information technology. The Group strengthened the ability to ensure the safe operation of important information systems, strengthened data security management and virus and external intrusion prevention capabilities; used the information technology risk monitoring indicator system to collect indicator data on a quarterly basis and analyze and report the risk trends. Fifthly, the Group organized all departments to implement regular monitoring and management of operation risks, designed and determined the key risk monitoring indicators for different business management activities, and gradually implemented the operation risk monitoring and analysis mechanism within the Bank. Sixthly, the Group improved the systematic assessment mechanism, fully reviewed the compliance, applicability and operability of the system, carried out internal control system assessment, thereby directing and facilitating the overall enhancement of the quality of the Bank’s internal control system. The Group published and applied a number of standardized contracts to effectively prevent and control legal compliance risks.

V. Implementation of New Basel Accord

The Group further promoted the establishment of new capital accord in accordance with the requirements of regulatory authorities. In the first half of 2018, the Group completed the annual update on the internal rating of non-retailing sector, and the internal rating and automatic credit system of retailing sector was officially launched, promoting the wide use of the retailing scorecard model before, during and after the loan. The Group continuously carried out rating system monitoring, prepared retailing and non-retailing rating analysis reports on a quarterly basis, and comprehensively analyzed the overall rating status from the perspectives of rating distribution, default analysis, quota analysis and model verification monitoring to ensure that the internal rating system was functioning properly. The Group continuously optimized the risk model and developed and updated the model that met the monitoring threshold and the data accumulation requirements to ensure the availability of the model. It launched various systems such as rating system management, internal rating model and risk parameter quantitative management to promote the standardized and efficient use of the results of the construction of new capital agreements. The Group promoted construction of risk data collection, completed the development of the main functions, basically built a data collection source that covered the main risk data and unified theme models of the Group, laying a solid foundation for achieving unified and accurate analysis and utilization of risk data to implement comprehensive risk management. The Group facilitated the construction of risk-weighted assets (RWA) system. The system has entered the trial operation stage, realizing the automatic calculation of risk-weighted assets of the Bank, and providing the function of capital planning and RWA planning and management, thereby providing an effective tool for enhancing the capital management ability of the Bank. The internal evaluation risk parameters were used to realize the impairment measurement under the new IFRS 9 standard, which effectively improved the level of risk management.

VI. Anti-money Laundering

In the first half of 2018, the Bank adhered to the philosophy of risk orientation, diligently performed the responsibility and obligation of anti-money laundering and promote the effective implementation of anti-money laundering work based on the implementation of the “three counter opinions” of the State Council and the “Order No.3” issued by the Central Bank. During the Reporting Period, the Bank formulated annual working opinions and improved the internal control system of anti-money laundering, continued to optimize the internal control system, enhanced the anti-money laundering compliance management and risk management and control level; incorporated anti-money laundering management into the main business line of the principal bank and branch Key Performance Indicators (KPI) for assessment to improve the assessment mechanism and performance abilities; strengthened the construction of anti-money laundering teams, sped up the construction of the anti-money laundering monitoring center of the head office, conducted centralized screening, analysis, investigation and reporting of anti-money laundering suspicious transactions, comprehensively enhanced the intensive and professional management level of anti-money laundering work; actively respond to the work of the Chongqing Municipal Management Department of the Central Bank, to implement the three-year plan for anti-money laundering data governance and consolidate the foundation of anti-money laundering work. According to the requirements of the “No. 235” Article and “No. 300” Article of the Central Bank, the Group optimized the core system, standardized the data interface, strengthened the identification of non-natural person customers who newly established business relationships, carried out the continuous and re-identification of the identity information of the non-natural person customers, and earnestly performed anti-money laundering legal obligation. Through joint task meetings, issue of Risk Notices and preparation of working status reports, the Group smoothened information communication and enhanced risk prevention and control. Through on-site anti-money laundering training for branches, employees had higher awareness and ability to prevent money laundering risks, further enhancing the overall level of anti-money laundering work.

INTERNAL AUDIT

The Group has established an independent and objective internal audit system. The Group has an Audit Committee under the Board of Directors and the Board of Supervisors. The Audit Committee is accountable to the Board of Directors and supervises and evaluates the internal audit work based on the authorisation of the Board of Directors. The internal audit departments are accountable to the Board of Directors and the Audit Committee, and reports the audit work to the Board of Directors, Board of Supervisors and senior management regularly. The internal audit departments of the Group operate under a dual leadership system. The headquarter, branches and sub-branches, and CQRC Financial Leasing Co., Ltd set up an internal audit department respectively. The Bank's controlled village and township banks employed internal audit personnel. The work of the consolidated management department and internal audit departments of branches and sub-branches shall be subject to the guidance and management of the internal audit department of the headquarter. Through evaluation, the internal audit department continued to improve the organization of operating activities, risk management, internal controls and corporate governance, so as to facilitate the achievement of strategic goals of the Group.

During the Reporting Period, the Group's internal audit department effectively fulfilled their audit responsibilities by strengthening risk concepts and rationally allocating resources. The department actively cooperated with the CBIRC's cross-check and the Chongqing Audit Bureau's local financial risk prevention and control and capital flow tracking audit, and carried out the remediation of market chaos" activities in accordance with regulatory requirements. Based on its risk-oriented, problem-oriented and service-oriented approaches, the department conducted case risk investigation and business target audit regarding criminal risks, credit risk and emerging business risk, and conducted specific audit investigation on wealth management business, automobile mortgage loan, collateral management, bad debt write-off loan, seal license management, management of fire facilities, anti-money laundering management, reputation risk management, and three lines of defence. Greater efforts were devoted to the consolidated supervision and regulation. The department carried out internal control assessments, operation objective audit and investigation into criminal risks to CQRC Financial Leasing Co., Ltd. and the Bank's controlled village and township banks. The department adhered to standardization operations and strengthened review on audit quality; increased the rectification of problems and strengthened the use of audit results; accelerated audit informatization and improved audit innovation capabilities; strengthened the construction of professional teams and created a new professional audit team; so as to continuously improve the value of internal audit and to provide a strong guarantee for the transformation and upgrading of the Bank.

OUTLOOK

In the first half of 2018, the global economy continues to recover. With the normalization of US monetary policy, and the continuation of the tax cuts and trade protectionist policies, the US economy continued to grow strongly. Economic growth in the Eurozone and in Japan was weaker than that of the US. Capital markets and currency exchange rates in emerging economies experienced dramatic fluctuations. The global economic risks in the second half of the year will be mainly reflected in the normalization of monetary policy in developed economies, the tightening of global liquidity, the escalation of trade protectionism, the possible slowdown in global economic recovery, and the increase in geopolitical risks that affect the stability of global markets.

In the second half of 2018, the domestic economic situation will continue to improve steadily, but as the bond defaults increased, various regulatory policies were intensively introduced, and government platform's debt control became more stringent, some structural contradictions and deep-seated problems remained prominent. Therefore, it is necessary to accelerate the structural reform on the supply side, remove the institutional and systematic barriers of forming effective demand, and continue to expand aggregate demand. At the same time, we will unswervingly promote reform and opening up, and promote economic transformation and upgrading and high-quality development.

Judging from the local condition, the economic growth of Chongqing further slowed down. In the first half of the year, the city's GDP was RMB982.109 billion, representing a year-on-year increase of 6.5%. Chongqing's economy has shifted from a high-speed growth stage to a high-quality development stage, and is in the key process of transforming the development mode, optimizing the economic structure, and transforming the growth momentum. In the second half of the year, Chongqing will stringently adhere to the "two points" positioning, the "two places" and "two highs" goals and the "four strengthening" requirements put forward by General Secretary Xi Jinping, focusing on high quality, supply side and intelligence, and pushing forward the structural adjustments and transition with traditional drivers being replaced by new ones. We will constantly enhance the development of endogenous motivations and promote high-quality economic development.

In the second half of 2018, the Bank will continue to implement the "Three-Transformation" strategy consistently. Focusing on the work ideas of "Strong Management, Risk Control, and Steady Development" and the requirements for promoting high-quality development, we will firmly promote reform, innovation, transformation and upgrading, accelerate the landing of financial technology, solidly serve the development of the real economy, strive to improve the risk prevention and control and income level, continuously improve the level of internal governance, so as to ensure the completion of the annual target tasks.

Changes in Share Capital and Particulars of Shareholders

MOVEMENT IN SHARES

Unit: share, %

	1 January 2018		Increase/(decrease) +/- during the Reporting Period						30 June 2018	
	Number of shares	Percentage	Private placement	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
(I) Shares not subject to trading restrictions										
1. Non-overseas listed shares held by legal person ⁽¹⁾	5,925,048,559	59.25	-	-	-	-	-	-	5,925,048,559	59.25
Including: ① Shares held by state-owned legal person shareholders ⁽²⁾	2,811,862,459	28.12	-	-	-	-	-	-	2,811,862,459	28.12
② Shares held by private legal person shareholders	3,113,186,100	31.13	-	-	-	-	-	-	3,113,186,100	31.13
2. Non-overseas listed shares held by natural persons	1,561,615,400	15.61	-	-	-	-	-	-	1,561,615,400	15.61
Including: ① Shares held by natural persons who are employees	152,373,510	1.52	-	-	-	-	-	-	152,373,510	1.52
② Shares held by natural persons other than employees	1,408,161,775	14.08	-	-	-	-	130	130	1,408,161,905	14.08
③ Shares held by shareholders without affirmed ownership ⁽³⁾	1,080,115	0.01	-	-	-	-	(130)	(130)	1,079,985	0.01
3. Overseas listed foreign shares ⁽¹⁾	2,513,336,041	25.13	-	-	-	-	-	-	2,513,336,041	25.13
(II) Total number of shares	10,000,000,000	100.00	-	-	-	-	-	-	10,000,000,000	100.00

Notes:

- (1) As at the end of the Reporting Period, the Bank has 79,881 holders of non-overseas listed shares and 1,320 registered shareholders of H shares.
- (2) Shareholding of state-owned legal person refers to non-overseas listed shares of the Bank held by 14 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司).
- (3) Shareholders without affirmed ownership refer to untraceable shareholders of the Bank. Share interests held by them are shares of the former rural credit cooperatives, and they have not affirmed their ownership in the shares of the Bank. (Note: During the Reporting Period, 130 shares held at the time of the former rural credit cooperatives have their ownership affirmed in the shares of the Bank, whereby leaving 1,079,985 shares held by shareholders without affirmed ownership).



Changes in Share Capital and Particulars of Shareholders

Issue, Purchase, Sale and Redemption of Securities

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

Issued Bonds

The Bank issued financial bonds of RMB3 billion on 8 May 2018 in the PRC inter-bank bond market. Please refer to Note 32 “Issued Bonds” of financial report for the details of issuance of bonds of the Bank.

During the Reporting Period, there had not been any default by the Bank in respect of repayment of the principal and interests of the RMB5 billion callable tier 2 capital bonds issued on 19 June 2014 in the PRC inter-bank bond market or any matters in connection therewith; there had not been any default by the Bank in respect of repayment of the principal and interests of the RMB4 billion callable tier 2 capital bonds issued on 7 December 2016 in the PRC inter-bank bond market or any matters in connection therewith; there had not been any default by the Bank in respect of repayment of the principal and interests of the RMB3 billion financial bonds issued on 8 May 2018 in the PRC inter-bank bond market or any matters in connection therewith.

Particulars of Shareholdings

As at the end of the Reporting Period, the Bank had a total of 10,000,000,000 shares, comprising 7,486,663,959 non-overseas listed shares and 2,513,336,041 overseas listed H shares.

PARTICULARS OF SHAREHOLDINGS OF THE FORMER TOP TEN SHAREHOLDERS OF THE BANK

Unit: Share, %

No.	Name of Shareholder	Nature of shareholder	Total number of shares held ⁽¹⁾	Shareholding percentage ⁽²⁾	Numbers of shares pledged	Type of share
01	Hong Kong Securities Clearing Company Nominees Limited ⁽³⁾	Overseas legal person	2,513,336,041	25.13	Unknown	H shares
02	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	state-owned legal person	998,000,000	9.98	–	Non-overseas listed shares
03	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	state-owned legal person	787,087,430	7.87	–	Non-overseas listed shares
04	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	state-owned legal person	589,084,181	5.89	–	Non-overseas listed shares
05	Loncin Holding Co., Ltd. (隆鑫控股有限公司)	Domestic non-state-owned legal person	570,000,000	5.70	470,000,000	Non-overseas listed shares
06	Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	Domestic non-state-owned legal person	443,100,000	4.43	221,500,000	Non-overseas listed shares
07	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Domestic non-state-owned legal person	300,000,000	3.00	149,900,000	Non-overseas listed shares
08	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Domestic non-state-owned legal person	200,000,000	2.00	–	Non-overseas listed shares
09	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Domestic non-state-owned legal person	150,000,000	1.50	120,000,000	Non-overseas listed shares
10	Jiangsu Huaxi Group Corporation Limited (江蘇華西集團有限公司)	Domestic non-state-owned legal person	150,000,000	1.50	120,000,000	Non-overseas listed shares

Changes in Share Capital and Particulars of Shareholders

Notes:

- (1) As at 30 June 2018, the aforesaid shareholding percentage of non-overseas listed shares is based on the total share capital of the Bank of RMB10 billion;
- (2) As of 30 June 2018, 80,000 thousand shares of the non-overseas listed shares of the Bank are involved in judicial freezing, representing 0.80% of the total share capital of the Bank.

As of 30 June 2018, the pledged non-overseas listed shares of the Bank reaching or exceeding 50% of the Bank's shareholdings amounted to 1,049,573,300, accounting for 10.50% of the Bank's total share capital. The above shareholders and their dispatched directors will follow the relevant provisions of the Articles of Association, limiting its voting rights in the general meetings of shareholders and the voting rights of the dispatched directors in the Board meetings.

- (3) The number of shares held by Hong Kong Securities Clearing Company Nominees Limited refers to the total number of shares in the H Shareholders' account of the Company in the trading system represented by Hong Kong Securities Clearing Company Nominees Limited.

SUBSTANTIAL INTERESTS AND SHORT POSITIONS

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

Domestic Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	998,000,000	13.33	9.98
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	787,087,430	10.51	7.87
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Beneficial Owner	589,084,181	7.87	5.89
Loncin Holding Co., Ltd (隆鑫控股有限公司)	Beneficial Owner	570,000,000	7.61	5.70
CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司)	Beneficial Owner	443,100,000	5.92	4.43
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Beneficial Owner	300,000,000	4.01	3.00
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Beneficial Owner	200,000,000	2.67	2.00
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Beneficial Owner	150,000,000	2.00	1.50

Changes in Share Capital and Particulars of Shareholders

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held (long position) ⁽³⁾	Percentage of the issued H shares of the Bank	% of the total share capital of the Bank
BlackRock, Inc. ⁽¹⁾	Interest of controlled corporations	355,398,574(L) 3,507,000(S)	14.14% 0.14%	3.55% 0.04%
BlackRock Global Funds	Beneficial Owner	176,577,000(L)	7.03%	1.77%
Guo Guangchang ⁽²⁾	Interest of controlled corporations	176,048,000(L)	7.00%	1.76%
Fosun International Holdings Ltd. ⁽²⁾	Interest of controlled corporations	176,048,000(L)	7.00%	1.76%
Fosun International Limited ⁽²⁾	Interest of controlled corporations	176,048,000(L)	7.00%	1.76%
Citigroup Inc.	Interest of controlled corporations/Approved Lending Agent	133,803,595(L)	5.32%	1.34%
	Interest of controlled corporations	4,424,700(S)	0.17%	0.04%
	Approved Lending Agent	128,684,759(P)	5.12%	1.29%
Fosun Holdings Limited	Interest of controlled corporations	125,814,000(L)	5.01%	1.25%

Notes:

- (1) BlackRock, Inc. holds the entire issued share capital of BlackRock Holdco 2, Inc. and BlackRock Holdco 2, Inc. holds the entire issued share capital of BlackRock Financial Management, Inc. In accordance with the SFO, BlackRock, Inc. and BlackRock Holdco 2, Inc. are deemed to be interested in the shares of the Bank held by BlackRock Financial Management, Inc. and corporations controlled by it. BlackRock, Inc. had a long position in 335,398,547 H shares and a short position in 3,507,000 H shares of the Company through BlackRock Financial Management, Inc. and other corporations controlled by it, among which, the long position in 649,000 H shares and short position in 149,000 H shares involved derivatives.
- (2) Guo Guangchang holds 64.45% equity interests in Fosun International Holdings Ltd. Fosun International Holdings Ltd. holds 100% equity interests in Fosun Holdings Limited. Fosun Holdings Limited holds 71.70% equity interests in Fosun International Limited. Therefore, Guo Guangchang, Fosun International Holdings Ltd. and Fosun Holdings Limited are deemed to be interested in the shares of the Bank held by Fosun International Limited and corporations controlled by it. Guo Guangchang had a long position in 176,048,000 H shares of the Bank through Fosun International Limited and other corporations controlled by it.
- (3) (L) –Long position, (S) –Short position, (P) –Lending pool

MAJOR SHAREHOLDERS OF THE BANK

At the end of the Reporting Period, Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) and Loncin Holdings Co., Ltd. (隆鑫控股有限公司) held 998,000,000 shares, 787,087,430 shares, 589,084,181 shares and 570,000,000 shares of the Bank respectively, representing 9.98%, 7.87%, 5.89% and 5.70% of total share capital of the Bank respectively, and are major shareholders of the Bank.

