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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 2019

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 2019 (the “**Interim Results**”). This announcement contains the full text of the interim report of the Group for the six months ended 30 June 2019 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 2019 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, 16 August 2019

As at the date of this announcement, the executive directors of the Bank are Mr. Liu Jianzhong, Mr. Xie Wenhui and Mr. Zhang Peizong; the non-executive directors of the Bank are Ms. Chen Xiaoyan, Mr. Luo Yuxing and Mr. Wen Honghai; and the independent non-executive directors of the Bank are Mr. Yuan Zengting, Mr. Cao Guohua, Mr. Song Qinghua, Mr. Zhang Qiaoyun and Mr. Lee Ming Hau.

* The Bank holds a financial licence number B0335H250000001 approved by the regulatory authority of the banking industry of the PRC and was authorised by the Administration for Market Regulation 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 International Financial Reporting Standards and expressed in Renminbi unless otherwise stated.

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Rate of change (%)
Operating results				
Net interest income	11,485.7	8,951.7	2,534.0	28.31
Net fee and commission income	1,327.5	1,114.3	213.2	19.13
Other net non-interest income	456.9	3,196.5	(2,739.6)	(85.71)
Operating income ⁽¹⁾	13,270.1	13,262.5	7.6	0.06
Profit before tax	7,035.3	6,334.0	701.3	11.07
Net profit	5,840.5	4,886.6	953.9	19.52
Net profit attributable to equity holders of the Bank	5,751.4	4,835.6	915.8	18.94
Basic earnings per share (Expressed in RMB per share)	0.58	0.48	0.10	20.83

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2019	As at 31 December 2018	Change in amount	Rate of change (%)
Scale indicators				
Total assets	1,019,685.3	950,618.0	69,067.3	7.27
Among which: loans and advances to customers, net	396,111.0	364,026.1	32,084.9	8.81
Total liabilities	943,742.7	878,469.2	65,273.5	7.43
Among which: deposits from customer	682,853.9	616,166.2	66,687.7	10.82
Equity attributable to equity holders of the Bank	74,492.8	70,748.2	3,744.6	5.29
Non-controlling interests	1,449.8	1,400.6	49.2	3.51
Total equity	75,942.6	72,148.8	3,793.8	5.26

(Expressed in percentage)	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change
Profitability indicators			
Annualised return on average assets ⁽²⁾	1.19	1.08	0.11
Annualised weighted average return on shareholders' equity ⁽³⁾	15.70	14.64	1.06
Net interest spread ⁽⁴⁾	2.18	2.44	(0.26)
Net interest margin ⁽⁵⁾	2.35	2.35	-
Net fee and commission income to operating income	10.00	8.40	1.60
Cost-to-income ratio ⁽⁶⁾	21.72	28.06	(6.34)

(Expressed in percentage)	As at 30 June 2019	As at 31 December 2018	Change
Assets quality indicators ⁽⁷⁾			
Non-performing loan ratio	1.25	1.29	(0.04)
Allowance to non-performing loans	368.76	347.79	20.97
Allowance to total loans	4.59	4.50	0.09
Capital adequacy indicators			
Core Tier 1 capital adequacy ratio ⁽⁸⁾	10.99	10.95	0.04
Tier 1 capital adequacy ratio ⁽⁸⁾	11.00	10.96	0.04
Capital adequacy ratio ⁽⁸⁾	13.49	13.52	(0.03)
Total equity to total assets	7.45	7.59	(0.14)

(Expressed in percentage)	As at 30 June 2019	As at 31 December 2018	Change
Other indicators			
Loan-to-deposit ratio ⁽⁷⁾	60.79	61.86	(1.07)

Financial Summary

Notes:

- (1) For better presentation, for the six months ended 30 June 2018, “net gain or loss on derecognition of financial assets measured at FVOCI” and “net gain or loss on derecognition of financial assets measured at amortised cost” are presented in “operating income”.
- (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) Calculated by dividing total operating expenses (excluding taxes and surcharges) by operating income.
- (7) 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 for the Loss Provisions for Commercial Bank Loans (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 Legal Person Banking Institution Loans in 2019 (Yu Yin Bao Jian Fa [2019] No.21) promulgated by the CBIRC 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.

- (8) 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 International Financial Reporting Standards, 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	CHU Wai Ha
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 The Administration for Market Regulation 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 regulatory authority of the banking industry of the PRC

Company Information



Auditors

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Legal advisor as to PRC laws

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Legal advisor as to Hong Kong laws

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H share registrar

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Domestic Share registrar

China Securities Depository and Clearing Co., Ltd.
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Beijing, the PRC

Management Discussion and Analysis

Financial Review

In the first half of 2019, confronted with the complicated international and domestic environment, under the strong leadership of the Party Central Committee with Comrade Xi Jinping as the core, all departments in various regions conscientiously implemented the decisions promoted by the Party Central Committee and State Council, in which they insisted on the overall keynote of progressing while maintaining stability, they adhere to the new development concept, adhere to the promotion of high quality development, adhere to the supply-side structural reform as the main line, so as to deepen reform and opening-up, and to pay close attention to the implementation of the “six stable” work, and thus the economic operation will continue to be within a reasonable range, and to have an overall stability and advanced development. China’s GDP in the first half of the year was RMB45,093.3 billion, representing an increase of 6.3% year-on-year. The added value of industrial enterprises above designated size increased by 6.0% year-on-year; the national fixed asset investment (excluding farmers) was RMB29,910 billion, representing a year-on-year increase of 5.8%. At the end of June 2019, the broad money (M2) balance was RMB192.14 trillion, a year-on-year increase of 8.5%. At the end of June 2019, the balance of RMB loans was RMB145.97 trillion, representing a year-on-year increase of 13%; the balance of RMB deposits was RMB187.57 trillion, representing an increase of 8.4% year-on-year.

In the first half of 2019, Chongqing fully implemented the important instructions that the General Secretary Xi Jinping proposed to Chongqing, including the “two points” positioning, the “two places” and “two highs” goals, bringing “three roles” into play and creating a good political ecology. Chongqing insisted on the overall keynote of progressing while maintaining stability, focusing on high quality, supply side and intelligence, and thus the city’s economic operation continued to be within a reasonable range, keeping the overall stable and progressive development. In the first half of 2019, Chongqing achieved a regional GDP of RMB1,033.476 billion, representing a 6.2% year-on-year increase. The added value of industrial enterprises above designated size increased by 5.0% year-on-year, the added value of industrial strategic emerging industries increased by 12.8%, and the investment in fixed assets increased by 6.1%. At the end of June 2019, the balance of RMB loans was RMB3.43 trillion, representing an increase of 14.5% year-on-year; the balance of RMB deposits was RMB3.82 trillion, representing an increase of 7.8% year-on-year.

I. Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Rate of change (%)
Net interest income	11,485.7	8,951.7	2,534.0	28.31
Net fee and commission income	1,327.5	1,114.3	213.2	19.13
Net other non-interest income	456.9	3,196.5	(2,739.6)	(85.71)
Operating income	13,270.1	13,262.5	7.6	0.06
Operating expenses	(2,995.3)	(3,848.0)	852.7	(22.16)
Impairment losses on assets	(3,239.5)	(3,080.5)	(159.0)	5.16
Profit before tax	7,035.3	6,334.0	701.3	11.07
Income tax expense	(1,194.8)	(1,447.4)	252.6	(17.45)
Net profit	5,840.5	4,886.6	953.9	19.52

In the first half of 2019, the Group recorded a profit before tax of RMB7,035 million, representing a year-on-year increase of 11.07% and a net profit of RMB5,841 million, representing a year-on-year increase of 19.52%. The steady growth of profit before tax and net profit was mainly attributable to: On the one hand, while maintaining the stable growth of the Group's interest-earning assets portfolio, the Group increased the product innovation and marketing efforts to achieve a net interest income of RMB11,486 million, representing an increase of RMB2,534 million or 28.31% as compared to the same period of the previous year. Net fee and commission income increased by RMB213 million as compared to the same period of the previous year, representing an increase of 19.13%. On the other hand, the Group further strengthened the cost budget management in the current period. At the same time, with the influence of the relevant manpower policy, the Group's operating expenses for the current period decreased by RMB853 million as compared to the same period of the previous year, representing a decrease of 22.16%.

(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 2019	For the six months ended 30 June 2018	Change in amount	Rate of change (%)
Interest income	22,152.4	18,881.0	3,271.4	17.33
Interest expense	(10,666.7)	(9,929.3)	(737.4)	7.43
Net interest income	11,485.7	8,951.7	2,534.0	28.31

In the first half of 2019, the interest income of the Group amounted to RMB22,152 million, representing an increase of RMB3,271 million or 17.33% as compared to the same period of the previous year and the net interest income amounted to RMB11,486 million representing an increase of RMB2,534 million or 28.31% as compared to the same period of the previous year. On the one hand, due to the steady growth of the Group's credit assets, the net interest income has grown steadily; on the other hand, the Group actively adjusted the investment structure and increased the investment in financial assets measured by amortized cost at the appropriate time during the period. Net interest income and total operating income accounted for 86.55%.

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 2019			For the six months ended 30 June 2018		
	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	398,025.5	10,767.9	5.41	348,806.7	9,198.8	5.27
Debt securities investments ⁽¹⁾	302,827.5	6,652.0	4.39	165,981.5	4,253.2	5.12
Balances with Central bank	71,992.7	558.6	1.55	83,524.5	657.0	1.57
Due from banks and other financial institutions	204,600.5	3,963.6	3.87	162,093.8	3,798.2	4.69
Total interest-earning assets ⁽²⁾	977,446.2	21,942.1	4.49	760,460.5	17,907.2	4.71
Liabilities						
Deposits from customers	656,670.7	6,185.6	1.88	586,587.2	4,724.8	1.61
Borrowings from Central bank	24,015.4	389.3	3.24	30,632.5	497.9	3.25
Due to banks and other financial institutions	73,019.7	1,082.5	2.96	72,166.6	1,434.6	3.98
Bonds payable	151,750.9	2,788.8	3.68	97,925.3	2,298.2	4.69
Total interest-bearing liabilities ⁽²⁾	905,456.7	10,446.2	2.31	787,311.6	8,955.5	2.27
Net interest income		11,495.9			8,951.7	
Net interest spread			2.18			2.44
Net interest margin			2.35			2.35

Notes:

- (1) The Group implemented the new standard of financial instruments on 1 January 2018. The interest-earning assets included financial assets measured at amortised cost and bonds under financial assets at fair values through other comprehensive income.
- (2) The impact of customer-driven wealth management products was excluded.

In the first half of 2019, the average yield on overall interest-earning assets of the Group was 4.49%. The average cost rate of the overall interest-bearing liabilities was 2.31%.

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	1,331.4	237.7	1,569.1
Debt securities investments	3,003.8	(605.0)	2,398.8
Balances with Central bank	(89.4)	(9.0)	(98.4)
Due from banks and other financial institutions	822.5	(657.1)	165.4
Changes in interest income	5,068.3	(1,033.4)	4,034.9
Liabilities			
Deposits from customers	658.8	802.0	1,460.8
Due to Central bank, banks and other financial institutions	(87.6)	(373.1)	(460.7)
Issuance of debt instruments	990.4	(499.8)	490.6
Changes in interest expense	1,561.6	(70.9)	1,490.7

There was an increase of RMB3,507 million of net interest income arising from changes in the average balance of various assets and liabilities, and a decrease of RMB963 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

In the first half of 2019, the interest income of the Group amounted to RMB22,152 million, representing an increase of RMB3,271 million or 17.33% as compared to the same period of the previous year. The analysis below does not take into account of the interest income generated from the capital-preserve type of customer-driven wealth management products and non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation:

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 2019			For the six months ended 30 June 2018		
	Average balance	Interest income	Annualised average yield	Average balance	Interest income	Annualised average yield
Corporate loans	242,228.1	6,030.0	4.98	218,798.8	5,218.7	4.77
Personal loans	136,628.4	4,375.3	6.40	117,882.1	3,694.5	6.27
Discounted bills	19,169.0	362.6	3.78	12,125.8	285.6	4.71
Total loans and advances to customers	<u>398,025.5</u>	<u>10,767.9</u>	<u>5.41</u>	<u>348,806.7</u>	<u>9,198.8</u>	<u>5.27</u>

Interest income from loans and advances to customers amounted to RMB10,768 million, representing a year-on-year increase of RMB1,569 million or 17.06%, 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 RMB1,331 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 RMB238 million over the previous year.

(2) Interest Income from Debt Securities Investments

In the first half of 2019, income from debt securities investments amounted to RMB6,652 million, representing an increase of RMB2,399 million or 56.41% 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 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 2019, the Group's interest income from balances with Central bank decreased by RMB98 million or 14.92% to RMB559 million as compared to the same period of the previous year, primarily affected by Central bank's downward adjustment of the deposit reserve ratio of financial institutions, the Group implemented deposit reserve ratio of 10% in the first half of 2019, representing a year-on-year decrease of 1 percentage point.

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

The average balance, interest income and annualised 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 2019			For the six months ended 30 June 2018		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Deposits and placements with banks and other financial institutions	177,507.2	3,663.7	4.13	140,241.1	3,490.5	4.98
Financial assets held under resale agreements	27,093.3	299.9	2.21	21,852.7	307.7	2.82
Total due from banks and other financial institutions	204,600.5	3,963.6	3.87	162,093.8	3,798.2	4.69

In the first half of 2019, the interest income from deposits and placements with banks and other financial institutions of the Group amounted to RMB3,664 million, representing an increase of RMB173 million, or 4.96% year-on-year, primarily due to the Group's enhanced active management of assets and liabilities, which resulted in an increase in the investment portfolio of certain deposits and placements with banks and other financial institutions.

2. Interest expense

In the first half of 2019, the Group's interest expense amounted to RMB10,667 million, representing an increase of RMB737 million or 7.43% 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 2019			For the six months ended 30 June 2018		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Corporate deposits						
Demand	121,401.0	422.1	0.70	115,633.4	397.0	0.69
Time	43,096.9	560.5	2.60	32,342.4	376.2	2.33
Subtotal	<u>164,497.9</u>	<u>982.6</u>	<u>1.19</u>	<u>147,975.8</u>	<u>773.2</u>	<u>1.05</u>
Personal deposits						
Demand	118,049.4	273.6	0.46	112,513.2	172.4	0.31
Time	374,123.4	4,929.4	2.64	326,098.2	3,779.2	2.32
Subtotal	<u>492,172.8</u>	<u>5,203.0</u>	<u>2.11</u>	<u>438,611.4</u>	<u>3,951.6</u>	<u>1.80</u>
Total deposits from customers	<u>656,670.7</u>	<u>6,185.6</u>	<u>1.88</u>	<u>586,587.2</u>	<u>4,724.8</u>	<u>1.61</u>

In the first half of 2019, interest expense on deposits from customers of the Group amounted to RMB6,186 million, representing an increase of RMB1,461 million, or 30.92% year-on-year, which was mainly due to the fact that the Group increased deposit marketing expansion, deposit growth hit an all-time high. The average balance of customer deposits increased by RMB70,084 million as compared to the same period of the previous year. At the same time, due to the regularisation of deposits, the deposit interest rate increased.

(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 2019			For the six months ended 30 June 2018		
	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	48,191.1	808.2	3.35	56,829.2	1,230.5	4.33
Financial assets sold under repurchase agreements	24,828.6	274.3	2.21	15,337.4	204.1	2.66
Total due to banks and other financial institutions	73,019.7	1,082.5	2.96	72,166.6	1,434.6	3.98

In the first half of 2019, the Group's interest expense on due to banks and other financial institutions amounted to RMB1,083 million, representing a year-on-year decrease of RMB352 million or 24.54%. The main reason is that due to the downside of the market interest rate, the average cost of the deposits and placements from banks and other financial institutions and the financial assets sold under repurchase agreements decreased compared with the same period of the previous 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 2019, the net interest margin of the Group was 2.35%, remaining stable as the same period of the previous year, and the net interest spread decreased by 0.26 percentage point to 2.18% as compared to the same period of the previous year, which was mainly due to the fluctuation of market prices of interbank funds and decline in bond investment market yield.