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

CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司), Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司), Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司) and Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) may appoint directors and supervisors of the Bank, and hold 443,100,000 shares, 300,000,000 shares, 200,000,000 shares and 150,000,000 shares of the Bank respectively, representing 4.43%, 3.0%, 2.0% and 1.5% of total share capital of the Bank respectively, and are also major shareholders of the Bank.

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

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

Changes in Share Capital and Particulars of Shareholders

Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) (formerly known as “Chongqing High-grade Highway Construction and Investment Co., Ltd.” (重慶高等級公路建設投資有限公司)), which was established on 6 December 2002, is a large solely state-owned enterprise established with the fund from Chongqing Municipal Government. Under the approval of the Administration for Industry and Commerce of Chongqing, it was renamed as its current name in September 2006, and is engaged in the construction of secondary roads in Chongqing and the development and management of tourism resources in Chongqing. It currently has a registered capital of RMB2,462,917,353.

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

CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司) was established in 1997 and currently has a registered capital of RMB1,116 million. It is a platform group company for investment in various relative industries. Its major investment sectors include investment and operation of infrastructure construction, environmental protection, real estate, finance, assets management, culture and tourism industry. It won a series of awards including “Top 100 Creditworthy Enterprises in China”, “Enterprise with AAA Corporate Credit Rating”, “Best Employer in China” and “Outstanding Private Enterprise in Chongqing”.

Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司) was established in April 1997 with an existing registered capital of RMB100 million. It is engaged in property development and sale of commodity housing; sale of general merchandise, knitwear, metal hardware, chemical product, arts and crafts (except fireworks), medical device, machine, electrical equipment, electronic component, construction material; residential leasing; interior decoration; public parking service for motor vehicles; real estate consultation; technology consultation, technical service, etc.

Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)(formerly known as “Xiamen Laierfu Trading Co., Ltd” (廈門來爾富貿易有限責任公司)) was established in May 2001 with an existing registered capital of RMB100 million, and is engaged in non-security equity investment and advising on equity investment.

Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) was established in December 2003, and currently has a registered capital of RMB100 million. The company received the titles of “Reliable and Credible Enterprise in Chongqing” and “Property Developer with AAA Credit Rating in Chongqing”.

Changes in Share Capital and Particulars of Shareholders

Name of shareholder	Controlling shareholder	Actual controller	Parties acting in concert	Ultimate benefit
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Chongqing Yufu Holding Group Co., Ltd (重慶渝富控股集團有限公司)	Chongqing State-owned Assets Supervision and Administration Commission	Nil	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Chongqing State-owned Assets Supervision and Administration Commission	Chongqing State-owned Assets Supervision and Administration Commission	Nil	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Chongqing State-owned Assets Supervision and Administration Commission	Chongqing State-owned Assets Supervision and Administration Commission	Nil	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)
Loncin Holding Co., Ltd (隆鑫控股有限公司)	Loncin Group Co., Ltd (隆鑫集團有限公司)	Tu Jianhua	Chongqing Huitai Investment Co., Ltd (重慶慧泰投資有限公司)	Loncin Holding Co., Ltd (隆鑫控股有限公司)
CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司)	Lu Shengju	Lu Shengju	Nil	CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司)
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	Huaxin Century Investment Group Co., Ltd. (華新世紀投資集團有限公司)	Zhao Yanguang	Nil	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Xiamen Sifang Jiasheng Trade Co., Ltd. (廈門四方嘉盛貿易有限公司)	Zhou Zehui	Nil	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Chongqing Huayu Group Co., Ltd. (重慶華宇集團有限公司)	Jiang Yehua	Nil	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)

- Notes:**
- (1) As at the end of the Reporting Period, there were no substantial shareholders holding 10% or more of the shares (as defined under the Listing Rules) of the Bank.
 - (2) For definitions of controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiary of major shareholders of the Bank, please refer to the relevant requirements under Provisional Regulation Governing Equity Interest of Commercial Banks by the CBIRC (the former CBRC).

Changes in Share Capital and Particulars of Shareholders

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

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

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Supervisors				
Zuo Ruilan	Beneficial Owner	11,900	0.00016	0.00012
Zhu Yuzhou	Beneficial Owner	37,600	0.00050	0.00038

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



Directors, Supervisors and Senior Management

DIRECTORS OF THE BANK

As of 30 June 2018, the Board of Directors comprised a total of thirteen directors, including two executive directors, namely Mr. Liu Jianzhong (Chairman of the Board of Directors and Secretary to the Party Committee) and Mr. Xie Wenhui (President and Deputy Secretary to the Party Committee); six non-executive directors, namely Mr. He Zhiming, Mr. Sun Lida, Ms. Chen Xiaoyan, Mr. Duan Xiaohua, Mr. Luo Yuxing and Mr. Wen Honghai; and five independent non-executive directors, namely, Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting, Mr. Cao Guohua and Mr. Song Qinghua. Mr. He Zhiming, Mr. Sun Lida, Ms. Chen Xiaoyan, Mr. Duan Xiaohua, Mr. Luo Yuxing and Mr. Wen Honghai, all of whom are directors, were nominated by shareholder units including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司), Chongqing Loncin Holding Co., Ltd. (重慶隆鑫控股有限公司), Chongqing Casin Group Co., Ltd (重慶財信企業集團有限公司) and Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司) respectively.

Reference is made to the announcement dated 27 October 2016, the circular dated 12 April 2017 and the announcement dated 5 May 2017 of the Bank, regarding the election of Mr. Chen Jianwei as non-executive director of the Bank. The Board of Directors received a notice from Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), the Bank's shareholder, on 16 May 2018, stating that due to other work commitments of Mr. Chen Jianwei, Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) will not nominate Mr. Chen Jianwei as a candidate for the non-executive director of the Bank. The Bank will also not apply to the China Banking Regulatory Authority for the qualification approval of non-executive director of the Bank for Mr. Chen Jianwei. Accordingly, Mr. Chen Jianwei will not serve as the non-executive director of the Bank.

On 15 June 2018, the Bank convened the 71st meeting of the third session of the Board of Directors, nominating Mr. Liu Jianzhong, Mr. Xie Wenhui, Mr. Zhang Peizong as the candidates for executive directors of the fourth session of the Board of Directors; nominating Mr. He Zhiming, Ms. Chen Xiaoyan, Mr. Duan Xiaohua, Mr. Luo Yuxing and Mr. Wen Honghai as the candidates for non-executive directors of the fourth session of the Board of Directors; nominating Mr. Yuan Zengting, Mr. Cao Guohua, Mr. Song Qinghua, Mr. Li Minghao and Mr. Zhang Qiaoyun as the candidates for independent non-executive directors of the fourth session of the Board of Directors. Among whom, Mr. Zhang Peizong, Mr. Li Minghao and Mr. Zhang Qiaoyun will perform their duties upon the approval of the qualifications by the China. The remaining candidates for the fourth session of the Board of Directors were re-elected and will perform their duties upon the approval by the first extraordinary general meeting ("EGM") in 2018 of the Bank. Circular of the first EGM in 2018 of the Bank was despatched to shareholders on 7 August 2018.

SUPERVISORS OF THE BANK

As at the end of the Reporting Period, the Board of Supervisors comprised a total of eight supervisors, including two shareholder representative supervisors, namely Mr. Zeng Jianwu and Ms. Zuo Ruilan; three external supervisors, namely Mr. Wang Hong, Mr. Pan Like and Mr. Hu Shuchun; and three employee representative supervisors, namely Ms. Ni Yuemin (Chairwoman of the Board of Supervisors), Mr. Zheng Yi and Mr. Zhu Yuzhou. Mr. Zeng Jianwu and Ms. Zuo Ruilan were nominated by Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司) and Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司).

On 15 June 2018, the Bank convened the 29th (extraordinary) meeting of the third session of the Board of Supervisors, nominating Mr. Zeng Jianwu and Ms. Zuo Ruilan as the shareholder representative supervisors of the fourth session of the Board of Supervisors; nominating Mr. Wang Hong, Mr. Pan Like and Mr. Hu Shuchun as the external supervisors of the fourth session of the Board of Supervisors. The candidates for the fourth session of the Board of Supervisors are re-elected and will perform their duties upon the approval by the first EGM in 2018 of the Bank. Circular of the first EGM in 2018 of the Bank was despatched to shareholders on 7 August 2018. Employee representative supervisors are elected by the employee representative assembly of the Bank and will be announced separately.

SENIOR MANAGEMENT OF THE BANK

In May 2018, CQRC Financial Leasing Co., Ltd. held a general meeting of shareholders to elect a new session of the Board. Among which, since May 2018, Mr. Liu Jiangqiao no longer served as a director of CQRC Financial Leasing Co., Ltd. Mr. Zhang Peizong was proposed to be a director of CQRC Financial Leasing Co., Ltd., which will be effective after the approval of qualifications by the China Banking Regulatory Authority.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted a code of conduct regarding securities transactions by directors and supervisors and relevant employees no less exacting than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors of the Bank confirmed that they have complied with the aforesaid code throughout the six months ended 30 June 2018.

CORPORATE GOVERNANCE

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

For the six months ended 30 June 2018, 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.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Bank dated 25 June 2018. The Board considered and approved, among other things, the resolution in relation to the proposed amendments to the Articles of Association. The amended Articles of Association will be submitted to the 2018 First EGM for consideration. Meanwhile, it is submitted to the 2018 First EGM for authorization to the Board to make appropriate amendments to the Articles of Association in accordance with the comments from the China Banking Regulatory Authority, so as to obtain the final approval from the China Banking Regulatory Authority. The amended Articles of Association shall be effective upon the date of approval by the China Banking Regulatory Authority. Amendments will also be made to the relevant provisions of applicable and effective Articles of Association after the initial public offering of RMB ordinary shares (A Shares) of the Bank, save for the requirements under Article 19 of the Articles of Association “Domestic Shares shall only be transferred in a non-public manner, and no Domestic Shares shall be transferred to the public in an open manner. The domestic shareholder has to promptly inform the Bank upon the transfer of shares, and register the transfer with the registration authority for Domestic Shares”, which is not applicable to the applicable and effective Articles of Association after the initial public offering of RMB ordinary shares (A Shares) of the Bank.

The changes in the Articles of Association was primarily made in accordance with relevant requirements of the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) and Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) by the the CBIRC (the former CBRC), Guiding Opinions on Comprehensively Advancing the Rule of Law of the Municipal State-owned Enterprises in Cities (《關於全面推進市屬國有企業法治建設的指導意見》) by Chongqing State-Owned Assets Supervision and Administration Commission (重慶市國有資產監督管理委員會) and the Listing Rules, based on the actual circumstances of the Bank, with certain amendments made to the Articles of Association. The proposed amendments involve 33 articles, among which 9 new articles are added and 24 revisions are made to the current Articles of Association. The amended Articles of Association will have 354 articles, as compared to 345 articles of the current Articles of Association. The numberings of relevant chapters, articles and cross references of the Articles of Association will also be adjusted accordingly.

For details, please refer to the announcement of the Bank dated 25 June 2018 and the circular of the Bank dated 7 August 2018, in relation to, among other things, the proposed amendments to the Articles of Association.

IMPLEMENTATION OF DIVIDENDS DISTRIBUTION

Upon the approval of the 2018 annual general meeting of the Bank, the Bank distributed final cash dividends for 2017 on 22 June 2018 of RMB0.20 per share (tax inclusive), amounting to RMB2,000 million (tax inclusive) in aggregate to the holders of H shares and the holders of domestic shares whose names appeared on the register of members of the Bank as at 9 May 2018 (after trading hours). Dividends will be distributed in cash.

The Bank did not declare an interim dividend in 2018 (2017: Nil).

MATERIAL RELATED PARTY TRANSACTIONS

As at the end of the Reporting Period, the loan balance of material related party transactions with related parties amounted to RMB15,702 million, accounting for 4.33% of the total loans of the Bank. Loans under the material related party transactions between the Bank and related parties had no negative impact on operating results and the financial position of the Bank.

MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

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

As at the end of the Reporting Period, pending legal proceedings in which the Bank was involved as a defendant or a third party amounted to RMB28,080 thousand. In the opinion of the Bank, it would not have any material impact on the Bank's operating activities.

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

During the Reporting Period, the Bank, and all directors, the supervisors and the senior management were not subject to significant regulatory penalties.

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

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

MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

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

MAJOR CAPITAL OPERATION

At the 2015 annual general meeting of the Bank held on 17 June 2016, the Bank considered and approved, among other things, the proposal for the Bank's initial public offering of RMB ordinary shares (A shares) and the listing (the "A Share Issuance"). At the 2016 annual general meeting of the Bank held on 5 May 2017, the Bank considered and approved, among other things, the proposal for extension of the validity period of the A Share Issuance.

On 26 December 2017, the Bank submitted to the China Securities Regulatory Commission, the full set of application materials for the A Share Issuance including the Chongqing Rural Commercial Bank Initial Public Offering (A-Share) Prospectus (Report), in accordance with the requirements of relevant laws and regulations, and received the Acceptance Notice of the Application for CSRC's administration License (No. 172656) dated 3 January 2018 issued by the CSRC on 4 January 2018.

At the 2017 annual general meeting of the Bank held on 27 April 2018, the Bank considered and approved, among other things, the proposal of the extension of the term of the A Share Issuance. The progress of the A Share Issuance will depend on the review by the China Securities Regulatory Commission and the A share market.

SUBSEQUENT EVENTS

As of the date of this report, the Bank had no other material subsequent event.

Changes in Significant Accounting Policies

The Bank has begun to implement IFRS 9, and the new standard IFRS 9 has replaced the original IAS 39. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new models of expected credit losses for financial asset impairment calculations and new rules for general hedge accounting, and deepens the guidelines for recognition and derecognition of financial instruments in IAS 39.

THE REVIEW

The Bank's interim condensed consolidated financial information for the six months ended 30 June 2018 prepared in accordance with International Financial Reporting Standards had been reviewed by PricewaterhouseCoopers, who had issued an unqualified review opinion.

The Bank's unaudited interim report for the six months ended 30 June 2018 had been reviewed by the Audit Committee under the Board of Directors and the Board of Directors.