(II) Non-interest Income

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Rate of change (%)
Fee and commission income	1,371.7	1,162.9	208.8	17.96
Wealth management fees	791.9	635.8	156.1	24.55
Agency and fiduciary service fees	265.6	245.9	19.7	8.01
Bank card fees	122.9	148.8	(25.9)	(17.41)
Settlement and clearing fees	69.6	58.9	10.7	18.17
Others	121.7	73.5	48.2	65.58
Less: Fee and commission expense	(44.2)	(48.6)	4.4	(9.05)
Net fee and commission income	1,327.5	1,114.3	213.2	19.13
Net trading gain or loss	319.9	3,034.9	(2,715.0)	(89.46)
Other net operating gain or loss	59.3	160.6	(101.3)	(63.08)
Net gain or loss on derecognition of financial assets measured at FVOCI	—	(1.7)	1.7	(100.00)
Net gain on derecognition of financial assets measured at amortised cost	77.7	2.7	75.0	2,777.78
Other net non-interest income	456.9	3,196.5	(2,739.6)	(85.71)
Total net non-interest income	1,784.4	4,310.8	(2,526.4)	(58.61)

1. *Net fee and commission income*

In the first half of 2019, the net fee and commission income of the Group amounted to RMB1,328 million, representing an increase of RMB213 million, or 19.13%, over the same period of the previous year, and its proportion to operating income was 10.00%, increasing by 1.60 percentage point as compared to the corresponding period of the previous year.

Income from wealth management fees amounted to RMB792 million, representing an increase of RMB156 million, or 24.55%, over the same period of the previous year, which was mainly attributed to the growth of the Group's customer wealth management business and the expansion of intermediate income.

Income from agency and fiduciary service fees amounted to RMB266 million, representing an increase of RMB20 million, or 8.01%, over the same period of the previous year. This was mainly due to the increase in agency insurance and underwriting business fees.

Income from bank card fees amounted to RMB123 million, representing a decrease of RMB26 million, or 17.41%, over the same period of the previous year. This is mainly affected by the consumption patterns of customers, resulting in a decrease in POS consumption fees.

Income from settlement and clearing fees amounted to RMB70 million, representing an increase of RMB11 million, or 18.17%, over the same period of the previous year, which was mainly due to the promotion and application of innovative payment and settlement methods such as the Group's Internet.

2. *Other Non-interest Income*

In the first half of 2019, other net non-interest income of the Group amounted to RMB457 million, representing a decrease of RMB2,740 million, or 85.71%, over the same period of the previous year. This is mainly because the Group actively adjusts the investment structure and reduces the financial assets measured at FVTPL in order to adapt to the new investment market environment and strictly implement the new requirements for asset management.

(III) Operating expenses

In the first half of 2019, the operating expenses of the Group amounted to RMB2,995 million, representing a decrease of RMB853 million or 22.16% as compared to the same period of the previous year.

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Rate of change (%)
Staff costs	1,768.0	2,534.8	(766.8)	(30.25)
Depreciation and amortisation	389.5	380.3	9.2	2.42
Taxes and surcharges	113.2	126.8	(13.6)	(10.73)
Others	724.6	806.1	(81.5)	(10.11)
Total operating expenses	<u>2,995.3</u>	<u>3,848.0</u>	<u>(852.7)</u>	<u>(22.16)</u>

1. Staff costs

Staff costs are the largest component of operating expenses of the Group, accounting for 59.03% and 65.87% of its total operating expenses for the six months ended 30 June 2019 and for the six months ended 30 June 2018 respectively.

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Rate of change (%)
Salaries, bonuses and allowances	1,803.8	1,782.5	21.3	1.19
Staff welfare, social insurance and housing funds	638.9	621.6	17.3	2.78
Others	(674.7)	130.7	(805.4)	(616.22)
Total staff costs	<u>1,768.0</u>	<u>2,534.8</u>	<u>(766.8)</u>	<u>(30.25)</u>

In the first half of 2019, staff costs of the Group amounted to RMB1,768 million, representing a decrease of RMB767 million, or 30.25%, over the same period of the previous year, which was mainly due to the fact that the Group canceled a large-scale medical insurance contributions for retired staff in accordance with national policies. According to the notice Yu Fu Fa [2018] No. 59 and the notice Yu Yi Bao Fa [2018] No. 27, the Group has no longer made contributions to large amount medical insurance fund for retirees since 1 January 2019, and the relevant expenses have been excluded from the Group's post-employment benefit accordingly, which affected the Group's current profit and loss amounting to RMB781 million. Excluding the policy factors, the staff cost of the Group amounted to RMB2,549 million, representing an increase of RMB10 million, or 0.56% over the same period of the previous year.

2. *Taxes and surcharges*

In the first half of 2019, taxes and surcharges amounted to RMB113 million, representing a decrease of RMB14 million, or 10.73%, over the same period of the previous year.

3. *Depreciation and amortisation*

In the first half of 2019, depreciation and amortisation of the Group was RMB390 million, representing an increase of RMB9 million, or 2.42%, over the same period of the previous year.

4. *Others*

For the six months ended 30 June 2019, other expenditures decreased by RMB82 million or 10.11% from the RMB806 million in the same period of the previous year, mainly due to the Group's efforts to monitor daily expenses and budget management, and the improvement of management efficiency.

(IV) Impairment losses

Impairment losses of the Group consist primarily of provisions charged on loans and advances to customers and other assets. The impairment losses of the Group were RMB3,240 million for the first half of 2019, representing an increase of RMB159 million or 5.16% over the same period of the previous year.

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change in amount	Rate of change (%)
Loans and advances to customers	1,882.4	3,001.9	(1,119.5)	(37.29)
Other assets	1,357.1	78.6	1,278.5	1,626.59
Total provisions for impairment losses	3,239.5	3,080.5	159.0	5.16

In the first half of 2019, the impairment losses on loans and advances to customers were RMB1,882 million, representing a decrease of RMB1,120 million over the same period of the previous year. It was mainly due to the loans of the Group, in taking full account of macro-economic factors, were made provisions for impairment on loans according to the impairment model under the new standard of financial instruments. In the first half of 2019, impairment losses on other assets were RMB1,357 million, representing an increase of RMB1,279 million over the same period of the previous year. It was mainly due to an increase of credit impairment losses for non-credit financial assets.

(V) Income tax expense

In the first half of 2019, the income tax expense amounted to RMB1,195 million, representing a decrease of RMB253 million over the same period of the previous year. The effective income tax rate was 16.98%. Excluding the factor of canceling the large-amount supplemental medical insurance contributions for retirees according to national policies, the effective income tax rate of the Group was 19.10% during the period, representing a decrease of 3.75 percentage points over the same period of the previous year, which was mainly due to the Group's optimization of its investment structure and the significant increase in the proportion of investment in tax-free government bonds and local government bonds.

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 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Total loans and advances to customers	415,126.0	40.71	381,135.6	40.09
Allowances for impairment losses on loans and advances to customers	(19,015.0)	(1.86)	(17,109.5)	(1.80)
Carrying amount of loans and advances to customers	396,111.0	38.85	364,026.1	38.29
Investment securities ⁽¹⁾	319,633.3	31.35	297,277.8	31.28
Cash and balances with the Central bank	91,214.1	8.95	85,935.2	9.04
Deposits with banks and other financial institutions	29,529.3	2.90	32,208.1	3.39
Placements with banks and other financial institutions	143,746.3	14.10	138,543.5	14.57
Financial assets held under resale agreements	4,845.3	0.48	6,000.7	0.63
Financial assets measured at fair value through profit and loss	21,774.6	2.14	15,094.5	1.59
Goodwill	440.1	0.04	440.1	0.05
Other assets ⁽²⁾	12,391.3	1.19	11,092.0	1.16
Total assets	1,019,685.3	100.00	950,618.0	100.00

Notes:

- (1) The assets included financial assets measured at amortised cost and financial assets at fair values through other comprehensive income.
- (2) Other assets consist of property and equipment, deferred tax assets and others.