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

Report on Review of Interim Financial Information

To the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 95 to 192, which comprises the condensed consolidated statement of financial position of Chongqing Rural Commercial Bank Co., Ltd. (the “Bank”) and its subsidiaries (together, the “Group”) as at 30 June 2018 and the interim condensed consolidated statements of income, the interim condensed consolidated statements of comprehensive income, the interim condensed consolidated statements of changes in equity and the interim condensed consolidated statements of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Report on Review of Interim Financial Information (Continued)

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
30 August 2018

Condensed Consolidated Statement of Income

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
Interest income	7	18,881,015	18,359,943
Interest expenses	7	(9,929,360)	(8,089,040)
Net interest income		8,951,655	10,270,903
Fee and commission income	8	1,162,891	1,202,463
Fee and commission expense	8	(48,559)	(47,256)
Net fee and commission income		1,114,332	1,155,207
Net trading gain	9	3,034,913	23,186
Other operating income, net	10	160,564	(4,280)
Operating income		13,261,464	11,445,016
Operating expenses	11	(3,847,994)	(3,686,811)
Impairment loss on assets	12	(3,080,500)	(1,613,018)
Net gain on disposal of available-for-sale financial assets		N/A	68
Net gain on disposal of debt securities classified as receivables		N/A	13
Net loss on derecognition of financial assets measured at fair value through other comprehensive income		(1,698)	N/A
Net gain on derecognition of financial assets measured at amortised cost		2,694	N/A
Profit before tax		6,333,966	6,145,268
Income tax expense	13	(1,447,368)	(1,511,179)
Profit for the period		4,886,598	4,634,089
Attributable to:			
Shareholders of the Bank		4,835,639	4,594,073
Non-controlling interests		50,959	40,016
		4,886,598	4,634,089
Earnings per share (Expressed in Renminbi ("RMB") Yuan per share)			
– Basic/Diluted	14	0.48	0.49

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 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Profit for the period	4,886,598	4,634,089
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on defined benefit plans	(87,870)	156,330
Income tax relating to actuarial gain/(loss) on defined benefit plans	21,967	(39,083)
	(65,903)	117,247
Items that may be reclassified subsequently to profit or loss:		
Financial assets measured at fair value through other comprehensive income		
– fair value loss	(78,281)	N/A
– amount reclassified to profit or loss upon disposal	1,698	N/A
– impairment loss on assets	9,587	N/A
Income tax relating to fair value through other comprehensive income	16,749	N/A
Fair value gain on available-for-sale financial assets		
– fair value gain	N/A	148,271
– amount reclassified to profit or loss upon disposal	N/A	(68)
Income tax relating to available-for-sale financial assets	N/A	(37,051)
	<u>(50,247)</u>	<u>111,152</u>
Other comprehensive income for the period (net of tax)	<u>(116,150)</u>	<u>228,399</u>
Total comprehensive income for the period	<u>4,770,448</u>	<u>4,862,488</u>
Total comprehensive income attributable to:		
Shareholders of the Bank	4,719,489	4,822,472
Non-controlling interests	<u>50,959</u>	<u>40,016</u>
Total comprehensive income for the period	<u>4,770,448</u>	<u>4,862,488</u>

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	30 June 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS			
Cash and balances with central bank	16	100,365,941	97,012,085
Deposits with banks and other financial institutions	17	30,250,542	45,380,379
Placements with banks and other financial institutions	18	130,660,254	102,641,378
Derivative financial assets	19	192,512	169,629
Financial assets held under resale agreements	20	12,984,120	2,443,685
Loans and advances to customers	21	347,091,901	324,109,622
Financial investments			
Financial assets measured at fair value through profit or loss	22	55,328,134	519,234
Financial assets measured at fair value through other comprehensive income	22	11,602,969	N/A
Financial assets measured at amortised cost	22	203,280,452	N/A
Available-for-sale financial assets	22	N/A	165,780,616
Held-to-maturity investments	22	N/A	72,444,185
Investments classified as receivables	22	N/A	78,743,066
Property and equipment	23	4,796,880	5,000,967
Goodwill	24	440,129	440,129
Deferred tax assets	33	3,904,027	3,256,728
Other assets	25	<u>7,739,553</u>	<u>7,836,377</u>
Total assets		<u>908,637,414</u>	<u>905,778,080</u>
LIABILITIES			
Borrowings from central bank	26	28,325,610	31,338,420
Deposits from banks and other financial institutions	27	38,992,563	85,487,818
Placements from banks and other financial institutions	28	20,907,480	22,979,936
Derivative financial liabilities	19	299,747	176,589
Financial assets sold under repurchase agreements	29	1,134,000	7,545,030
Deposits from customers	30	630,095,220	572,184,256
Accrued staff costs	31	4,841,859	5,022,904
Income tax payable		881,746	877,159
Debt securities issued	32	104,395,080	103,901,345
Other liabilities	34	<u>10,922,196</u>	<u>11,018,938</u>
Total liabilities		<u>840,795,501</u>	<u>840,532,395</u>

Condensed Consolidated Statement of Financial Position (Continued)

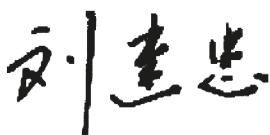
As at 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	30 June 2018 (Unaudited)	31 December 2017 (Audited)
EQUITY			
Share capital	35	10,000,000	10,000,000
Capital reserve	36	12,483,907	12,501,557
Investment revaluation reserve	37	(88,051)	(109,673)
Actuarial changes reserve		(196,554)	(130,651)
Surplus reserve	38	9,457,152	9,457,152
General reserve	39	12,212,105	10,726,344
Retained earnings		<u>22,627,634</u>	<u>21,243,958</u>
Equity attributable to shareholders of the Bank		66,496,193	63,688,687
Non-controlling interests		<u>1,345,720</u>	<u>1,556,998</u>
Total equity		<u>67,841,913</u>	<u>65,245,685</u>
Total equity and liabilities		<u>908,637,414</u>	<u>905,778,080</u>

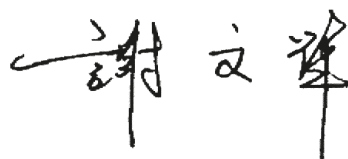
The accompanying notes form an integral part of these condensed consolidated financial statements.

The condensed consolidated financial information on pages 95 to 192 were approved and authorised for issue by the Board of Directors on 30 August 2018 and are signed on its behalf by:



LIU JIANZHONG

CHAIRMAN



XIE WENHUI

EXECUTIVE DIRECTOR AND PRESIDENT

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

		Attributable to shareholders of the Bank							Non-Controlling Interests		Total
NOTE	Share capital	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings	Subtotal			
As at 31 December 2017		10,000,000	12,501,557	(109,673)	(130,651)	9,457,152	10,726,344	21,243,958	63,688,687	1,556,998	65,245,685
Change in accounting policy	4	–	–	71,869	–	–	–	33,798	105,667	8,763	114,430
As at 1 January 2018 (Restated)		10,000,000	12,501,557	(37,804)	(130,651)	9,457,152	10,726,344	21,277,756	63,794,354	1,565,761	65,360,115
Profit for the period		–	–	–	–	–	–	4,835,639	4,835,639	50,959	4,886,598
Other comprehensive income		–	–	(50,247)	(65,903)	–	–	–	(116,150)	–	(116,150)
Total comprehensive income for the period		–	–	(50,247)	(65,903)	–	–	4,835,639	4,719,489	50,959	4,770,448
Transactions with non-controlling interests		–	(17,650)	–	–	–	–	–	(17,650)	(247,000)	(264,650)
Appropriation to general reserve	39	–	–	–	–	–	1,485,761	(1,485,761)	–	–	–
Dividend distribution	15	–	–	–	–	–	–	(2,000,000)	(2,000,000)	(24,000)	(2,024,000)
As at 30 June 2018 (Unaudited)		10,000,000	12,483,907	(88,051)	(196,554)	9,457,152	12,212,105	22,627,634	66,496,193	1,345,720	67,841,913
As at 1 January 2017		9,300,000	9,201,954	53,219	(313,434)	8,580,210	9,473,893	16,297,378	52,593,220	1,596,617	54,189,837
Profit for the period		–	–	–	–	–	–	4,594,073	4,594,073	40,016	4,634,089
Other comprehensive income		–	–	111,152	117,247	–	–	–	228,399	–	228,399
Total comprehensive income for the period		–	–	111,152	117,247	–	–	4,594,073	4,822,472	40,016	4,862,488
Transactions with non-controlling interests		–	1,511	–	–	–	–	–	1,511	(50,000)	(48,489)
Appropriation to general reserve	39	–	–	–	–	–	1,252,451	(1,252,451)	–	–	–
Dividend distribution	15	–	–	–	–	–	–	(1,860,000)	(1,860,000)	–	(1,860,000)
As at 30 June 2017 (Unaudited)		9,300,000	9,203,465	164,371	(196,187)	8,580,210	10,726,344	17,779,000	55,557,203	1,586,633	57,143,836

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 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Operating activities		
Profit before tax	6,333,966	6,145,268
Adjustments for:		
Depreciation and amortisation	380,250	371,431
Impairment loss on assets	3,080,500	1,613,018
Interest income arising from investment securities	(4,887,897)	(6,589,946)
Interest income arising from impaired financial assets	(35,632)	(31,527)
Interest expense arising from debt securities issued	2,298,168	1,685,861
Net gain on disposal of investment securities	(996)	(81)
Net gain on disposal of property and equipment	(6,284)	(8,410)
Fair value gain	(1,472,696)	(25,315)
Exchange (gain)/loss	(135,057)	40,183
Operating cash flows before movements in working capital	<u>5,554,322</u>	<u>3,200,482</u>
Decrease/(Increase) in balances with central bank, deposits with banks and other financial institutions	22,861,232	(15,851,965)
Increase in placements with banks and other financial institutions	(48,947,681)	(10,368,002)
Decrease in financial assets held under resale agreements	—	2,999,871
Decrease in financial assets measured at fair value through profit or loss	132,250	3,574,101
Increase in loans and advances to customers	(25,458,423)	(23,604,597)
(Decrease)/Increase in financial assets sold under repurchase agreements	(6,411,030)	2,356,609
(Decrease)/Increase in borrowings from central bank	(3,012,810)	5,465,140
Decrease in placements from banks and other financial institutions	(2,072,456)	(586,925)
Increase in deposits from customers, deposits from banks and other financial institutions	11,415,709	4,469,375
Decrease in other operating assets	1,222,772	325,809
Decrease in other operating liabilities	<u>(1,803,765)</u>	<u>(918,013)</u>
Cash used by operating activities	(46,519,880)	(28,938,115)
Income tax paid	<u>(2,086,931)</u>	<u>(1,560,435)</u>
Net cash used by operating activities	<u>(48,606,811)</u>	<u>(30,498,550)</u>

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)
Investing activities			
Cash received from disposal and redemption of investment securities		162,550,786	284,818,866
Interest income received from investment securities		4,945,777	6,874,432
Cash received from disposal of property and equipment and other assets		18,756	49,529
Cash paid for purchase of investment securities		(113,771,810)	(314,191,876)
Cash paid for purchase of property and equipment and other assets		<u>(170,872)</u>	<u>(296,149)</u>
Net cash from/(used in) investing activities		<u>53,572,637</u>	<u>(22,745,198)</u>
Financing activities			
Debt securities issued		67,549,991	73,022,163
Transactions with non-controlling interests		(264,650)	(48,489)
Redemption of bonds issued		(69,100,000)	(36,440,000)
Dividends paid to shareholders of the Bank		(1,965,509)	(1,965,050)
Dividends paid to shareholders of non-controlling interests		(24,000)	—
Interest paid on debt securities issued		<u>(319,000)</u>	<u>(319,000)</u>
Net cash (used in)/from financing activities		<u>(4,123,168)</u>	<u>34,249,624</u>
Net increase/(decrease) in cash and cash equivalents		842,658	(18,994,124)
Cash and cash equivalents as at 1 January		48,608,610	69,664,471
Effect of foreign exchange rate changes		<u>18,074</u>	<u>(86,125)</u>
Cash and cash equivalents as at 30 June	40	<u><u>49,469,342</u></u>	<u><u>50,584,222</u></u>
Net cash from operating activities include:			
Interest received		14,076,759	11,586,589
Interest paid		<u>(10,276,354)</u>	<u>(7,877,336)</u>
Net interest received from operating activities		<u><u>3,800,405</u></u>	<u><u>3,709,253</u></u>

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

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

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

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

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

2. BASIS OF PREPARATION

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

The unaudited condensed consolidated financial information contains selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2017. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards. Therefore the condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

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

Except for those described below, the accounting policies and methods of computation used in preparing the condensed consolidated financial information for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

New and revised International Financial Reporting Standards (IFRSs) effective by 1 January 2018 adopted by the Group

- | | |
|--------------------------|---|
| (1) Amendments to IFRS 2 | Share – based Payment |
| (2) Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts |
| (3) IFRS 9 | Financial Instruments |
| (4) IFRS 15 | Revenue from Contracts with Customers |
| (5) IFRIC 22 | Foreign Currency Transactions and Advance Consideration |
| (6) Amendments to IAS 40 | Transfer of Investment Property |
| (7) Amendments to IAS 28 | Investments in Associates and Joint Ventures to IFRSs included in the Annual Improvements 2014 – 2016 Cycle |

The new accounting standard IFRS 9 Financial Instruments and its impacts are disclosed in Note 4 “Changes in significant accounting policies” and Note 5 “Critical accounting judgements and estimates”, respectively. The adoption of the other standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective date by the Group

		Effective for annual periods beginning on or after
(1) IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
(2) IFRS 16	Leases	1 January 2019
(3) IFRS 17	Insurance Contracts	1 January 2021
(4) Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	The Annual Improvements to IFRSs 2015 - 2017 Cycle	1 January 2019
(5) Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
(6) Amendments to IAS 19	Employee Benefits Regarding Plan Amendment, Curtailment or Settlement	1 January 2019
(7) Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
(8) Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Except for the following, the Group anticipates that the adoption of these new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

IFRS 16 Leases

The IASB published IFRS 16, “Leases” (“IFRS 16”) on 13 January 2016, which replaces the current guidance in IAS 17. This will require far-reaching changes in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. As at 30 June 2018, the Group has irrevocable operating lease commitments of RMB178 million (see Note 44). However, the Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The Group has been assessing the impact of the adoption of IFRS 16.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted IFRS 9 “Financial Instruments” as issued by the IASB in July 2014 with a date of transition on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other comprehensive income of the current period. Any differences between the book value at 1 January 2018 and that as at 31 December 2017 is due to the implementation of IFRS 9.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 “Financial Instruments: Disclosure” disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has also resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets, which are stated as follows:

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

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4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Classification of financial instruments

The Group classifies financial instruments into different categories based on the business model used to manage financial assets and contractual cash flow characteristics or the purposes for which the liabilities were incurred. The categories are: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), financial assets and liabilities at fair value through profit or loss ("FVTPL"), and other financial liabilities.

The business model of the Group's management of financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Group is derived from contractual cash flows, sales of financial assets or both. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

The characteristics of the contractual cash flow of financial assets refer to the cash flow attributes agreed in the contract of financial instruments that reflect the economic characteristics of the relevant financial assets, that is, the contractual cash flows generated by the relevant financial assets on a specific date are only for payment of the principal and the interest based on the amount of principal outstanding. Of which, principal refers to the fair value of financial assets at initial recognition. The payment of the underlying interest, where the principal is the fair value of the financial asset at the time of initial recognition, and its amount may change during the lifetime of the financial asset due to prepayment and other reasons; interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Classification of financial instruments (Continued)

Financial assets measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met: (i) the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income (FVOCI)

FVOCI include those financial assets measured at fair value through other comprehensive income and those designated at fair value through other comprehensive income.

Financial assets are classified as financial assets measured at FVOCI if both of the following conditions are met: (i) the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At inception, the Group may designate non-trading equity instruments as financial assets measured at FVOCI, and recognise dividend income in accordance with the relevant policies specified. Once the designation is made, it cannot be revoked.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Classification of financial instruments (Continued)

Financial assets and liabilities at fair value through profit or loss (FVTPL)

The Group classifies the financial assets other than financial assets measured at amortised cost and FVOCI as financial assets and liabilities at FVTPL.

Financial assets and liabilities at FVTPL include those held for trading purposes, and those designated at FVTPL.