Management Discussion and Analysis

As at 30 June 2019, the Group's total assets amounted to RMB1,019,685 million, representing an increase of RMB69,067 million, or 7.27%, as compared to the end of the previous year. Among which:

The gross amount of loans and advances to customers increased by RMB33,990 million, or 8.92%, 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 increased by RMB22,355 million, or 7.52%, as compared to the end of the previous year, which was mainly due to the rational adjustment of investment structure on the basis of considering risks and revenue of the Group;

Cash and balances with Central bank increased by RMB5,279 million, or 6.14%, 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 RMB2,523 million, or 1.48%, as compared to the end of the previous year primarily due to that the Group reasonably adjusted asset structures of financing in conjunction with its own business needs;

Financial assets held under resale agreements decreased by RMB1,155 million, or 19.25%, 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 RMB21,775 million, representing an increase of RMB6,680 million, or 44.25%, as compared to the end of the previous year. It was mainly due to the adjustment of investment structure by the Group according to the changes in market environment.

1. Loans and advances to customers

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Corporate loans	253,573.6	61.09	227,687.0	59.74
Short-term loans ⁽¹⁾	83,865.4	20.20	83,997.8	22.04
Medium- and long- term loans ⁽²⁾	169,708.2	40.89	143,689.2	37.70
Personal loans	142,893.3	34.42	133,256.0	34.96
Residential mortgage and personal commercial property loans ⁽³⁾	65,609.1	15.80	60,373.9	15.84
Personal business and re-employment loans ⁽⁴⁾	46,198.6	11.13	42,998.3	11.28
Others ⁽⁵⁾	31,085.6	7.49	29,883.8	7.84
Discounted bills	18,659.1	4.49	20,192.6	5.30
Total loans and advances to customers	415,126.0	100.00	381,135.6	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 2019, the amount of gross loans and advances to customers of the Group increased by RMB33,990 million, or 8.92%, to RMB415,126 million as compared to the end of the previous year.

Corporate loans (excluding discounted bills) increased by RMB25,887 million, or 11.37%, to RMB253,574 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, environment and public utility management, leasing and commercial service.

Personal loans increased by RMB9,637 million, or 7.23%, to RMB142,893 million as compared to the end of the previous year. This is mainly 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 RMB3,200 million as compared to the end of the previous year.

Discounted bills decreased by RMB1,534 million, or 7.59%, to RMB18,659 million as compared to the end of the previous year, largely due to the adjustment of short-term financing structure on the basis that the asset and liability management objectives could be satisfied.

Distribution of Loans and Advances by Type of Collateral

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Credit loans	52,348.2	12.61	50,100.5	13.15
Guaranteed loans	126,387.3	30.45	106,405.0	27.92
Collateralised loans	173,955.9	41.90	164,370.4	43.12
Pledged loans	62,434.6	15.04	60,259.7	15.81
Total loans and advances to customers	415,126.0	100.00	381,135.6	100.00

Allowances for impairment losses on loans and advances to customers

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

Corporate loans and advances	For the six months ended 30 June 2019			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	3,552.9	4,784.5	4,739.1	13,076.5
Transfer:				
Transfer to stage 1	2,158.3	(2,158.3)	–	–
Transfer to stage 2	(639.3)	657.5	(18.2)	–
Transfer to stage 3	(77.1)	(57.6)	134.7	–
ECL changes arisen from stage transfer	(1,920.6)	1,975.3	200.5	255.2
New financial assets originated or purchased	2,039.2	–	–	2,039.2
Derecognition and settlement	(608.6)	(367.1)	(173.6)	(1,149.3)
Remeasurement	(72.3)	358.3	65.2	351.2
Write-offs and others	–	–	(77.0)	(77.0)
Closing balance of impairment losses on corporate loans and advances	<u>4,432.5</u>	<u>5,192.6</u>	<u>4,870.7</u>	<u>14,495.8</u>

Personal loans and advances	For the six months ended 30 June 2019			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	2,672.6	329.3	1,031.1	4,033.0
Transfer:				
Transfer to stage 1	85.2	(52.4)	(32.8)	–
Transfer to stage 2	(93.7)	117.3	(23.6)	–
Transfer to stage 3	(29.1)	(71.2)	100.3	–
ECL changes arisen from stage transfer	(81.2)	216.4	312.2	447.4
New financial assets originated or purchased	1,074.2	–	–	1,074.2
Derecognition and settlement	(653.6)	(73.9)	(110.1)	(837.6)
Remeasurement	(94.7)	1.2	40.8	(52.7)
Write-offs and others	–	–	(145.1)	(145.1)
Closing balance of impairment losses on personal loans and advances	<u>2,879.7</u>	<u>466.7</u>	<u>1,172.8</u>	<u>4,519.2</u>

Management Discussion and Analysis

In the first half of 2019, the Group always adhered to sound and prudent business principles, complied strictly with the relevant requirements of accounting standards, gave full consideration to the influence of changes in the external economic situation and the macrocontrol policies, and fully provided for impairment of loans and advances. As at 30 June 2019, balance of allowances for impairment losses on corporate loans increased by RMB1,419 million to RMB14,496 million over the end of the previous year. The balance of allowances for impairment losses on personal loans increased by RMB486 million to RMB4,519 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 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Financial assets measured at fair value through profit and loss	21,774.6	6.38	15,094.5	4.83
Financial assets measured at fair value through other comprehensive income	2,123.2	0.62	7,713.1	2.47
Financial assets measured at amortised cost	317,510.1	93.00	289,564.7	92.70
Total investment	341,407.9	100.00	312,372.3	100.00

As at 30 June 2019, the total investments amounted to RMB341,408 million, representing an increase of RMB29,036 million or 9.30% 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 under the premise that 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 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Government bonds	94,778.2	27.80	82,391.6	26.42
Public sector, and quasi-government bonds	52,271.0	15.34	39,087.5	12.54
Financial institution bonds	14,655.5	4.30	16,230.9	5.21
Corporate bonds	53,938.2	15.83	57,609.5	18.48
Trust plan and wealth management products from other banks	50,215.7	14.74	41,702.7	13.38
Interbank deposit	56,997.1	16.73	67,113.7	21.53
Others	17,929.1	5.26	7,620.0	2.44
Total⁽¹⁾	340,784.8	100.00	311,755.9	100.00

Note:

(1) Excluding equity instruments measured at fair value through other comprehensive income.

(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 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Deposits from customers	682,853.9	72.36	616,166.2	70.14
Deposits and placements from banks and borrowings from the Central bank	73,233.3	7.76	82,829.0	9.43
Financial assets sold under repurchase agreements	13,702.4	1.45	5,920.7	0.67
Debt securities issued	162,185.9	17.19	159,609.4	18.17
Other liabilities ⁽¹⁾	11,767.2	1.24	13,943.9	1.59
Total liabilities	943,742.7	100.00	878,469.2	100.00

Note:

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

As at 30 June 2019, the total liabilities increased by RMB65,274 million, or 7.43%, to RMB943,743 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 RMB66,688 million or 10.82% as compared to the end of the previous year.

1. Deposits from customers

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Corporate deposits	167,659.1	24.56	153,935.5	24.98
Demand deposits	132,446.6	19.40	122,756.2	19.92
Time deposits	35,212.5	5.16	31,179.3	5.06
Personal deposits	507,591.7	74.33	454,680.0	73.79
Demand deposits	114,079.6	16.71	111,100.5	18.03
Time deposits	393,512.1	57.62	343,579.5	55.76
Pledged deposits	7,541.5	1.10	7,508.1	1.22
Other deposits	61.6	0.01	42.6	0.01
Total deposits from customers	682,853.9	100.00	616,166.2	100.00

As at 30 June 2019, the deposits from customers amounted to RMB682,854 million, representing an increase of RMB66,688 million or 10.82% as compared to the end of the previous year. The percentage of personal deposits accounted for 74.33% with respect to the customer structures of the Group, and the balance of deposits increased by RMB52,912 million or 11.64% as compared to the end of the previous year. The percentage of corporate deposits (excluding the pledged deposits) accounted for 24.56%, and the balance of deposits increased by RMB13,723 million or 8.91% as compared to 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 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Share capital	10,000.0	13.17	10,000.0	13.86
Capital reserve	12,483.9	16.44	12,483.9	17.30
Investment revaluation reserve	39.1	0.05	51.1	0.07
Actuarial changes reserve	(306.2)	(0.40)	(306.2)	(0.42)
Surplus reserve	10,346.9	13.62	10,346.9	14.34
General reserve	12,658.1	16.67	12,225.2	16.94
Retained earnings	29,271.0	38.54	25,947.3	35.97
Equity attributable to equity holders of the Bank	74,492.8	98.09	70,748.2	98.06
Non-controlling interests	1,449.8	1.91	1,400.6	1.94
Total equity	75,942.6	100.00	72,148.8	100.00

As at 30 June 2019, paid-in capital recorded RMB10,000 million and capital reserve reached RMB12,484 million. General reserve increased by RMB433 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 RMB3,324 million as compared to the end of the previous year, mainly due to profit growth in the first half of 2019, as well as deducting the dividends for the previous year which should be allocated and increasing provision for general risks.

III. Loan Quality Analysis

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

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Normal	399,943.0	96.34	368,842.7	96.78
Special mention	10,014.3	2.41	7,366.6	1.93
Substandard	2,924.7	0.71	2,936.6	0.77
Doubtful	2,052.9	0.49	1,842.5	0.48
Loss	191.1	0.05	147.2	0.04
Total loans and advances to customers	415,126.0	100.00	381,135.6	100.00
Amount of non-performing loans	5,168.7		4,926.3	
Non-performing loan ratio (%)		1.25		1.29

In the first half of 2019, subject to the increasingly complicated and severe economic and financial circumstances at home and abroad, the Group upheld the baseline of thinking (底線思維), strictly implemented the national macroeconomic policies and financial regulatory requirements, strengthened the authorization management and control as well as active management of asset quality, and increased efforts in conducting industry study and analysis. Proactive actions were taken to optimize and adjust the credit structure and prevent and resolve the risks in advance. Greater efforts were devoted to collect, dispose of and write off non-performing assets, and the credit asset quality was maintained stable and the risks could be controlled. As at 30 June 2019, the balance of non-performing loans increased by RMB242 million from the end of the previous year to RMB5,169 million; while the non-performing loan ratio was 1.25% which was 0.04 percentage point lower than that of the end of the previous year. The special mention loans accounted for 2.41%, representing an increase of 0.48 percentage point 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 2019				As at 31 December 2018			
	Loan amount	Percentage of Total (%)	Nonperforming loan amount	Nonperforming loan ratio (%)	Loan amount	Percentage of Total (%)	Nonperforming loan amount	Nonperforming loan ratio (%)
Corporate loans	253,573.6	61.09	3,691.3	1.46	227,687.0	59.74	3,617.7	1.59
Manufacturing	64,135.1	15.45	2,281.4	3.56	63,526.6	16.67	2,187.9	3.44
Production and supply of electricity, heat, gas and water	15,690.1	3.78	–	–	14,859.1	3.90	–	–
Real estate	8,982.0	2.16	58.3	0.65	8,267.9	2.17	58.3	0.71
Leasing and commercial service	46,979.8	11.32	7.8	0.02	37,373.6	9.80	5.8	0.02
Water conservation, environment and public utilities management	55,360.1	13.34	–	–	42,488.9	11.15	–	–
Construction	7,456.7	1.80	183.3	2.46	7,912.3	2.08	169.1	2.14
Retail and wholesale	19,222.0	4.63	770.8	4.01	19,022.2	4.99	811.9	4.27
Others	35,747.8	8.61	389.7	1.09	34,236.4	8.98	384.7	1.12
Personal loans	142,893.3	34.42	1,477.4	1.03	133,256.0	34.96	1,308.6	0.98
Discounted bills	18,659.1	4.49	–	–	20,192.6	5.30	–	–
Total	415,126.0	100.00	5,168.7	1.25	381,135.6	100.00	4,926.3	1.29

In the first half of 2019, to cope with the complex and ever-changing external economic conditions, the Group updated the industry specific guidelines on a regular basis, strictly adhered to the entry and exit standard of credit lending, strengthened the management and control of key industries and strictly implemented relevant national control policies. Both non-performing loans and non-performing loan ratios of the retail and wholesale industry have decreased.

2. Concentration of Borrowers

In the end of the first half of 2019, the Group's total loans to its largest single borrower accounted for 5.80% of its net capital while total loans to its top ten clients accounted for 26.72% of its net capital, both of which were in compliance with the regulatory requirements. As at 30 June 2019, 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 2019	As at 31 December 2018	As at 31 December 2017
Loan ratio for the largest single borrower (%)	≤10%	5.80	5.95	6.47
Loan ratio for the single group borrower (%)	≤15%	7.12	7.75	7.88

Management Discussion and Analysis

(2) Loans to top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	As at 30 June 2019	
		Amount	Percentage of the total amount of loans (%)
Borrower A	Manufacturing	5,327.9	1.28
Borrower B	Leasing and commercial service	3,504.6	0.84
Borrower C	Water conservation, environment and public utility management	2,712.9	0.65
Borrower D	Water conservation, environment and public utility management	2,349.2	0.57
Borrower E	Water conservation, environment and public utility management	2,307.9	0.56
Borrower F	Manufacturing	1,852.3	0.45
Borrower G	Manufacturing	1,659.4	0.40
Borrower H	Manufacturing	1,627.9	0.39
Borrower I	Water conservation, environment and public utility management	1,601.5	0.39
Borrower J	Water conservation, environment and public utility management	<u>1,600.2</u>	<u>0.39</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 2019			As at 31 December 2018		
	Loan amount	Nonperforming loan amount	Nonperforming loan ratio (%)	Loan amount	Nonperforming loan amount	Nonperforming loan ratio (%)
Corporate loans	253,573.6	3,691.3	1.46	227,687.0	3,617.7	1.59
Short-term loans	83,865.4	1,634.7	1.95	83,997.8	1,646.5	1.96
Medium-and long-term loans	169,708.2	2,056.6	1.21	143,689.2	1,971.2	1.37
Retail loans	142,893.3	1,477.4	1.03	133,256.0	1,308.6	0.98
Housing mortgages and personal loans for commercial real estate property	65,609.1	264.3	0.40	60,373.9	259.0	0.43
Personal business and re-employment loans	46,198.6	669.7	1.45	42,998.3	586.8	1.36
Other loans	31,085.6	543.4	1.75	29,883.8	462.8	1.55
Discounted bills business	18,659.1	-	-	20,192.6	-	-
Total	415,126.0	5,168.7	1.25	381,135.6	4,926.3	1.29

As at 30 June 2019, non-performing ratio of corporate loans decreased by 0.13 percentage point to 1.46% as compared with the end of the previous year, whereas non-performing ratio of retail loans increased by 0.05 percentage point to 1.03% as compared with the end of the previous year.

(IV) Restructured Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Restructured loans and advances to customers	388.7	0.09	351.6	0.09

(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 2019		As at 31 December 2018	
	Amount	Percentage of the total amount of loans (%)	Amount	Percentage of the total amount of loans (%)
Overdue within 3 months	5,246.2	1.27	2,027.7	0.53
Overdue for 3 months to 1 year	1,991.1	0.48	2,255.7	0.59
Overdue for over 1 year and within 3 years	1,745.3	0.42	942.1	0.25
Overdue for more than 3 years	337.7	0.08	294.5	0.08
Total overdue loans and advances to customers	9,320.3	2.25	5,520.0	1.45

As at 30 June 2019, the total overdue loans amounted to RMB9,320 million, representing an increase of RMB3,800 million from the end of the previous year. Overdue loans accounted for 2.25%, representing an increase of 0.80 percentage point 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 2019	As at 31 December 2018
Core tier 1 capital adequacy ratio (%)	10.99	10.95
Tier 1 capital adequacy ratio (%)	11.00	10.96
Capital adequacy ratio (%)	13.49	13.52
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	12,216.8	12,228.8
Surplus reserve and general risk reserve	23,005.0	22,572.2
Unappropriated profit	29,271.0	25,947.3
Non-controlling interests	876.7	693.8
Total core tier 1 capital	75,369.5	71,442.1
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	(119.0)	(115.7)
Core tier 1 capital, net	74,810.4	70,886.3
Other tier 1 capital:		
Non-controlling interests	116.9	92.5
Net tier 1 capital	74,927.3	70,978.8
Tier 2 capital:		
Tier 2 capital instruments and related premium that may be included	9,000.0	9,000.0
Excessive loan allowances	7,787.4	7,377.4
Non-controlling interests	154.0	185.0
Net capital	91,868.7	87,541.2
Total risk-weighted assets	680,929.1	647,419.3
Credit risk weighted assets	630,781.4	597,565.5
Market risk weighted assets	5,370.4	5,076.5
Operational risk weighted assets	44,777.3	44,777.3

Management Discussion and Analysis

As at 30 June 2019, the capital adequacy ratio of the Group was 13.49%, representing an decrease of 0.03 percentage point as compared with the end of the previous year, which was 2.99 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 10.99% and 11.00%, respectively, both representing an increase of 0.04 percentage point as compared with the end of the previous year respectively.