Financial assets or financial liabilities are classified as held for trading if they are: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

At inception, the Group may designate financial assets as financial assets at FVTPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

Financial liabilities are designated at FVTPL upon initial recognition when: (i) the designation can eliminate or significantly reduce accounting mismatch; or (ii) the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

Other financial liabilities

Other financial liabilities are financial liabilities other than those measured at FVTPL and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Measurement of financial instruments

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments at FVTPL are expensed immediately.

Subsequent to initial recognition, the Group measures different categories of financial assets at amortised cost, FVOCI, or FVTPL respectively. Financial liabilities other than those measured at FVTPL are measured at amortised cost using the effective interest method.

Gains and losses from changes in the fair value of financial assets at FVTPL are recognised in profit or loss.

Unrealised gains and losses arising from changes in the fair value of financial assets measured at FVOCI are recognised in other comprehensive income and accumulated separately in equity, except for foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

When the debt instruments measured at FVOCI are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income being transferred to the profit or loss. For equity instrument investments designated at FVOCI, once the designation is made, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

For financial assets carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Impairment of financial assets

At the balance sheet date, the Group performs impairment assessment based on expected credit loss (“ECL”) on the following items: (i) financial assets measured at amortised cost and FVOCI; (ii) lease receivables; (iii) contract assets; (iv) loan commitments and financial guarantee contracts issued by the Group apart from financial liabilities classified as FVTPL.

The Group’s method of measuring ECL of financial instruments reflects the following elements: (i) unbiased probability weighted average amount determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at balance sheet date.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) The impact of applying IFRS 9

(a) Classification and measurement of financial instruments

The classification and the carrying amount of financial assets and liabilities in accordance with the original financial instruments standard, IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

Group

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial assets				
Cash and balances with central bank	Amortised cost	97,012,085	Amortised cost	97,012,085
Deposits with banks and other financial institutions	Amortised cost	45,380,379	Amortised cost	45,330,151
Placements with banks and other financial institutions	Amortised cost	102,641,378	Amortised cost	102,523,299
Derivative financial assets	FVTPL	169,629	FVTPL	169,629
Financial assets held under resale agreements	Amortised cost	2,443,685	Amortised cost	2,442,047
Loans and advances to customers	Amortised cost	324,109,622	Amortised cost FVOCI	314,581,757 10,020,879
Financial investments				
	FVTPL (for trading)	519,234	FVTPL	149,008,997
	FVOCI (available-for-sale financial assets)	165,780,616	FVOCI	8,160,355
	Amortised cost (held-to-maturity investments)	72,444,185	Amortised cost	160,555,509
	Amortised cost (investments classified as receivables)	78,743,066		

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) The impact of applying IFRS 9 (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from the classification in accordance with IAS 39 to new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
Amortised cost				
Deposits with banks and other financial institutions				
Carrying amount under IAS 39	45,380,379			
Remeasurement: ECL allowance			(50,228)	
Carrying amount under IFRS 9				45,330,151
Placements with banks and other financial institutions				
Carrying amount under IAS 39	102,641,378			
Remeasurement: ECL allowance			(118,079)	
Carrying amount under IFRS 9				102,523,299
Financial assets held under resale agreements				
Carrying amount under IAS 39	2,443,685			
Remeasurement: ECL allowance			(1,638)	
Carrying amount under IFRS 9				2,442,047

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) The impact of applying IFRS 9 (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
Amortised cost (Continued)				
Financial assets – held-to-maturity investments				
Carrying amount under IAS 39	72,444,185			
Less: to amortised cost (IFRS 9)		(72,444,185)		
Carrying amount under IFRS 9				–
Financial assets – investments classified as receivables				
Carrying amount under IAS 39	78,743,066			
Less: to amortised cost (IFRS 9)		(75,816,841)		
Less: to FVTPL (IFRS 9)		(2,926,225)		
Carrying amount under IFRS 9				–
Loans and advances to customers				
Carrying amount under IAS 39	324,109,622			
Less: to FVOCI (IFRS 9)		(9,722,388)		
Remeasurement: ECL allowance			194,523	
Carrying amount under IFRS 9				314,581,757

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) The impact of applying IFRS 9 (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
Amortised cost (Continued)				
Financial assets – amortised cost				
Carrying amount under IAS 39	–			
Addition: from held-to-maturity investments (IAS 39)		72,444,185		
Remeasurement: ECL allowance			225,109	
Addition: from investments classified as receivables (IAS 39)		75,816,841		
Remeasurement: ECL allowance			294,919	
Addition: from available-for-sale financial assets (IAS 39)		11,707,893		
Remeasurement: from fair value to amortised cost			95,436	
Remeasurement: ECL allowance			(28,874)	
Carrying amount under IFRS 9				160,555,509
 Total financial assets measured at amortised cost	 625,762,315	 (940,720)	 611,168	 625,432,763

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) The impact of applying IFRS 9 (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
Fair value through profit or loss				
Financial investments – FVTPL				
Carrying amount under IAS 39	519,234			
Addition: from available-for-sale financial assets (IAS 39)		145,880,247		
Remeasurement: fair value remeasurement			(199,988)	
Addition: from investments classified as receivables (IAS 39)		2,926,225		
Remeasurement: from amortised cost to fair value			(116,721)	
Carrying amount under IFRS 9				149,008,997
Derivative financial assets				
Carrying amount under IAS 39	169,629			
Carrying amount under IFRS 9				169,629
Total financial assets measured at FVTPL	688,863	148,806,472	(316,709)	149,178,626

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) The impact of applying IFRS 9 (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
Fair value through other comprehensive income				
Financial investments — FVOCI				
Carrying amount under IAS 39	—			
Addition: from available-for-sale financial assets (IAS 39)		8,192,476		
Remeasurement: fair value remeasurement			(32,121)	
Carrying amount under IFRS 9				8,160,355
Financial investments – available- for-sale financial assets				
Carrying amount under IAS 39	165,780,616			
Less: to amortised cost (IFRS 9)		(11,707,893)		
Less: to FVTPL (IFRS 9)		(145,880,247)		
Less: to FVOCI (equity instrument)		(8,192,476)		
Carrying amount under IFRS 9				—

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) The impact of applying IFRS 9 (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
Fair value through other comprehensive income (Continued)				
Loans and advances to customers				
Carrying amount under IAS 39	–			
Addition: from amortised cost (IAS 39)		9,722,388		
Remeasurement: from amortised cost to fair value			298,491	
Carrying amount under IFRS 9				10,020,879
Total financial assets measured at FVOCI	<u>165,780,616</u>	<u>(147,865,752)</u>	<u>266,370</u>	<u>18,181,234</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) The impact of applying IFRS 9 (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Group:

(i) Investments reclassified from investments classified as receivables to FVTPL

The Group holds a portfolio of debt instruments with subordinated terms and writing-down natures that failed to meet the Solely Payments of Principal and Interests (SPPI) requirement under IFRS 9. As a result, these instruments, were classified as FVTPL from the date of initial application of IFRS 9.

(ii) Investments reclassified from available-for-sale financial assets to FVTPL

The Group's holdings of other banks' wealth management products with floating returns were unable to pass the SPPI testing due to the uncertainty of cash flows, so they were reclassified to financial assets at FVTPL from the date of initial application of IFRS 9.

The Group holds a portfolio of subordinated asset-backed securities. These investments could not pass the SPPI testing in that they are under greater exposure to credit risk than the underlying asset pool as a whole. As a result, this portfolio of securities were reclassified to FVTPL from the date of initial application of IFRS 9.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) The impact of applying IFRS 9 (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

- (iii) Investments reclassified from available-for-sale financial assets to financial assets measured at amortised cost

After assessing its business model for securities within the Group's liquidity portfolio, which were mostly held to collect the contractual cash flows and sell, the Group identified certain securities which were managed separately and for which the past practice had been (and the Group's intention remains) to hold to collect the contractual cash flows. Consequently, these securities were reclassified to financial assets at amortised cost from the date of initial application of IFRS 9.

- (iv) Discounted bills

Discounted bills held by the Group, with a business model to collect contractual cash flows and sell, were reclassified from loans and advance to customers to financial assets measured at FVOCI.

- (v) Equity investments

The Group elected to irrevocably designate investments in non-trading equity securities at FVOCI as permitted under IFRS 9. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of. These securities were previously classified as available-for-sale financial assets.

- (vi) Others

Parts of financial assets classifications under IAS 39 held by the Group are not applicable anymore and reclassified to new categories under IFRS 9. However, the measurement method remains: (i) previous available-for-sale financial assets are currently classified as FVOCI; and (ii) previous held-to-maturity investments and investments classified as receivables are currently measured at amortised cost.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) The impact of applying IFRS 9 (Continued)

(c) Reconciliation of impairment allowance balances from IAS 39 to IFRS 9

Measurement category	Allowance under IAS 39/Provision under IAS 37	Reclassifications	Remeasurements	Allowance under IFRS 9
Loans and advances to customers				
– Loans and advances to customers excluding bills	13,916,582	–	(194,523)	13,722,059
– Discounted bills measured at amortised cost/FVOCI	320,364	–	(306,074)	14,290
Financial assets held under resale agreements	–	–	1,638	1,638
Deposits with banks and other financial institutions	–	–	50,228	50,228
Placements with banks and other financial institutions	–	–	118,079	118,079
Held-to-maturity investments	315,981	(315,981)	–	–
Investments classified as receivables	1,868,301	(1,868,301)	–	–
Available-for-sale investments	–	–	–	–
Financial assets measured at amortised cost	–	2,184,282	(491,154)	1,693,128
Financial asset measured at FVOCI	–	–	40,093	40,093
Off-balance sheet business				
– Loan commitments	–	–	407,823	407,823
Total	16,421,228	–	(373,890)	16,047,338

Except for those described above, the accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

In the preparation of the condensed consolidated interim financial statements, apart from the accounting estimates and judgements mentioned below, the key sources of uncertainty derived from significant judgement and estimates made by the management while applying the Group's accounting policies are the same as those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017.

Measurement of expected credit loss allowance

The measurement of the ECL allowance for the investment in financial assets and debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and critical assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 46.

A number of critical judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of financial instruments with similar credit risk characteristics for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 46.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

6. SUBSIDIARIES

As at 30 June 2018, details of the Bank's subsidiaries are set out below:

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting power in the general meeting (%)	Principal activities
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.	23/04/2010	Jiangsu	200	58.50	58.50	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.	12/11/2010	Sichuan	100	81.00	81.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd.	14/12/2010	Yunnan	200	90.00	90.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.	04/12/2012	Yunnan	100	100.00	100.00	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd.	09/01/2013	Yunnan	100	81.00	81.00	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.	09/01/2013	Guangxi	100	90.00	90.00	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd.	04/02/2013	Fujian	100	93.00	93.00	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd.	05/02/2013	Fujian	200	85.00	85.00	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.	23/04/2013	Yunnan	62	82.26	82.26	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd.	09/08/2013	Fujian	100	59.00	59.00	Banking
Fujian Shishi CQRC Village and Township Bank Co., Ltd.	02/09/2015	Fujian	200	51.00	51.00	Banking
Yunnan Xishan CQRC Village and Township Bank Co., Ltd.	05/01/2016	Yunnan	200	90.00	90.00	Banking
CQRC Financial Leasing Co., Ltd.	19/12/2014	Chongqing	2,500	68.00	68.00	Financial Leasing

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

6. SUBSIDIARIES (Continued)

During the six months ended 30 June 2018, the Bank has increased its proportion of equity interest and proportion of voting right in Sichuan Dazhu CQRC Village and Township Bank Co., Ltd., Yunnan Dali CQRC Village and Township Bank Co., Ltd., Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd., Yunnan Heqing CQRC Village and Township Bank Co., Ltd., and Fujian Fu'an CQRC Village and Township Bank Co., Ltd. to 81%, 90%, 100%, 81% and 85%, respectively.

All the 13 subsidiaries above were sponsored to establish by the Bank. As at 30 June 2018 and 31 December 2017, the amount of non-controlling interests of each subsidiary of the Bank was insignificant to the Group and hence not disclosed further.

There were no significant restrictions on the Bank's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

7. NET INTEREST INCOME

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Interest income		
Loans and advances to customers	9,198,723	8,040,189
Including: Corporate loans and advances	5,218,677	4,926,832
Personal loans and advances	3,694,495	2,898,170
Discounted bills	285,551	215,187
Financial investments		
Financial assets measured at amortised cost	4,398,194	N/A
Financial assets measured at fair value through other comprehensive income	489,703	N/A
Financial assets measured at fair value through profit or loss	–	87,401
Available-for-sale financial assets	N/A	2,602,466
Investments classified as receivables	N/A	2,478,966
Held-to-maturity investments	N/A	1,508,514
Placements with banks and other financial institutions	3,188,109	2,064,293
Deposits with banks and other financial institutions	641,513	740,175
Balances with central bank	657,029	651,984
Financial assets held under resale agreements	307,744	185,955
Subtotal	18,881,015	18,359,943
Interest expense		
Deposits from customers	(4,926,449)	(4,275,309)
Debt securities issued	(2,298,168)	(1,685,861)
Deposits from banks and other financial institutions	(1,372,514)	(1,121,204)
Borrowings from central bank	(497,938)	(438,791)
Placements from banks and other financial institutions	(630,234)	(366,862)
Financial assets sold under repurchase agreements	(204,057)	(201,013)
Subtotal	(9,929,360)	(8,089,040)
Net interest income	8,951,655	10,270,903
Included: interest income on impaired financial assets	35,632	31,527
Included in interest income		
Interest income on listed investments	3,296,608	2,529,478
Interest income on unlisted investments	1,591,289	4,147,869
Total	4,887,897	6,677,347

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

8. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Fee and commission income		
Wealth management fees	635,778	716,662
Agency and custodian service commissions	232,267	190,538
Bank card fees	148,768	162,957
Settlement and clearing fees	58,945	55,577
Collection and payment service fees	13,647	5,193
Others	73,486	71,536
Subtotal	1,162,891	1,202,463
Fee and commission expense		
Bank card fees	(22,662)	(18,660)
Settlement and clearing fees	(12,029)	(12,263)
Other service fees	(13,868)	(16,333)
Subtotal	(48,559)	(47,256)
Total	1,114,332	1,155,207

9. NET TRADING GAIN

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Net gain/(loss) on financial assets measured at fair value through profit or loss	3,135,188	(23,767)
Net (loss)/gain on derivatives	(100,275)	46,953
Total	3,034,913	23,186

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

10. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Exchange gain/(loss)	135,057	(40,183)
Government subsidies	14,004	22,810
Net gain on disposal of property and equipment	6,284	8,410
Rental income	5,188	4,249
Penalty and compensation income	5,143	—
Net gain on disposal of foreclosed assets	159	—
Others, net	(5,271)	434
Total	<u>160,564</u>	<u>(4,280)</u>

11. OPERATING EXPENSES

	NOTE	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
Staff costs	(1)	2,534,756	2,498,145
General operating and administrative expenses		561,626	549,948
Depreciation and amortisation		380,250	371,431
Tax and surcharges		126,770	72,263
Auditor's remuneration		1,576	1,614
Others		243,016	193,410
Total		<u>3,847,994</u>	<u>3,686,811</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

11. OPERATING EXPENSES (Continued)

(1) Staff costs

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Salaries, bonuses and allowances	1,782,553	1,804,933
Social insurance	399,052	384,636
Housing funds	157,123	148,275
Staff welfare	65,408	57,241
Labour union fees and staff education expenses	61,550	62,180
Supplementary retirement benefits	59,680	41,370
Early retirement benefits	9,390	(490)
Total	<u>2,534,756</u>	<u>2,498,145</u>

12. IMPAIRMENT LOSS ON ASSETS

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Expected credit losses		
Loans and advances to customers	3,001,893	1,251,665
Financial investments:		
Financial assets measured at amortised cost	99,659	N/A
Financial assets measured at fair value through other comprehensive income	12,290	N/A
Investments classified as receivables	N/A	374,726
Held-to-maturity investments	N/A	(13,373)
Placements with banks and other financial institutions	15,677	—
Financial assets held under resale agreements	13,399	—
Deposits with banks and other financial institutions	(35,172)	—
Loan commitments	(27,246)	—
Total	<u>3,080,500</u>	<u>1,613,018</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

13. INCOME TAX EXPENSE

(1) Income tax expense

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	2,091,517	1,661,213
Deferred tax (Note 33)	(644,149)	(150,034)
Total	<u>1,447,368</u>	<u>1,511,179</u>

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

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

The tax charges for the six months ended 30 June 2018 and 30 June 2017 can be reconciled to the profit before tax per the condensed consolidated statement of income as follows:

	NOTE	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
Profit before tax		<u>6,333,966</u>	<u>6,145,268</u>
Tax calculated at applicable statutory tax rate of 25%		1,583,491	1,536,317
Difference of income tax calculated at subsidiaries' applicable statutory tax rate of 15%		(24,066)	(15,671)
Tax effect of expenses not deductible for tax purpose		21,755	39,840
Tax effect of income not taxable for tax purpose (i)		(164,208)	(49,307)
Unrecognised deferred tax assets relating deductible tax losses and others		<u>30,396</u>	<u>–</u>
Income tax expense		<u>1,447,368</u>	<u>1,511,179</u>

(i) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

14. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Earnings:		
Profit for the period attributable to shareholders of the Bank	<u>4,835,639</u>	<u>4,594,073</u>
Numbers of shares:		
Weighted average number of shares in issue (<i>thousand</i>)	<u>10,000,000</u>	<u>9,300,000</u>
Basic and diluted earnings per share (<i>RMB Yuan</i>)	<u>0.48</u>	<u>0.49</u>

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

15. DIVIDENDS

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Dividends recognised as distribution during the period		
Year 2017 – RMB20 cents per share	2,000,000	–
Year 2016 – RMB20 cents per share	<u>–</u>	<u>1,860,000</u>

A dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2017 with a total of RMB2,000 million has been proposed by the Board of Directors on 29 March 2018 and was approved by the shareholders in the 2017 annual general meeting on 27 April 2018.