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 2019, 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 2019
Consolidated total assets		1,019,685.3
Consolidated adjustments		—
Customer assets adjustments		—
Derivatives adjustment		164.6
Securities financing transactions adjustments		—
Off balance sheet item adjustments		23,370.8
Other adjustments		(559.1)
The balance of assets on and off-balance sheet after adjustments		<u>1,042,661.6</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 2019
Assets on the balance sheet (excluding derivatives and securities financing transactions)	1,014,734.4
Less: tier 1 capital deduction	(559.1)
The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	<u>1,014,175.3</u>
Replacement cost of various types of derivatives (net of qualified margins)	105.5
Potential risk exposure in various derivatives	164.6
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	<u>270.1</u>
The balance of accounting assets for securities financing transactions	4,845.3
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	<u>4,845.3</u>
The balance of items off balance sheet	37,063.5
Less: the balance of items off balance sheet reduced due to credit conversion	(13,692.7)
The balance of items off balance sheet after adjustments	<u>23,370.8</u>
Tier 1 capital, net	74,927.3
The balance of assets on and off-balance sheet after adjustments	1,042,661.5
Leverage ratio (%)	<u>7.19</u>

As at 30 June 2019, the Group's leverage ratio was 7.19%, representing an decrease of 0.11 percentage point 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 lower 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 2019		As at 31 December 2018	
	County Area	Urban Area	County Area	Urban Area
Deposits	68.18	31.82	68.61	31.39
Loans	46.93	53.07	46.12	53.88
Assets	47.58	52.42	47.94	52.06
Loan-deposit ratio	41.84	101.39	41.58	106.16

(Expressed in percentage)	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	County Area	Urban Area	County Area	Urban Area
Annualised return on average total assets	1.14	1.26	1.06	1.10
Net fee and commission income to operating income	10.01	10.00	7.86	8.90
Cost-to-income ratio	20.40	22.89	31.88	24.57

County Area refers to regions other than urban area of Chongqing City. The information of County Area also includes the data of 12 subsidiaries namely 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 2019		For the six months ended 30 June 2018	
	Amount	Percentage of Total (%)	Amount	Percentage of Total (%)
Corporate banking business	4,607.9	34.72	3,864.3	29.14
Personal banking business	4,905.9	36.97	4,770.4	35.97
Financial market business	3,747.5	28.24	4,620.7	34.84
Unallocated	8.8	0.07	7.1	0.05
Total operating income	<u>13,270.1</u>	<u>100.00</u>	<u>13,262.5</u>	<u>100.00</u>

VII. Analysis of off-Balance-Sheet Items

Off-balance-sheet items of the Group include acceptance bills, letters of credit issued, letters of guaranteed funds issued, receivables under export letters of credit, foreign exchange funds receivables collected, foreign exchange funds collected, and foreign letters of credit and customer driven wealth management. Among these items, acceptance bills, letters of guarantee issued and letters of credit issued were deemed as key business segments. As at 30 June 2019, the balances of acceptance bills, letters of guarantee issued and letters of credit issued were RMB9,587 million, RMB8,099 million and RMB2,793 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 in accordance with its accounting policies, the Group makes estimates and judgments in certain aspects. These estimates and judgments involve assumptions about items such as risk adjustment to cash flows or discount rates used, and future changes in prices affecting 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 which the Group was 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 2019	For the six months ended 30 June 2018	Changes (%)
Net interest income	4,243.3	3,543.0	19.77
Net fee and commission income	358.8	315.7	13.65
Other operating income, net	5.8	5.6	3.57
Operating income	4,607.9	3,864.3	19.24
Operating expenses	(976.1)	(1,339.4)	(27.12)
Impairment losses on assets	(1,484.0)	(2,433.7)	(39.02)
Profit before tax	2,147.8	91.2	2,255.04

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2019	As at 31 December 2018	Changes (%)
Segment assets	254,851.3	229,927.1	10.84

In the first half of 2019, net interest income from the corporate banking business amounted to RMB4,243 million, representing an increase of 19.77% over the same period previous year. The asset of the corporate banking business increased by 10.84% over the beginning of the year to RMB254,851 million. The total profit before tax from the corporate banking business increased over the same period previous year, mainly due to the increase of operating income and the decrease of operating expenses and impairment losses on assets.

(I) Corporate Deposits and Loans Business

The Group strived to expand the corporate deposit market and continued to maintain a steady growth in corporate deposits. As at 30 June 2019, the balance of corporate deposits (including pledged deposits and other deposits) of the Group reached RMB175,262 million, ranking the second in Chongqing, which accounted for 25.67% of the outstanding balance of total deposits of the Group whilst posting a growth of RMB13,776 million or 8.53% as compared with the end of the previous year.

For the input in corporate loans, the Group persisted in operating in compliance with laws, so as to effectively combine the control policy of the country and the local economic operation situation, and therefore to prudently, steadily and moderately develop our corporate loan business. As at 30 June 2019, the outstanding balance of corporate loans (including discounted bills) amounted to RMB272,233 million, representing an increase of RMB24,353 million or 9.82% as compared with the end of the previous year. Meanwhile, outstanding non-performing loans amounted to RMB3,691 million, representing an increase of RMB73 million as compared with the end of the previous year; the non-performing loan ratio was 1.36%, representing a decrease of 0.10 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, real estate and construction, which accounted for 15.45%, 13.34%, 11.32%, 4.63%, 3.78%, 2.16%, 1.80% of the total amount of loans of the Group as of 30 June 2019.

With respect to customer’s profile, leveraging on the improving organization structure, product system and the customer management team with enhanced comprehensive quality, the Group remained committed to maintaining 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 consolidating 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 on state-owned land 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. 11.60 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. As of the end of June 2019, the number of inclusive small and micro enterprise loans customers of the Bank (including small and micro enterprises loans according to specifications prescribed by four ministries and commissions of the nation, individual business owners, and small and micro enterprise owners business loans with total individual credit amount below RMB10 million (inclusive), same for the below) amounted to 126,100, representing an increase of 3,183 as compared to the beginning of the year. The balance of inclusive loans to small and micro businesses amounted to RMB61,537 million, representing an increase of RMB5,157 million or 9.15% as compared to the beginning of the year, 0.75 percentage point higher than the average loan growth rate of the Bank as compared to the end of 2018. The non-performing loan ratio of the balance of inclusive loans to small and micro businesses was 1.84%, not exceeding the non-performing loan ratio of the Bank by 3 percentage point.

In the first half of 2019, the Bank continued to intensify its innovative efforts of specialization and differentiation, and made important progress in products, processes and services. Firstly, the Bank expanded the pilot of knowledge-based credit loans for science and technology enterprises with the number of pilot districts and counties increasing to 26 from 19 at the end of 2018. By the end of June 2019, the balance of knowledge-based credit loans for science and technology enterprises amounted to RMB854 million, totaling RMB743 million and accounting for 56.28% of the city's market share. Secondly, the Bank actively supported the national strategy of rural revitalization, continuing to increase the investment of "Rural Primary-secondary-tertiary Industry Consolidation Loan". By the end of June 2019, RMB866 million of "Rural Primary-secondary-tertiary Industry Consolidation Loan" were invested. Thirdly, the Bank continued to increase financial support for the group of "Mass Entrepreneurship and Innovation". As of the end of June 2019, the accumulated amount of entrepreneurial guarantee loans was RMB1,477 million, which supported more than 12,500 people in entrepreneurship and employment. The amount of entrepreneurial guarantee loans accounted for 70.65% of the market share of the banking institutions in Chongqing.

(IV) International Business

The international business maintained a robust growth. In the first half of 2019, the international settlement amounted to USD3,008 million (including cross-border settlement of RMB1,044 million), foreign exchange settlement amounted to USD1,158 million and the on-balance-sheet and off-balance-sheet trade financing balance amounted to USD1,593 million, representing an increase of USD93 million as compared to the beginning of the year. The number of foreign exchange customers of the Bank reached 1,086, representing an increase of 29 customers from the beginning of the year, and 325 of which were active customers, accounting for 6.69% of market share.

Transaction volume of foreign exchange transaction ranked the first among local corporate banks in Chongqing, of which the transaction volume of inter-bank foreign exchange swaps and foreign exchange settlements amounted to USD2,026 million, representing a year-on-year increase of 4.19%. The transaction volume of inter-bank foreign exchange spot and foreign exchange settlements amounted to USD2,129 million, representing a year-on-year increase of 3.23%.

The interbank collaboration was enhanced. The Bank has established correspondent banking relationship with 569 banks at home and abroad and has obtained USD8,900 million of financial institution credit at home and abroad. Derivatives counterparties increased to 27, overseas disbursement counterparties increased to 35 and forfeiting counterparties increased to 34.

In addition, in the first half of 2019, the Bank successfully handled the first customer-driven swap business, further enriching the foreign exchange fund business product system; united industry to open a large-amount standby letter of credit for a company to support its successful launch of public bond of SGD150 million on the Singapore Exchange, which is the first SGD public bond issued by the standby letter of credit enhancement structure in recent years and the first SGD public bond under the Sino-Singapore Interconnection Project, concerned and reported by the mainstream media in Chongqing; actively implemented the Chongqing foreign exchange self-discipline mechanism work and took the lead in formulating cross-border RMB settlement facilitation measures, becoming the exhibition industry rules that 46 members of the city jointly abide by.

II. Personal Banking Business

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Rate of change (%)
Net interest income	4,340.8	4,283.0	1.35
Net fee and commission income	560.8	483.3	16.04
Other operating income, net	4.3	4.1	4.88
Operating income	4,905.9	4,770.4	2.84
Operating expense	(1,261.9)	(1,507.1)	(16.27)
Impairment losses on assets	(435.4)	(540.9)	(19.50)
Profit before tax	3,208.6	2,722.4	17.86

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2019	As at 31 December 2018	Rate of change (%)
Segment assets	138,854.5	129,592.9	7.15

Personal banking business recorded a profit before tax of RMB3,209 million, representing 45.61% 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 16.04% in net 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 2019.

(I) Personal Deposits

To address national 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 targeted sales and marketing strategies. 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 sixth consecutive year, and set up “Townsman’s Post House” (鄉情驛站) in railway stations to provide travellers with advisory service, assistance and supplies, benefiting more than one million passengers.

As of 30 June 2019, the Group continued to maintain a stable and rapid growth in personal deposits, which amounted to RMB507,592 million, representing an increase of RMB52,912 million, or 11.64% over the end of the previous year. The Group continued to rank the top among its peers in the region in terms of the total amount and growth 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. Introducing Internet mindset, the Bank independently researched and developed online loan product “Yukuai Loan” (渝快貸) to increase the support for inclusive finance; conducted in-depth analysis on property loan market to support rigid demand of customers and their demand for upgrading and real demand for housing. The Bank optimised 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 2019, the balance of personal loans of the Group amounted to RMB142,893 million, representing an increase of RMB9,637 million over the beginning of the year.

(III) Bank Cards

1. *Debit Card Business*

In respect of the debit card business, the Bank continued to strengthen the debit card business foundation and increase the brand influence and transaction activity of the Jiangyu debit card; promoted the “Bank Carding Project” in a comprehensive and multi-channel manner, developed a dedicated account book, and actively guided passbook customers into debit card holders; followed the customer demand orientation, promoted debit card product innovation, continued to improve the debit card product system, and launched the exclusive debit card for middle-aged and elderly people, “Jiangyu Fang Hua Card (江渝芳華卡)”. As of 30 June 2019, the total number of debit cards in issue accumulated to 21,395.4 thousand, representing an increase of 1,131.5 thousand, or 5.58%, as compared with that at the end of the previous year; spending related to debit cards amounted to RMB46,342 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 optimised 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. The Bank further rationalized the credit card system and accelerated the promotion of credit card precision marketing. The Bank concentrated its efforts on financial technology innovation, fully promoted the “Digital Credit Card” project, opened online channels such as credit card WeChat public account, WeChat applet and H5 page, and successfully launched online credit card mobile client marketing App, providing strong support for all employees’ marketing. The Bank promoted business innovation and launched new products with market competitiveness, such as upgraded parking space instalment, platinum card automatic instalment, and cash advancement and instalment, to increase intermediary business income. 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, and continued to expand Internet-based electronic service channels to strengthen credit card financial services and create opportunities for sustainable development.

As of 30 June 2019, the accumulative total number of credit cards issued by the Bank accumulated to 820,000, representing an increase of 146,200 or 21.70% over the end of the previous year and a record high achieved as compared with the same historical period, among which the number of high-end and characteristic cards was 316,300, accounting for 38.57%. In the first half of 2019, the cumulative number of transaction related to credit cards amounted to 5,908,000 and the spending amount was RMB14,390 million. Credit card issuance and transaction scale continued to develop steadily.

(IV) Agency Business

The structure of revenue of intermediary business was optimised, the sales of agency-type term insurance and non-monetary fund products continued to increase, and the business contribution gradually expanded. At the same time, as the only cooperative bank for the social insurance premium collection (liquidation) business of urban and rural residents in Chongqing Municipal Taxation Bureau, the Bank was expected to provide collection services for 9 million insured people each year, further consolidating the basic customer base of the Bank. As of 30 June 2019, the agency sale of precious metals of the Group amounted to RMB41,769.8 thousand, representing a year-on-year increase of 94.07%. The income from the agency sale of insurance was RMB435 million, representing a year-on-year increase of 34.26%. Affected by the decline in the income of money-based fund products, the income from the agency fund products was RMB10.215 billion, representing a year-on-year decrease of 60.63%.

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 2019, the Bank totally sold 30 tranches of government saving bonds, among which twelve were in certificate form with a sales amount of RMB582,000,000; eighteen were in electronic form with a sales amount of RMB1,839,000,000; the total sales amounted to RMB2,421,000,000. In the first half of 2019, the Bank totally sold 12 tranches of government saving bonds, among which four were in certificate form with a sales amount of RMB240,000,000; eight were in electronic form with a sales amount of RMB1,475,000,000; the total sales amounted to RMB1,715,000,000.

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 Item	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Changes (%)
Net interest income	2,901.6	1,125.6	157.78
Net fee and commission income	407.9	315.3	29.37
Net trading gain or loss	319.9	3,034.9	(89.46)
Other operating gain or loss, net	40.4	143.9	(71.92)
Profit or loss resulted from derecognition of financial assets at fair value through other comprehensive income	–	(1.7)	(100.00)
Profit resulted from derecognition of financial assets measured at amortised cost	77.7	2.7	2,777.78
Operating income	3,747.5	4,620.7	(18.90)
Operating expense	(757.3)	(1,001.5)	(24.38)
Impairment on assets	(1,320.1)	(105.9)	1,146.55
Profit before tax	<u>1,670.1</u>	<u>3,513.3</u>	(52.46)

	As at 30 June 2019	As at 31 December 2018	Changes (%)
Segment assets	<u>615,491.3</u>	<u>581,293.3</u>	5.88

In the first half of 2019, for the external situation, amidst the dramatic changes in both geopolitics and trade negotiation the global economy is slowing down; for the internal situation, debt default and the removal of rigid payment by industry peers have weakened economic resilience and the economy is facing new downward pressure. Facing the complicated international and domestic situation, the Bank withstood the pressure to respond flexibly, and took the initiative to have a forecast of the market and make arrangement of fund positions in advance. It also flexibly adjusted its business structure according to the objective environment, with the relatively stable investment strategy and the focus on standardised product investment, to secure the capital business is under a compliant manner and have a stable operation.