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

The Bank does not propose interim dividend for 2018.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

16. CASH AND BALANCES WITH CENTRAL BANK

	NOTE	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Cash		3,161,064	3,273,111
Mandatory reserve deposits with central bank	(1)	75,045,430	83,023,064
Surplus reserve deposits with central bank	(2)	20,347,546	8,946,135
Other deposits with central bank	(3)	<u>1,811,901</u>	<u>1,769,775</u>
Total		<u>100,365,941</u>	<u>97,012,085</u>

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

As at 30 June 2018, mandatory reserve deposits with the PBOC were calculated at 12.5% (31 December 2017: 14.5%) of eligible RMB deposits for the Bank, while for the subsidiaries at 9%, 8% or 7% (31 December 2017: 9%, 8% or 7%); and 5% for foreign currency deposits from customers (31 December 2017: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

17. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Deposits with:		
Domestic banks and other financial institutions	29,797,542	44,493,416
Overseas banks	468,056	886,963
Gross amount	30,265,598	45,380,379
Impairment allowances	(15,056)	—
Carrying amount	30,250,542	45,380,379

18. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Placements with:		
Other domestic financial institutions	86,034,000	81,918,814
Domestic banks	44,760,010	20,722,564
Gross amount	130,794,010	102,641,378
Impairment allowances	(133,756)	—
Carrying amount	130,660,254	102,641,378

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

19. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 30 June 2018 (Unaudited)			As at 31 December 2017 (Audited)		
	Contract/ Nominal amount	Assets	Liabilities	Contract/ Nominal amount	Assets	Liabilities
Currency forward	8,486,192	192,512	(184,216)	6,052,887	169,629	(168,326)
Foreign exchange swap	3,415,256	–	(115,517)	392,052	–	(8,263)
Interest swap	538,000	–	(14)	–	–	–
Total	<u>12,439,448</u>	<u>192,512</u>	<u>(299,747)</u>	<u>6,444,939</u>	<u>169,629</u>	<u>(176,589)</u>

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Analysed by collateral type:		
Debt securities	12,999,157	2,443,685
Impairment allowances	<u>(15,037)</u>	<u>–</u>
Carrying amount	<u>12,984,120</u>	<u>2,443,685</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Gross loans and advances measured at amortised cost	348,412,772	338,346,567
Less: allowance for impairment losses	(15,137,731)	(14,236,945)
Carrying amount of loans and advances measured at amortised cost (i)	<u>333,275,041</u>	<u>324,109,622</u>
Carrying amount of loans and advances measured at fair value through other comprehensive income	<u>13,816,860</u>	<u>N/A</u>
Net loans and advances to customers	<u>347,091,901</u>	<u>324,109,622</u>

(i) Carrying amount of loans and advances to customers measured at amortised cost

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Gross loans and advances to customers measured at amortised cost	348,412,772	338,346,567
Less: allowance for impairment losses		
– stage 1	(4,928,846)	N/A
– stage 2	(4,843,883)	N/A
– stage 3	(5,365,002)	N/A
– collective assessment	N/A	(13,047,315)
– individual assessment	<u>N/A</u>	<u>(1,189,630)</u>
Carrying amount of loans and advances measured at amortised cost	<u>333,275,041</u>	<u>324,109,622</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Analysed by assessment method of allowances for impairment losses

	As at 30 June 2018 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances measured at amortised cost	293,675,998	47,306,297	7,430,477	348,412,772
Less: allowance for impairment losses	<u>(4,928,846)</u>	<u>(4,843,883)</u>	<u>(5,365,002)</u>	<u>(15,137,731)</u>
Carrying amount of loans and advances measured at amortised cost	<u>288,747,152</u>	<u>42,462,414</u>	<u>2,065,475</u>	<u>333,275,041</u>
Carrying amount of loans and advances measured at FVOCI	<u>13,816,860</u>	<u>—</u>	<u>—</u>	<u>13,816,860</u>
Gross impairment losses of loans and advances measured at FVOCI	<u>(11,587)</u>	<u>—</u>	<u>—</u>	<u>(11,587)</u>

	Loans and advances for which allowance is collectively assessed	Identified impaired loans			Total
		For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total	
As at 31 December 2017					
Gross loans and advances to customers	335,045,164	1,234,544	2,066,859	3,301,403	338,346,567
Less: allowance for impairment losses	<u>(12,045,644)</u>	<u>(1,001,671)</u>	<u>(1,189,630)</u>	<u>(2,191,301)</u>	<u>(14,236,945)</u>
Loans and advances to customers, net	<u>322,999,520</u>	<u>232,873</u>	<u>877,229</u>	<u>1,110,102</u>	<u>324,109,622</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

Corporate loans and advances	For the six months ended 30 June 2018 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	2,722,234	4,471,975	3,371,886	10,566,095
Transfer to stage 1	148,251	(885,607)	–	(737,356)
Transfer to stage 2	(212,461)	1,294,769	(34,507)	1,047,801
Transfer to stage 3	(11,637)	(440,911)	2,004,233	1,551,685
New financial assets originated or purchased	1,065,214	360,869	269,645	1,695,728
Derecognition and settlement	(541,927)	(516,875)	(65,039)	(1,123,841)
Remeasurement	(64,519)	131,684	40,415	107,580
Write-offs and others	–	–	(1,195,139)	(1,195,139)
As at 30 June 2018	<u>3,105,155</u>	<u>4,415,904</u>	<u>4,391,494</u>	<u>11,912,553</u>

Personal loans and advances	For the six months ended 30 June 2018 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	1,652,015	394,483	1,109,466	3,155,964
Transfer to stage 1	4,281	(76,692)	(27,671)	(100,082)
Transfer to stage 2	(14,225)	223,628	(16,261)	193,142
Transfer to stage 3	(40,143)	(131,170)	551,911	380,598
New financial assets originated or purchased	671,978	60,057	22,588	754,623
Derecognition and settlement	(390,565)	(43,237)	(47,954)	(481,756)
Remeasurement	(59,650)	909	(14,056)	(72,797)
Write-offs and others	–	–	(604,514)	(604,514)
As at 30 June 2018	<u>1,823,691</u>	<u>427,978</u>	<u>973,509</u>	<u>3,225,178</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2017	768,156	11,536,868	12,305,024
Charge for the year	1,444,693	7,988,026	9,432,719
Reversal for the year	(83,920)	(6,064,355)	(6,148,275)
Written-off and transferred-out for the year	(986,561)	(610,086)	(1,596,647)
Reversal for receiving written-off loans and advances	95,798	219,591	315,389
Unwinding of discount	(48,536)	(22,729)	(71,265)
As at 31 December 2017	<u>1,189,630</u>	<u>13,047,315</u>	<u>14,236,945</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	As at 30 June 2018 (Unaudited)		As at 31 December 2017 (Audited)	
	Amount	%	Amount	%
Corporate loans and advances				
Manufacturing	66,392,525	27.83	66,039,250	29.38
Water, environment and public utilities management	49,754,249	20.86	46,775,553	20.81
Retail and wholesale	26,010,920	10.90	25,550,655	11.37
Leasing and commercial services	24,110,486	10.11	18,036,420	8.02
Production and supply of electricity, gas and water	15,164,176	6.36	14,186,054	6.31
Transportation, logistics and postal service	12,103,364	5.07	10,468,016	4.66
Construction	9,242,105	3.87	8,101,005	3.60
Real estate	7,744,826	3.25	10,725,323	4.77
Financial industry	7,531,891	3.16	5,787,688	2.57
Sanitation and social work	4,715,167	1.98	4,054,052	1.80
Education	3,872,010	1.62	3,295,430	1.47
Agriculture, forestry, animal husbandry and fishery	3,848,631	1.61	4,154,949	1.85
Others	8,069,046	3.38	7,620,840	3.39
Subtotal	238,559,396	100.00	224,795,235	100.00
Personal loans and advances				
Mortgages	55,762,120	45.09	50,185,504	44.20
Loans to private business and business supporting loans	40,713,677	32.92	38,120,621	33.57
Credit card overdraft	3,902,872	3.16	4,211,008	3.71
Others	23,291,567	18.83	21,034,199	18.52
Subtotal	123,670,236	100.00	113,551,332	100.00
Total	362,229,632		338,346,567	

As at 30 June 2018, the amount of discounted bills included in corporate loans and advances is RMB13,817 million (31 December 2017: RMB10,043 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	As at 30 June 2018 (Unaudited)			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	28,488,760	15,687,366	5,841,055	50,017,181
Guaranteed loans	38,630,712	35,921,054	26,102,566	100,654,332
Collateralised and other secured loans				
– loans secured by property and other immovable assets	61,186,365	27,441,005	71,600,435	160,227,805
– other pledged loans	17,027,526	9,881,092	24,421,696	51,330,314
Total	<u>145,333,363</u>	<u>88,930,517</u>	<u>127,965,752</u>	<u>362,229,632</u>

	As at 31 December 2017 (Audited)			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	25,241,877	13,926,549	4,312,907	43,481,333
Guaranteed loans	39,644,148	34,321,716	23,936,111	97,901,975
Collateralised and other secured loans				
– loans secured by property and other immovable assets	59,197,089	27,979,999	65,588,835	152,765,923
– other pledged loans	14,616,528	9,694,832	19,885,976	44,197,336
Total	<u>138,699,642</u>	<u>85,923,096</u>	<u>113,723,829</u>	<u>338,346,567</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(6) Overdue loans analysed by overdue period

	As at 30 June 2018 (Unaudited)				
	Up to 90 days	91- 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	121,289	225,994	3,417	5,655	356,355
Guaranteed loans	562,524	902,097	29,409	8,404	1,502,434
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,582,399	1,375,400	820,306	204,793	3,982,898
– other pledged loans	58,693	21,711	–	–	80,404
Total	<u>2,324,905</u>	<u>2,525,202</u>	<u>853,132</u>	<u>218,852</u>	<u>5,922,091</u>

	As at 31 December 2017 (Audited)				
	Up to 90 days	91- 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	92,554	142,730	17,649	8,832	261,765
Guaranteed loans	352,070	429,275	223,043	59,106	1,063,494
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,081,898	1,269,846	1,151,856	132,945	3,636,545
– other pledged loans	15,832	–	25,000	–	40,832
Total	<u>1,542,354</u>	<u>1,841,851</u>	<u>1,417,548</u>	<u>200,883</u>	<u>5,002,636</u>

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(7) Credit quality of loans and advances to customers

	NOTE	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Neither overdue nor credit impaired		353,003,044	333,132,181
Overdue but not credit impaired	(i)	1,796,111	1,912,983
Credit impaired	(ii)	7,430,477	3,301,403
Gross loans and advances to customers		362,229,632	338,346,567
Less: allowance for impairment losses		(15,137,731)	(14,236,945)
Net loans and advances to customers		347,091,901	324,109,622

(i) Loans and advances overdue but not credit impaired

	As at 30 June 2018 (Unaudited)					Fair value of collateral
	Up to 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total	
Corporate loans and advances	346,092	131,040	203,298	–	680,430	701,364
Personal loans and advances	730,060	200,439	185,182	–	1,115,681	2,044,548
Total	1,076,152	331,479	388,480	–	1,796,111	2,745,912

	As at 31 December 2017 (Unaudited)					Fair value of collateral
	Up to 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total	
Corporate loans and advances	185,533	147,011	96,260	477,266	906,070	1,739,684
Personal loans and advances	534,462	192,840	166,224	113,387	1,006,913	1,512,356
Total	719,995	339,851	262,484	590,653	1,912,983	3,252,040

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(7) Credit quality of loans and advances to customers (Continued)

(ii) Credit impaired loans

	As at 30 June 2018 (Unaudited)		
	Contractual amount	Allowance for Impairment loss	Carrying value
Stage 3	<u>7,430,477</u>	<u>(5,365,002)</u>	<u>2,065,475</u>

	As at 31 December 2017 (Audited)		
	Contractual amount	Allowance for Impairment loss	Carrying value
Individually assessed	2,066,859	(1,189,630)	877,229
Collectively assessed	<u>1,234,544</u>	<u>(1,001,671)</u>	<u>232,873</u>
Total	<u>3,301,403</u>	<u>(2,191,301)</u>	<u>1,110,102</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS

(1) Analysis by measurement categories

		As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Financial assets measured at FVTPL	(a)	55,328,134	519,234
Financial assets measured at amortised cost	(b)	203,280,452	N/A
Financial assets measured at FVOCI	(c)	11,602,969	N/A
– Debt instruments		10,954,799	N/A
– Equity instruments		648,170	N/A
Held-to-maturity investments		N/A	72,444,185
Available-for-sale financial assets		N/A	165,780,616
Investments classified as receivables		N/A	78,743,066
Total		<u>270,211,555</u>	<u>317,487,101</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (Continued)

(1) Analysis by measurement categories (Continued)

(a) Financial assets measured at fair value through profit or loss

Analysed by nature

		As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Debt securities	(i)	6,556,131	519,234
Investment in wealth management products	(ii)	48,722,589	–
Others		49,414	–
Total		<u>55,328,134</u>	<u>519,234</u>
Analysed as:			
Listed outside Hong Kong		6,556,131	519,234
Unlisted		<u>48,772,003</u>	<u>–</u>
Total		<u>55,328,134</u>	<u>519,234</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (Continued)

(1) Analysis by measurement categories (Continued)

(a) Financial assets measured at fair value through profit or loss

Analysed by type of issuers

(i) Debt securities

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Debt securities issued by:		
Public sector and quasi-governments	414,985	289,411
Financial institutions	4,120,477	–
Corporations	2,020,669	90,014
Interbank deposit certificates	–	139,809
Total	<u>6,556,131</u>	<u>519,234</u>

Debt securities investments measured at fair value through profit or loss are all traded on the China Domestic Interbank Bond Market.

(ii) Investment in wealth management products (WMPs)

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
WMPs issued by:		
Banks	<u>48,722,589</u>	–
Total	<u>48,722,589</u>	–

During the six months ended 30 June 2018, there were no significant gains or losses incurred due to changes in credit risk in regard to financial investments in WMPs within the Group, which are measured at FVTPL.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (Continued)

(1) Analysis by measurement categories (Continued)

(b) Financial assets at amortised cost

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Government bonds	51,755,955	N/A
Public sector and quasi-government bonds	34,311,185	N/A
Financial institutions bonds	5,203,525	N/A
Corporate bonds	48,826,373	N/A
Interbank deposit certificates	17,205,300	N/A
Trust plans	42,299,060	N/A
Others	5,471,410	N/A
Gross balances	205,072,808	N/A
Allowances for impairment losses		
– Stage 1	(1,719,363)	N/A
– Stage 2	(29,839)	N/A
– Stage 3	(43,154)	N/A
Net balances	203,280,452	N/A
Analysed as:		
Listed outside Hong Kong	156,949,819	N/A
Unlisted	46,330,633	N/A
Total	203,280,452	N/A

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (Continued)

(1) Analysed by measurement categories (Continued)

(c) Financial investments measured at fair value through other comprehensive income

As at 1 January 2018, the Group designated investments set out below as equity securities measured at FVOCI due to the Group's strategic objective to hold them for a long term.

	NOTE	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Debt instruments:			
Public sector and quasi-government bonds		222,289	N/A
Corporate bonds		9,797,696	N/A
Others		934,814	N/A
Subtotal		10,954,799	N/A
Equity instruments:			
Banks and other financial institutions		60,688	N/A
Other corporations		587,482	N/A
Subtotal		648,170	N/A
Total		11,602,969	N/A
Analysed as:			
Listed outside Hong Kong	(i)	10,625,270	N/A
Listed in Hong Kong		34,885	N/A
Unlisted		942,814	N/A
Total		11,602,969	N/A

- (i) Financial assets measured at FVOCI included in "Listed outside Hong Kong" are traded in the China Domestic Interbank Bond Market; equity instruments presented in "Listed outside Hong Kong" are listed in mainland China.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (Continued)

(2) Analysed by assessment method of allowances for impairment losses

	As at 30 June 2018 (Unaudited)			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	
Financial assets measured at amortised cost	200,813,094	4,209,714	50,000	205,072,808
Less: allowances for impairment losses	(1,719,363)	(29,839)	(43,154)	(1,792,356)
Carrying amount of financial assets measured at amortised cost	199,093,731	4,179,875	6,846	203,280,452
Carrying amount of financial assets measured at FVOCI	11,538,989	63,980	–	11,602,969
Carrying amount of financial investments which recognised impairment losses	<u>210,632,720</u>	<u>4,243,855</u>	<u>6,846</u>	<u>214,883,421</u>
Allowances for impairment losses of financial assets measured at FVOCI	<u>(51,915)</u>	<u>(468)</u>	<u>–</u>	<u>(52,383)</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (Continued)

(3) Analysed by movements of allowances for impairment losses

Financial assets measured at amortised cost

	As at 30 June 2018 (Unaudited)			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	
Allowances for impairment losses as at				
1 January 2018	1,567,643	18,352	107,133	1,693,128
Changes in profit or loss				
Transfer to stage 1	116	(5,116)	–	(5,000)
Transfer to stage 2	(2,969)	13,234	–	10,265
Derecognition and settlement	(250,432)	(290)	(82,925)	(333,647)
New financial assets originated or purchased	301,492	–	–	301,492
Remeasurement	103,513	3,659	19,377	126,549
Write-offs and others	–	–	(431)	(431)
Allowances for impairment losses as at				
30 June 2018	<u>1,719,363</u>	<u>29,839</u>	<u>43,154</u>	<u>1,792,356</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (Continued)

(3) Analysed by movements of allowances for impairment losses (Continued)

Financial assets measured at fair value through other comprehensive income

	As at 30 June 2018 (Unaudited)			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	
Allowances for impairment losses as at 1 January 2018	40,093	–	–	40,093
Changes in profit or loss				
Transfer to stage 2	(187)	348	–	161
Derecognition and settlement	(871)	–	–	(871)
New financial assets originated or purchased	8,194	120	–	8,314
Remeasurement	4,686	–	–	4,686
Write-offs and others	–	–	–	–
Allowance for impairment losses as at 30 June 2018	<u>51,915</u>	<u>468</u>	<u>–</u>	<u>52,383</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (Continued)

(4) Available-for-sale financial assets

	NOTE	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Debt Instruments:			
Government bonds		N/A	60,740
Public sector and quasi-government bonds		N/A	284,509
Financial institution bonds		N/A	56,663
Corporate bonds		N/A	10,775,228
Trust and asset management plans		N/A	5,229,743
WMPs issued by other banks		N/A	147,663,128
Others		N/A	1,014,205
Subtotal		N/A	165,084,216
Equity instruments			
At cost	(1)	N/A	8,000
At fair value		N/A	688,400
Subtotal		N/A	696,400
Total		N/A	165,780,616
Analysed as:			
Listed outside Hong Kong	(2)	N/A	11,822,427
Listed in Hong Kong		N/A	43,113
Unlisted		N/A	153,915,076
Total		N/A	165,780,616

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

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (Continued)

(5) Held-to-maturity investments

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Debt securities issued by:		
Government	N/A	25,530,137
Public sector and quasi-governments	N/A	24,304,317
Financial institutions	N/A	5,910,919
Corporations	N/A	15,500,922
Interbank deposit certificates	N/A	1,513,871
Subtotal	N/A	72,760,166
Less:		
Collectively assessed allowance for impairment losses	N/A	(285,981)
Individually assessed allowance for impairment losses	N/A	(30,000)
Total	N/A	72,444,185

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

Movement in allowance for impairment losses on held-to-maturity investments

	Collectively assessed	Individually assessed	Total
As at 1 January 2017	356,290	15,000	371,290
Charge/(reversal) for the year	(70,309)	15,000	(55,309)
As at 31 December 2017	285,981	30,000	315,981

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (Continued)

(6) Investments classified as receivables

	NOTE	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Government bonds		N/A	6,199,000
Financial institution bonds		N/A	2,926,225
Corporate bonds		N/A	24,561,095
Trust and asset management plans	(1)	N/A	46,425,270
Others		N/A	499,777
Subtotal		N/A	80,611,367
Less: collectively assessed allowance for impairment losses		N/A	(1,837,449)
Individually assessed allowance for impairment losses		N/A	(30,852)
Total		N/A	78,743,066
Analysed as:			
Listed outside Hong Kong	(2)	N/A	33,195,319
Unlisted		N/A	45,547,747
Total		N/A	78,743,066

(1) Trust and asset management plans are non-callable before maturity with fixed interest rates and not quoted in active market.

(2) Investments classified as receivables included bonds with fixed or determinable payments that are not quoted in an active market. They are traded in the China Domestic Interbank Bond Market and are presented in "Listed outside Hong Kong".

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (Continued)

(6) Investments classified as receivables (Continued)

Movement in allowance for impairment losses on Investment classified as receivables

	Collectively assessed	Individually assessed	Total
As at 1 January 2017	1,387,102	–	1,387,102
Charge for the year	<u>450,347</u>	<u>30,852</u>	<u>481,199</u>
As at 31 December 2017	<u>1,837,449</u>	<u>30,852</u>	<u>1,868,301</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

23. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2017	5,449,534	1,069,518	117,019	708,693	952,016	8,296,780
Additions	128,369	55,214	3,195	44,434	477,034	708,246
Transferred in	1,019,674	14,486	928	6,747	(1,041,835)	–
Transferred to other assets	–	–	–	–	(123,237)	(123,237)
Disposals	(60,799)	(72,813)	(8,504)	(14,585)	–	(156,701)
As at 31 December 2017	6,536,778	1,066,405	112,638	745,289	263,978	8,725,088
Additions	10,288	19,254	1,461	6,950	137,906	175,859
Transferred in	75,005	534	–	169	(75,708)	–
Transferred to other assets	–	–	–	–	(14,272)	(14,272)
Disposals	(11,809)	(12,797)	(3,900)	(2,306)	–	(30,812)
As at 30 June 2018	6,610,262	1,073,396	110,199	750,102	311,904	8,855,863
Accumulated depreciation						
As at 1 January 2017	(1,923,112)	(684,652)	(85,860)	(404,675)	–	(3,098,299)
Charge for the year	(489,965)	(131,986)	(10,644)	(107,618)	–	(740,213)
Disposals	46,713	52,334	4,641	10,703	–	114,391
As at 31 December 2017	(2,366,364)	(764,304)	(91,863)	(501,590)	–	(3,724,121)
Charge for the period	(235,786)	(64,120)	(4,870)	(48,741)	–	(353,517)
Disposals	5,666	7,139	3,715	2,135	–	18,655
As at 30 June 2018	(2,596,484)	(821,285)	(93,018)	(548,196)	–	(4,058,983)
Carrying amount						
As at 30 June 2018	4,013,778	252,111	17,181	201,906	311,904	4,796,880
As at 31 December 2017	4,170,414	302,101	20,775	243,699	263,978	5,000,967

According to the relevant laws and regulations, subsequent to the Group's transformation into a joint stock company, the legal title of properties previously held by the predecessor entities are to be transferred to the Group. As at 30 June 2018, the registration transfer process of certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

24. GOODWILL

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

During the six months ended 30 June 2018, based on assessment performed by the Bank, there is no impairment for the goodwill (31 December 2017: Nil).

25. OTHER ASSETS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Interest receivable	6,220,292	6,364,823
Land use rights	428,556	436,275
Pre-paid tax	97,345	1,766
Foreclosed assets	110,266	112,785
Intangible assets	101,129	103,762
Others	<u>781,965</u>	<u>816,966</u>
Total	<u>7,739,553</u>	<u>7,836,377</u>

26. BORROWINGS FROM CENTRAL BANK

As at 30 June 2018, borrowings from central bank mainly contain the mid-term loan facilities from PBOC, of which the carrying amount is RMB27,500 million (31 December 2017: RMB30,500 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

27. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Deposits from domestic banks	35,178,316	65,263,981
Deposits from other domestic financial institutions	<u>3,814,247</u>	<u>20,223,837</u>
Total	<u>38,992,563</u>	<u>85,487,818</u>

Deposits from banks and other financial institutions are interest bearing at prevailing market interest rate.

28. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Placements from domestic banks and other financial institutions	20,271,968	22,063,598
Placements from overseas banks	<u>635,512</u>	<u>916,338</u>
Total	<u>20,907,480</u>	<u>22,979,936</u>

As at 30 June 2018, there was no unconsolidated non-guaranteed WMPs managed by the Bank invested in a subsidiary of the Bank, CQRC Financial Leasing. Co., Ltd. as interbank borrowings (31 December 2017: RMB500 million, see Note 43. The Group recognised it as a placement from other banks and financial institutions).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

29. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Analysed by collateral type:		
Debt securities	1,134,000	5,104,920
Bills	—	2,440,110
Total	<u>1,134,000</u>	<u>7,545,030</u>

All repurchase agreements are due within twelve months from inception.

30. DEPOSITS FROM CUSTOMERS

	NOTE	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Demand deposits			
Corporate customers		140,760,572	121,315,195
Individual customers		109,558,516	107,609,106
Time deposits			
Corporate customers		30,248,252	26,540,309
Individual customers		342,356,595	307,206,545
Pledged deposits	(1)	7,089,220	9,417,851
Others (Including outward remittance and remittance outstanding)		<u>82,065</u>	<u>95,250</u>
Total		<u>630,095,220</u>	<u>572,184,256</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

30. DEPOSITS FROM CUSTOMERS (Continued)

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Acceptances	4,308,914	5,927,440
Loans and receivables	968,625	956,221
Letters of credit	305,266	530,509
Letters of guarantee	504,409	498,355
Others	1,002,006	1,505,326
Total	<u>7,089,220</u>	<u>9,417,851</u>

31. ACCRUED STAFF COSTS

	NOTE	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Salaries, bonuses and allowances		1,955,120	2,229,790
Supplementary retirement benefits	(1)	2,471,621	2,381,298
Early retirement benefits	(2)	221,655	241,176
Labor union fees and staff education expenses		193,463	170,640
Total		<u>4,841,859</u>	<u>5,022,904</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

31. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits

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

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

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

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

Supplementary retirement benefits include supplementary pension and medical benefits.

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

	As at 30 June 2018	As at 31 December 2017
Discount rate	4.00%	4.25%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2010-2013	

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

31. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Service cost:		
– Current service cost	8,010	5,130
– Past service cost	2,140	485,630
Net interest expense	49,530	75,950
Components of supplementary retirement benefit costs recognised in profit or loss	59,680	566,710
Remeasurement on the net defined benefit liability	87,870	(243,710)
Components of supplementary retirement benefit cost recognised in other comprehensive income	87,870	(243,710)
Total	147,550	323,000

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

31. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Defined benefit obligation at beginning of the period	2,381,298	2,160,958
Interest cost	49,530	75,950
Loss arising from remeasurement on the defined benefit liability:		
– Actuarial loss/(gain) arising from changes in financial assumptions	87,870	(243,710)
Current service cost	8,010	5,130
Past service cost	2,140	485,630
Benefits paid	(57,227)	(102,660)
Defined benefit obligation at end of the period	<u>2,471,621</u>	<u>2,381,298</u>

(2) Early retirement benefits

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

For the six months ended 30 June 2018, the Group incurred RMB9 million (for the six months ended 30 June 2017: reversal of RMB0.49 million), and paid RMB29 million (for the six months ended 30 June 2017: RMB36 million) in respect of the early retirement benefits plan.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

32. DEBT SECURITIES ISSUED

	NOTE	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Interbank certificates of deposit issued	(1)	92,396,599	94,901,345
Bonds issued	(2)	11,998,481	9,000,000
Total		<u>104,395,080</u>	<u>103,901,345</u>

(1) As at 30 June 2018, the total face value of the outstanding certificates of deposit publically issued by the Bank in the China Domestic Internal Bond Market was RMB92,397 million with the tenor of 1 to 12 months (31 December 2017: RMB94,901 million with the tenor of 1 to 12 months).

(2) As approved by the PBOC and CBIRC, the Bank issued financial bonds of RMB3,000 million on 8 May 2018.

As approved by the PBOC and CBIRC, the Bank issued callable tier-two capital bonds of RMB4,000 million on 7 December 2016.

As approved by the PBOC and CBIRC, the Bank issued callable tier-two capital bonds of RMB5,000 million on 19 June 2014.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

33. DEFERRED TAXATION

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

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

	Allowances of impairment loss	Retirement benefits	Accrued salaries bonuses and allowances	Provision	Fair value changes of financial instruments	Others	Total
As at 31 December 2017	2,459,896	103,844	591,731	8,753	36,617	55,887	3,256,728
Changes in accounting policy	(207,091)	—	—	101,956	69,569	—	(35,566)
As at 1 January 2018 (restated)	2,252,805	103,844	591,731	110,709	106,186	55,887	3,221,162
Credit/(Charge) to profit or loss	1,092,889	(4,879)	(63,423)	(6,375)	(370,616)	(3,447)	644,149
Credit/(Charge) to other comprehensive income	—	21,967	—	—	19,146	(2,397)	38,716
As at 30 June 2018	<u>3,345,694</u>	<u>120,932</u>	<u>528,308</u>	<u>104,334</u>	<u>(245,284)</u>	<u>50,043</u>	<u>3,904,027</u>
As at 1 January 2017	2,020,716	192,234	517,766	6,473	(23,108)	67,627	2,781,708
Credit/(Charge) to profit or loss	439,180	(27,463)	73,965	2,280	5,428	(11,740)	481,650
Credit/(Charge) to other comprehensive income	—	(60,927)	—	—	54,297	—	(6,630)
As at 31 December 2017	<u>2,459,896</u>	<u>103,844</u>	<u>591,731</u>	<u>8,753</u>	<u>36,617</u>	<u>55,887</u>	<u>3,256,728</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

34. OTHER LIABILITIES

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Interest payable	3,981,810	4,647,804
Other payables	5,356,403	5,408,023
Deferred income	569,465	564,105
Tax payables (excluding corporate income tax payable)	476,961	312,599
Dividends payable	85,886	51,395
Provision	451,671	35,012
Total	<u>10,922,196</u>	<u>11,018,938</u>

35. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 31 December 2017 (Audited)	10,000,000	10,000,000
As at 30 June 2018 (Unaudited)	<u>10,000,000</u>	<u>10,000,000</u>

36. CAPITAL RESERVE

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

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

37. INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax impact	Net-of-tax amount
As at 1 January 2017	70,959	(17,740)	53,219
(Loss)/Gain on fair value changes of available- for-sale financial assets	(192,113)	48,028	(144,085)
Amount reclassified to profit or loss upon disposal of available-for-sale financial assets	<u>(25,076)</u>	<u>6,269</u>	<u>(18,807)</u>
As at 31 December 2017	(146,230)	36,557	(109,673)
Changes in accounting policy	<u>95,825</u>	<u>(23,956)</u>	<u>71,869</u>
As at 1 January 2018 (restated)	(50,405)	12,601	(37,804)
Fair value gain/(loss) for the period	(78,281)	19,570	(58,711)
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	1,698	(424)	1,274
Asset impairment loss for the period for financial assets measured at FVOCI	<u>9,587</u>	<u>(2,397)</u>	<u>7,190</u>
As at 30 June 2018	<u>(117,401)</u>	<u>29,350</u>	<u>(88,051)</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

38. SURPLUS RESERVE

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

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

39. GENERAL RESERVE

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

During the six months ended 30 June 2018, the Group transferred RMB1,351 million to general reserve pursuant to the regulatory requirement (during the six months ended 30 June 2017: RMB1,252 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

40. CASH AND CASH EQUIVALENTS

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Cash	3,161,064	3,273,111
Surplus reserve deposits with central bank	20,347,546	8,946,135
Deposits with banks and other financial institutions	8,175,094	8,364,149
Placements with banks and other financial institutions	4,786,481	25,581,530
Financial assets held under resale agreements	12,999,157	2,443,685
Total	<u>49,469,342</u>	<u>48,608,610</u>

41. SEGMENT ANALYSIS

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

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

41. SEGMENT ANALYSIS (Continued)

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

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

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

Operating segment

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

Corporate banking

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

Personal banking

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

Financial market operations

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

41. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

	For the six months ended 30 June 2018 (Unaudited)					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	5,689,941	4,165,811	9,025,263	18,881,015	–	18,881,015
External interest expense	(916,735)	(4,009,714)	(5,002,911)	(9,929,360)	–	(9,929,360)
Inter-segment interest (expense)/income	(1,230,171)	4,126,912	(2,896,741)	–	–	–
Net interest income	3,543,035	4,283,009	1,125,611	8,951,655	–	8,951,655
Fee and commission income	323,131	509,086	330,674	1,162,891	–	1,162,891
Fee and commission expense	(7,427)	(25,722)	(15,410)	(48,559)	–	(48,559)
Net fee and commission income	315,704	483,364	315,264	1,114,332	–	1,114,332
Net trading gain	–	–	3,034,913	3,034,913	–	3,034,913
Other operating income, net	5,558	4,069	143,873	153,500	7,064	160,564
Operating income	3,864,297	4,770,442	4,619,661	13,254,400	7,064	13,261,464
Operating expenses	(1,339,369)	(1,507,115)	(1,001,510)	(3,847,994)	–	(3,847,994)
Impairment loss on assets	(2,433,750)	(540,897)	(105,853)	(3,080,500)	–	(3,080,500)
Net loss on derecognition of financial assets measured at FVOCI	–	–	(1,698)	(1,698)	–	(1,698)
Net gain on derecognition of financial assets measured at amortised cost	–	–	2,694	2,694	–	2,694
Profit before tax	91,178	2,722,430	3,513,294	6,326,902	7,064	6,333,966
Income tax expense						(1,447,368)
Profit for the period						4,886,598
Depreciation and amortisation included in operating expenses	132,353	148,930	98,967	380,250	–	380,250
Capital expenditure	59,475	66,925	44,472	170,872	–	170,872
As at 30 June 2018 (Unaudited)						
Segment assets	223,473,007	120,962,501	555,051,591	899,487,099	9,150,315	908,637,414
Segment liabilities	183,637,111	454,438,621	200,659,271	838,735,003	2,060,498	840,795,501
Supplementary information						
Credit commitments	30,903,836	1,945,784	–	32,849,620	–	32,849,620

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

41. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

	For the six months ended 30 June 2017 (Unaudited)					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	5,320,875	3,371,298	9,667,770	18,359,943	–	18,359,943
External interest expense	(683,782)	(3,746,094)	(3,659,164)	(8,089,040)	–	(8,089,040)
Inter-segment interest (expense)/income	(1,224,790)	3,716,340	(2,491,550)	–	–	–
Net interest income	3,412,303	3,341,544	3,517,056	10,270,903	–	10,270,903
Fee and commission income	347,045	432,380	423,038	1,202,463	–	1,202,463
Fee and commission expense	(3,478)	(28,404)	(15,374)	(47,256)	–	(47,256)
Net fee and commission income	343,567	403,976	407,664	1,155,207	–	1,155,207
Net trading gain	–	–	23,186	23,186	–	23,186
Other operating income, net	(31,355)	5,593	16,039	(9,723)	5,443	(4,280)
Operating income	3,724,515	3,751,113	3,963,945	11,439,573	5,443	11,445,016
Operating expenses	(1,293,901)	(1,399,888)	(993,022)	(3,686,811)	–	(3,686,811)
Impairment loss on assets	(1,069,605)	(182,060)	(361,353)	(1,613,018)	–	(1,613,018)
Net gain on disposal of available-for-sale financial assets	–	–	68	68	–	68
Net gain on disposal of investments classified as receivables	–	–	13	13	–	13
Profit before tax	1,361,009	2,169,165	2,609,651	6,139,825	5,443	6,145,268
Income tax expense						(1,511,179)
Profit for the period						4,634,089
Depreciation and amortisation included in operating expenses	130,355	141,033	100,043	371,431	–	371,431
Capital expenditure	103,935	112,448	79,766	296,149	–	296,149
As at 31 December 2017 (Audited)						
Segment assets	217,486,656	104,576,658	575,007,504	897,070,818	8,707,262	905,778,080
Segment liabilities	163,228,104	419,497,796	255,718,680	838,444,580	2,087,815	840,532,395
Supplementary information						
Credit commitments	22,522,570	11,169,073	–	33,691,643	–	33,691,643

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

41. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

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

42. RELATED PARTY TRANSACTIONS

(1) Related parties of the Group

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

Name of shareholders	Percentage of shares holding of the Bank (%)	
	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Chongqing Yufu Assets Management Group Co., Ltd. (重慶渝富資產經營管理集團有限公司)	9.98	9.98
Chongqing City Investment (Group) Co., Ltd. (重慶市城市建設投資(集團)有限公司)	7.87	7.87
Chongqing Transport and Travel Investment Group Co., Ltd. (重慶交通旅遊投資集團有限公司)	5.89	5.89
Loncin Holding Co., Ltd. (隆鑫控股有限公司)	5.70	5.70
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	4.43	4.43
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	3.00	3.00
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	2.00	2.00
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	1.50	1.50

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

42. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions

For the six months ended 30 June 2018, the Group entered into the following material transactions with related parties:

	Interest income		Interest expense	
	For the six months ended 30 June		For the six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Shareholders of the Bank	219,578	232,669	11,067	7,673
Other related parties	276,064	124,619	7,507	17,982
	<u>495,642</u>	<u>357,288</u>	<u>18,574</u>	<u>25,655</u>

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

	Loans and advances to related parties		Customer deposits from related parties	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Shareholders of the Bank	7,912,160	8,120,990	2,097,657	1,887,122
Other related parties	7,789,542	5,214,902	3,926,923	2,285,419
Total	<u>15,701,702</u>	<u>13,335,892</u>	<u>6,024,580</u>	<u>4,172,541</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

42. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions (Continued)

	Interest receivable to related parties		Interest payable to related parties	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Shareholders of the Bank	11,279	12,623	692	733
Other related parties	9,952	7,973	4,401	3,247
Total	<u>21,231</u>	<u>20,596</u>	<u>5,093</u>	<u>3,980</u>

	Guarantee provided by related parties	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Other related parties	<u>8,622,618</u>	<u>6,878,774</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

42. RELATED PARTY TRANSACTIONS (Continued)

(3) Transactions between the Bank and its subsidiaries

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

For the six months ended at 30 June 2018 and the year ended at 31 December 2017, transactions between the Bank and its subsidiaries include deposits with banks, deposits from banks, placement with banks and other financial institutions, and so forth.

As at 30 June 2018, the Bank's deposits with subsidiaries amounted to RMB110 million (31 December 2017: 90 million); the Bank's deposits from subsidiaries amounted to RMB602 million (31 December 2017: RMB723 million); the Bank's placements with subsidiaries amounted to RMB4,110 million (31 December 2017: RMB3,840 million).

For the six months ended at 30 June 2018, the interest income of the Bank's transactions with subsidiaries amounted to RMB114 million (for the six months ended at 30 June 2017: RMB90 million); the interest expense amounted to RMB0.9 million (for the six months ended at 30 June 2017: RMB2 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

42. RELATED PARTY TRANSACTIONS (Continued)

(4) Key management personnel

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

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

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Basic salaries, bonuses and allowances	1,140	1,378
Contribution to pension schemes	378	349
Fees	—	—
Total	<u>1,518</u>	<u>1,727</u>

Certain key management personnel's final emoluments for the current year are subject to approval by relevant authorities in the PRC and have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group as at 30 June 2018. The disclosed amount of remuneration is the amount paid in current year. The amount of actual remuneration will be announced after approval.

For the six months ended 30 June 2018, both the loans made to key management personnel and their relatives, and the corresponding interest income are not material.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

43. STRUCTURED ENTITIES

(1) Unconsolidated structured entities managed by the Group

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

As at 30 June 2018 and 31 December 2017, the outstanding WMPs issued by the Group amounted to RMB87,900 million and RMB107,187 million, respectively, which represent the total size of the WMP vehicles. The interest of the Group from the operation of the WMPs mainly consists of fee and commission income. For the six months ended 30 June 2018, the Group’s interest in the non-guaranteed WMP Vehicles included in Fee and Commission Income was RMB495 million (for the six months ended at 30 June 2017: RMB574 million).

As at 30 June 2018, none of the unconsolidated non-guaranteed WMPs was invested in CQRC Financial Leasing Co., Ltd., as interbank lending with a maturity of less than one year (As at 31 December 2017: RMB500 million).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk from or reduce its interest in WMP vehicles disclosed above during the six months ended 30 June 2018 and the year ended 31 December 2017. The Group is not required to absorb any loss incurred by WMPs before other parties. During the six months ended 30 June 2018 and the year ended 31 December 2017, no loss was incurred by the WMP Vehicles relating to the Group’s interests in the WMP Vehicles, and the WMP Vehicles did not experience difficulty in financing their activities.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

43. STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group

The Group invests in a number of other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gain or loss and interest income therefrom. As at 30 June 2018 and 31 December 2017, the Group's maximum exposure to these other unconsolidated structured entities is summarised in the table below.

	As at 30 June 2018 (Unaudited)		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost
WMPs issued by other banks	48,722,589	—	—
Asset-backed securities	24,554	—	2,051,932
Trust beneficial rights	—	—	40,286,980
Others	—	3,755	—
Total	<u>48,747,143</u>	<u>3,755</u>	<u>42,338,912</u>

	As at 31 December 2017 (Audited)			
	Financial assets designated at fair value through profit or loss	Available-for-sale investments	Held-to-maturity investments	Investments classified as receivables
WMPs issued by other banks	—	147,663,128	—	—
Assets management plans	—	—	—	108,546
Asset-backed securities	—	19,740	2,461,210	—
Trust beneficial rights	—	3,676	—	46,316,724
Total	<u>—</u>	<u>147,686,544</u>	<u>2,461,210</u>	<u>46,425,270</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

43. STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group (Continued)

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

(3) Consolidated structured entities

The Group's consolidated structured entities consist principally of WMP Vehicles that issue and distribute WMPs with respect to which the Group has not guaranteed the investors' principal investment and/or return upon maturity of the WMP, regardless of its actual performance during the six months ended 30 June 2018 and the year 2017. The amount of unguaranteed WMPs consolidated by the Group at 30 June 2018 is RMB2,510 million (31 December 2017: Nil).

44. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 30 June 2018 and 31 December 2017, provisions of RMB5.74 million and RMB7.09 million were made respectively based on court judgments or the advice of counsels. The directors of the Bank believe, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Contracted but not provided for	<u>478,495</u>	<u>335,916</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

44. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit commitments

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Acceptances	11,160,838	14,502,293
Undrawn credit card limit	12,090,446	11,169,073
Letters of guarantee	7,652,551	6,479,329
Letters of credit issued	1,945,785	1,540,948
Total	<u>32,849,620</u>	<u>33,691,643</u>

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

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

Credit risk weighted amounts for credit commitments

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Credit commitments	<u>16,256,857</u>	<u>16,033,337</u>

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

44. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Operating lease commitments

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Within 1 year	78,582	78,608
1 to 2 years	50,777	50,254
2 to 3 years	24,341	28,661
3 to 4 years	13,441	15,555
4 to 5 years	7,313	8,703
Above 5 years	<u>3,293</u>	<u>32,686</u>
Total	<u>177,747</u>	<u>214,467</u>

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

For the six months ended 30 June 2018, operating lease expense recognised as operating expense by the Group was RMB47 million (for the six months ended at 30 June 2017: RMB45 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

44. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral

Assets pledged

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Bonds	44,371,430	43,253,732
Bills	—	2,449,291
Total	<u>44,371,430</u>	<u>45,703,023</u>

Collateral accepted

The Group received bills and securities as collaterals under resale agreements. The Group has no collaterals that have been re-pledged, with the obligation of the Group to return at the maturity date as at 30 June 2018 and 31 December 2017.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

45. TRANSFER OF FINANCIAL ASSETS

(1) Financial assets sold under repurchase agreements

In daily operating activities, the Group entered into repurchase agreements with certain counterparties. As at 30 June 2018, there are debt securities with carrying amount of RMB1,252 million under these agreements measured at amortised cost (31 December 2017: RMB5,320 million). The carrying amount of bills, which were sold by the Group to certain counterparties and were subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices, was nil as at 30 June 2018 (31 December 2017: RMB2,449 million). The proceeds from selling such debt securities and bills totalling RMB1,134 million as at 30 June 2018 (31 December 2017: RMB7,545 million) are presented as “financial assets sold under repurchase agreements” (see Note 29).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

(2) Rediscounted bills

As at 30 June 2018 and 31 December 2017, the carrying amount of the outstanding rediscounted bills of the Group, which qualifies for derecognition, were RMB2,801 million and RMB1,764 million, respectively.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

45. TRANSFER OF FINANCIAL ASSETS (Continued)

(3) Asset securitisation

In the course of securitisation transactions, the Group sells assets to special purpose trusts from whom the asset-backed securities are subsequently sold to the investors. The Group may hold some asset-backed securities in these businesses, thus reserving part of risks and rewards of transferred credit assets. The Group analyses and judges whether to derecognise relevant credit assets based on degree of retention of risks and rewards.

As at 30 June 2018, the carrying amount of the credit assets transferred by the Group to special purpose trust was RMB1,910 million before transfer. The Group has derecognised relevant credit assets. The carrying amount of the Group's share of the above asset-backed securities as at 30 June 2018 was RMB60 million (31 December 2017: RMB90 million), with a maximum loss exposure similar to the carrying amount.

(4) Transfer of non-performing loans

For the six months ended 30 June 2018, the Group has disposed non-performing assets with a carrying amount of RMB435 million (31 December 2017: Nil) by transferring them to third parties. The Group analysed whether to derecognise related credit asset according to the degree of risk and reward retention. After the assessment, the Group has derecognised the relevant credit assets.

(5) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2018, the carrying amount of debt securities lent to counterparties was RMB4,250 million. (31 December 2017: Nil).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT

Discussed below are risk management policies of the Group, in which the information and methods were used in the measurement of ECL under IFRS 9, and necessary adjustments were made in accordance with IFRS 9.

(1) Overview

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

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

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

(2) Risk Management Framework

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

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

The Group's framework of financial risk management, risk management policies and process except for credit risk used in preparing the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's consolidated financial statement for the year end 31 December 2017.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk Management

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 and other on-balance sheet and off-balance sheet credit risk exposures.

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by strict compliance with its credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

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 including by reference to external credit rating information where available. In addition, the Group also provides financial guarantee services 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.

Expected Credit Loss Measurement

The Group adopts a "three-stage" model for impairment based on changes in credit quality since initial recognition, to estimate the ECL.

Stage 1: Financials instruments with no significant increase in credit risk after initial recognition. Expected credit losses in the next 12 months is recognised.

Stage 2: There are significant increase in credit risk since initial recognition, but no objective evidence of impairment of the financial instrument. Lifetime ECL of financial instruments is recognised.

Stage 3: Financial instruments show objective evidence of impairment on the balance sheet date. Lifetime ECL is recognised.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk Management (Continued)

Expected Credit Loss Measurement (Continued)

Significant Increase in Credit Risk (SICR)

The Group sufficiently considers available and valid information in order to decide the stage of financial assets, which reflects the significant increase in credit risk. The major factors considered include internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, repayment behaviours, etc. The Group evaluates the change in default risk on reporting date and initial recognition of one financial instrument or a portfolio of financial instruments that shares the similar credit risk features. The Group considers the change in probability of default (PD), whether the overdue exceeds 30 days and other factors to determine whether there is significant increase in credit risk since initial recognition.

Definition on Default and Credit-impaired Assets

The Group determined whether the assets were credit impaired based on a series of quantitative and qualitative standards such as credit ratings, and the risk profile changes of the debtor. The Group defines a financial instrument as in default when it meets one or more of the following criteria. In order to evaluate whether a financial asset is credit impaired, the Group considers the following criteria:

- Credit rating grade is D;
- Significant financial difficulty of the borrower or issuer;
- Breach of contract term, such as a default or delinquency in interest or principal payments for over 90 days;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties;
- Other objective evidence indicating there is an impairment of the financial asset.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk Management (Continued)

Expected Credit Loss Measurement (Continued)

Measuring ECL – Explanation of Inputs, Assumptions and Estimation Techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower breaching the contractual terms or defaulting on its financial obligation over a specific time, either the next 12 months, or the remaining lifetime of the obligation.

Loss Given Default (LGD) refers to the extent of loss on a defaulted exposure, which is the ratio of the expected loss in the total amount of a loan. The Group's LGD is calculated in line with recovery amount according to different types of guarantee.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking Information

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, mainly including GDP, CPI, PPI, etc.

The Group conceptualizes and determines economic performance index and the weightings in positive, neutral and negative scenarios upon each indexes. Economic performance index is to evaluate each indicators' expected distribution level. The Group considered these predictions to be the best estimates of probable outcomes.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

As at 30 June 2018 and 31 December 2017, the debt securities traded on the China Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

	Level 1	Level 2	Level 3	Total
At 30 June 2018 (Unaudited)				
Financial assets measured at fair value through profit or loss				
– Debt securities issued by:				
Public sector and quasi-governments	–	414,985	–	414,985
Financial institutions	–	4,095,923	24,554	4,120,477
Corporations	–	2,020,669	–	2,020,669
– WMPs issued by other banks	–	–	48,722,589	48,722,589
– Others	–	–	49,414	49,414
Financial assets measured at fair value through other comprehensive income				
– Equity issued by:				
Financial institutions	–	52,688	8,000	60,688
Other institutions	–	587,482	–	587,482
– Debt securities issued by:				
Corporations	–	9,797,696	–	9,797,696
Public sector and quasi-governments	–	222,289	–	222,289
– Others	–	–	934,814	934,814
Loans and advances to customers				
Carrying amount of financial assets measured at fair value through other comprehensive income	–	–	13,816,860	13,816,860
Derivative financial instruments				
– Assets	–	192,512	–	192,512
– Liabilities	–	299,747	–	299,747

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

	Level 1	Level 2	Level 3	Total
At 31 December 2017 (Audited)				
Financial assets held for trading				
– Debt securities issued by:				
Public sector and quasi-governments	–	289,411	–	289,411
Corporations	–	90,014	–	90,014
Interbank deposit certificates	–	139,809	–	139,809
Available-for-sale financial assets				
– Equity issued by:				
Financial institutions	–	66,472	–	66,472
Other institutions	–	621,928	–	621,928
– Debt securities issued by:				
Governments	–	60,740	–	60,740
Public sector and quasi-governments	–	284,509	–	284,509
Corporations	–	10,775,228	–	10,775,228
Financial institutions	–	56,663	–	56,663
– Trust and asset management plans	–	–	5,229,743	5,229,743
– WMPs issued by other banks	–	–	147,663,128	147,663,128
– Others	–	–	1,014,205	1,014,205
Derivative financial instruments				
– Assets	–	169,629	–	169,629
– Liabilities	–	176,589	–	176,589

There were no significant transfers between levels for the six months ended 30 June 2018 and the year 2017.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

	Six months ended 30 June 2018		
	Financial assets measure at fair value through profit or loss	Financial assets measure at other comprehensive income	Loans and advances to customers
As at 1 January 2018	145,680,260	787,252	10,020,878
Total gain or loss:	1,501,110	46,562	21,679
Purchases	27,800,000	109,000	16,588,493
Sales and settlements	(126,184,813)	—	(12,814,190)
As at 30 June 2018	<u>48,796,557</u>	<u>942,814</u>	<u>13,816,860</u>

	Year ended 31 December 2017	
	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets
As at 1 January 2017	1,009,400	88,418,660
Total gain or loss:	—	—
Purchases	—	266,728,710
Sales and settlements	(1,009,400)	(201,240,294)
As at 31 December 2017	<u>—</u>	<u>153,907,076</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

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

	As at 30 June 2018 (Unaudited)		As at 31 December 2017 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets measured at amortised cost	203,280,452	204,080,369	N/A	N/A
Held-to-maturity investments	N/A	N/A	72,444,185	71,329,422
Investments classified as receivables	N/A	N/A	78,743,066	78,716,482
Total	<u>203,280,452</u>	<u>204,080,369</u>	<u>151,187,251</u>	<u>150,045,904</u>
Financial liabilities				
Debt securities issued	<u>104,395,080</u>	<u>100,820,393</u>	<u>103,901,345</u>	<u>100,129,828</u>
Total	<u>104,395,080</u>	<u>100,820,393</u>	<u>103,901,345</u>	<u>100,129,828</u>

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

48. EVENT AFTER THE REPORTING PERIOD

The Group and the Bank have no significant events after the reporting period.

Unaudited Supplementary Financial Information

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

LIQUIDITY RATIO (Expressed in percentage)

Group

	As at 30 June 2018	As at 31 December 2017
RMB current assets to RMB current liabilities	<u>49.68</u>	<u>44.14</u>

LIQUIDITY COVERAGE RATIO

Group

	As at 30 June 2018	As at 31 December 2017
Liquidity coverage ratio (expressed in percentage)	<u>237.89</u>	<u>180.04</u>

Unaudited Supplementary Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

CURRENCY CONCENTRATIONS

Group

	Equivalent in Renminbi			
	US Dollars	Hong Kong Dollars	Others	Total
As at 30 June 2018				
Spot assets	8,808.7	100.6	588.1	9,497.4
Spot liabilities	(5,389.4)	(193.9)	(17.7)	(5,601.0)
Forward purchases	4,126.5	—	—	4,126.5
Forward sales	(7,118.0)	—	(535.6)	(7,653.6)
Net position	<u>427.8</u>	<u>(93.3)</u>	<u>34.8</u>	<u>369.3</u>

	Equivalent in Renminbi			
	US Dollars	Hong Kong Dollars	Others	Total
As at 31 December 2017				
Spot assets	6,597.8	94.3	143.6	6,835.7
Spot liabilities	(5,958.1)	(198.4)	(102.8)	(6,259.3)
Forward purchases	3,091.8	—	—	3,091.8
Forward sales	(3,353.2)	—	—	(3,353.2)
Net position	<u>378.3</u>	<u>(104.1)</u>	<u>40.8</u>	<u>315.0</u>

Unaudited Supplementary Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

INTERNATIONAL CLAIMS

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

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

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

	Banks and other financial institutions	Non-bank private sectors	Total
As at 30 June 2018			
Asia Pacific (not including China)	7,064.5	2,059.4	9,123.9
– of which attributed to Hong Kong	86.1	–	86.1
North America	308.7	–	308.7
Europe	62.5	–	62.5
Total	<u>7,435.7</u>	<u>2,059.4</u>	<u>9,495.1</u>
As at 31 December 2017			
Asia Pacific (not including China)	3,302.3	2,684.0	5,986.3
– of which attributed to Hong Kong	194.6	–	194.6
North America	554.3	–	554.3
Europe	135.3	–	135.3
Total	<u>3,991.9</u>	<u>2,684.0</u>	<u>6,675.9</u>

Unaudited Supplementary Financial Information (Continued)

For the six months ended 30 June 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

SUMMARY OF INFORMATION ON GEOGRAPHICAL SEGMENTS

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

	For the six months ended 30 June 2018			For the six months ended 30 June 2017		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	2,038.0	6,913.7	8,951.7	1,994.9	8,276.0	10,270.9
Net fee and commission income	498.0	616.3	1,114.3	486.5	668.7	1,155.2
Net trading gain	–	3,034.9	3,034.9	–	23.2	23.2
Other operating income, net	25.8	134.8	160.6	34.9	(39.2)	(4.3)
Total operating income	2,561.8	10,699.7	13,261.5	2,516.3	8,928.7	11,445.0
Internal transfer of income and expense	3,772.7	(3,772.7)	–	3,085.9	(3,085.9)	–
Income after adjustment	6,334.5	6,927.0	13,261.5	5,602.2	5,842.8	11,445.0

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

Unaudited Supplementary Financial Information (Continued)

For the six months ended 30 June 2018

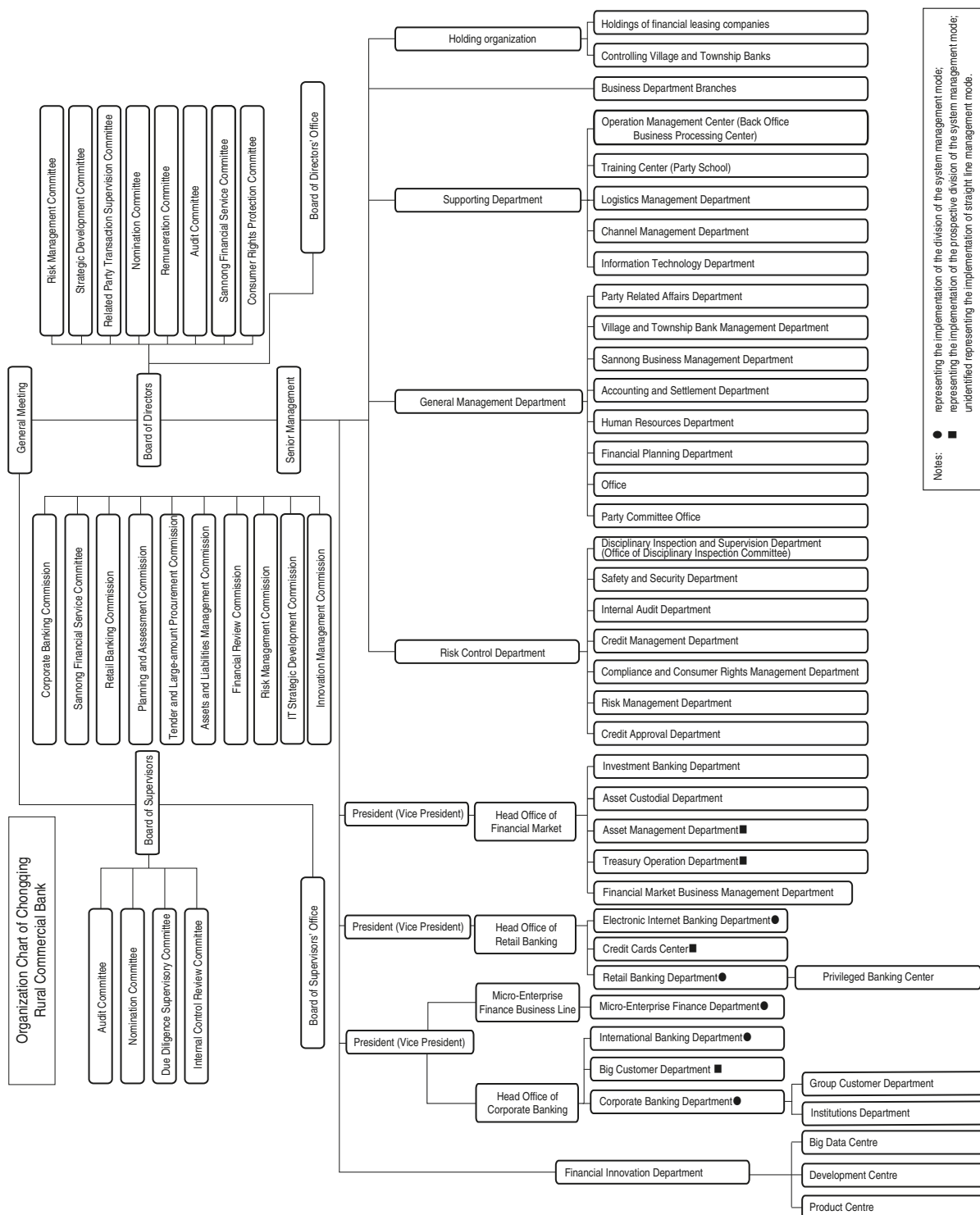
(Amounts in thousands of Renminbi, unless otherwise stated)

Abstract of geographical segments

(Expressed in percentage)	As at 30 June 2018		As at 31 December 2017	
	County Area	Urban Area	County Area	Urban Area
Deposits	67.66	32.34	67.83	32.17
Loans	45.38	54.62	44.67	55.33
Assets	45.02	54.98	45.65	54.35
Loan-deposit ratio	38.56	97.09	38.94	101.70

(Expressed in percentage)	For the six months ended 30 June 2018		For the six months ended 30 June 2017	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.06	1.10	1.00	1.10
Net fee and commission income to operating income	7.86	8.90	9.33	9.80
Cost-to-income ratio	31.88	24.57	36.85	31.34

Organisation Chart



Notes:

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



Definitions

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

Articles of Association	Articles of Association of Chongqing Rural Commercial Bank Co., Ltd., as amended from time to time
Bank or our Bank	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
Board of Directors or Board	the board of directors of the Bank
Board of Supervisors	the board of supervisors of the Bank
CBRC	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
CBIRC	China Banking and Insurance Regulatory Commission
China Banking Regulatory Authority	the China Banking and Insurance Regulatory Commission and its agencies
CSRC	China Securities Regulatory Commission
Domestic shares	the ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each
ETC	Electronic Toll Collection System
Group	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) and its subsidiaries
HKD or HK\$ or HK dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region, the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS 9	International Financial Reporting Standards 9 Financial Instruments
IAS 39	International Accounting Standards 39 Financial Instruments: Recognition and Measurement

Definitions

Listing Rules	The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited
PBOC or central bank	the People's Bank of China
PRC or China	the People's Republic of China
Reporting Period	for the six months period from 1 January 2018 to 30 June 2018
RMB or Renminbi	Renminbi, the lawful currency of the PRC
rural commercial bank	a short-hand reference to rural and commercial bank (農村商業銀行)
Sannong	a short-hand reference to the Chinese pronunciation of the phrase "agriculture, rural areas and farmers"
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shareholder(s)	Shareholder(s) of the Bank
Three-Transformation	the strategy for future development of the Bank, that is, characteristic operation, streamlining the management and fostering good corporate culture
Two Highs and One Surplus	indicates with high pollution, high energy consumption and excess capacity
UI	User Interface
USD or US dollars	United States dollars, the lawful currency of the United States of America
village and township banks	bank institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to provide services to local farmers or enterprises
yuan	RMB yuan