In the first half of 2019, the financial market business recorded operating income of RMB3,748 million, operating expenses of RMB757 million. The total profit before tax decreased as compared to the same period of last year, mainly due to the increase in asset impairment.

(I) Segment assets

(Expressed in RMB million, unless otherwise stated)	30 June 2019		31 December 2018	
	Amount	Percentage %	Amount	Percentage %
Financial investments ⁽¹⁾	340,784.8	55.37	311,755.9	53.64
Financial assets held under resale agreements	4,845.3	0.79	6,000.7	1.03
Cash and balances with Central bank	91,214.1	14.82	85,935.2	14.78
Deposits and placements with banks and other financial institutions	173,275.6	28.15	170,751.6	29.37
Discounted bills	3,562.6	0.58	5,352.8	0.92
Other assets	1,808.9	0.29	1,497.1	0.26
Total assets	<u>615,491.3</u>	<u>100.00</u>	<u>581,293.3</u>	<u>100.00</u>

Note:

- (1) Financial investment: include assets designated at fair value through profit or loss, investments designated at fair value through other comprehensive income, investments measured at amortised cost. It does not include equity investment.

As of 30 June 2019, the total size of operating assets was RMB615,491 million, representing an increase of RMB34,198 million, or 5.88%, as compared with the end of the previous year. In particular, financial investments increased by RMB29,029 million, or 1.73 percentage points, in proportion to total assets; cash and balances with Central bank increased by RMB5,279 million, or 0.04 percentage point, in proportion to total assets; financial assets held under resale agreements decreased by RMB1,155 million, or 0.24 percentage point, in proportion to total assets; deposits and placements with banks and other financial institutions increased by RMB2,524 million, or decreased by 1.22 percentage point, in proportion to total assets; discounted bills increased by RMB1,790 million, or decreased by 0.34 percentage point, in proportion to total assets.

(II) Financial investments

1. Distribution of Financial Investments

(Expressed in RMB million, unless otherwise stated)	30 June 2019		31 December 2018	
	Amount	Percentage %	Amount	Percentage %
Financial assets at fair value through profit or loss	21,774.6	6.39	15,094.5	4.84
Financial assets at fair value through other comprehensive income	1,500.1	0.44	7,096.7	2.28
Financial assets measured at amortised cost	317,510.1	93.17	289,564.7	92.88
Total	340,784.8	100.00	311,755.9	100.00

In the first half of 2019, 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 Group took the market condition into consideration and moderately invested in certain financial assets at fair value through other comprehensive income. As of 30 June 2019, financial assets measured at amortised cost of the Group amounted to RMB317,510 million, accounting for 93.17% of total financial investments. Financial assets at fair value through profit or loss amounted to RMB21,775 million, accounting for 6.39% of total financial investments. Financial assets at fair value through other comprehensive income amounted to RMB1,500 million, accounting for 0.44% of total financial investments.

Management Discussion and Analysis

2. Distribution of Financial Investments by Credit Rating

(Expressed in RMB million, unless otherwise stated)	30 June 2019		31 December 2018	
	Amount	Percentage %	Amount	Percentage %
AAA	31,785.5	9.33	27,821.9	8.92
AA	10,609.5	3.11	13,354.7	4.28
A and below	337.5	0.10	267.7	0.09
Unrated	298,052.3	87.46	270,311.6	86.71
Total	340,784.8	100.00	311,755.9	100.00

In the first half of 2019, 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 2019, financial investment with a rating of AA and above increased by RMB1,219 million, or decreased by 0.76 percentage point, in proportion to total financial investment as compared with the end of the previous year, while unrated financial investment increased by RMB27,741 million, or 0.75 percentage point, 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 and wealth management products issued by financial institutions.

3. Distribution of Financial Investments by Remaining Maturity

(Expressed in RMB million, unless otherwise stated)	30 June 2019		31 December 2018	
	Amount	Percentage %	Amount	Percentage %
Within 3 months	39,937.6	11.72	34,656.8	11.12
3 to 12 months	76,489.3	22.45	79,576.7	25.53
1 to 5 years	134,777.1	39.55	125,725.7	40.33
Over 5 years	89,580.8	26.28	71,796.7	23.02
Total	340,784.8	100.00	311,755.9	100.0

As at 30 June 2019, the Group's financial investments with a remaining maturity of less than 12 months increased by RMB2,194 million, or decreased by 2.48 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 RMB17,784 million, or 3.26 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 RMB9,051 million, or decreased by 0.78 percentage point, 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 of 30 June 2019, the outstanding balance of the Group's financial bonds amounted to RMB64,305 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 2019	10,000.00	3.48	2029/1/8	—
Debt securities issued by policy banks in 2018	4,500.00	4.88	2028/2/9	—
Debt securities issued by policy banks in 2018	4,000.00	4.00	2025/11/12	—
Debt securities issued by policy banks in 2018	3,000.00	4.69	2023/3/23	—
Debt securities issued by policy banks in 2017	2,000.00	4.30	2024/8/21	—
Debt securities issued by policy banks in 2018	2,000.00	4.04	2028/7/6	—
Debt securities issued by policy banks in 2018	1,000.00	4.46	2021/4/2	—
Debt securities issued by policy banks in 2018	1,000.00	4.37	2023/5/25	—
Debt securities issued by policy banks in 2017	1,000.00	3.83	2024/1/6	—
Debt securities issued by policy banks in 2018	1,000.00	4.73	2025/4/2	—

(III) Assets Management Business

In the first half of 2019, the Bank focused on the philosophy of “Strong Management, Risk Control and Steady Development”, and firmly promoted the transformation of wealth management business according to the new regulatory requirements. The Bank strengthened product innovation and launched T+0 cash management net worth wealth management products. At the same time, the Bank actively promoted system construction, continuously improved internal control management, actively prevented various risks, to promote the sustainable and steady development of the Bank’s wealth management business. By the end of June 2019, the outstanding balance of wealth management products amounted to RMB133,939 million, representing an increase of RMB8,837 million or 7.06% over the end of the previous year.

(IV) Investment Banking Business

In the first half of 2019, focusing on the working ideas of “Strong Management, Risk Control and Steady Development”, the investment banking department utilized its investment banking qualification, gave full play to the advantages of linkage, continued to enhance innovation, accelerated in-depth development in investment banking business and steadily promoted all business. The Bank redeemed the Bank’s 2014 tier 2 capital bonds and successfully completed the Bank’s 2019 Tier 2 Capital Bond Issuance Program with a total amount of RMB5,000 million; participated in the issuance of 6 financing instruments of non-financial enterprise debt as lead underwriter with the amount of RMB1,050 million; participated in the issuance of 77 financing instruments of non-financial enterprise debt as underwriter with the amount of RMB17,884 million; participated in 14 investment banking businesses including debt financing plan with total amount of RMB4,910 million; participated in the issuance of 2 financial bonds as underwriter with the amount of RMB750 million. The distribution variety was further enriched. The Bank successfully applied for the membership of the underwriting group of China Development Bond, Import and Export Debt and Agricultural Development Bond, and distributed 25 policy financial bonds with the amount of RMB13,110 million; joined 10 underwriting groups of local government bonds in other provinces and cities, and distributed 24 local government financial bonds with the amount of RMB6,064 million. At the same time, the Bank proactively recruited high-quality talents with abundant business experiences in investment banking industry. The team will continue to recruit talents and strengthen internal control, which will enhance the professional standard of the investment banking business.

(V) Asset Custodial Business

As of the end of the Reporting Period, the asset custodial scale was RMB158,242 million. During the Reporting Period, no material custody risk events occurred in the Bank.

IV. Distribution Channels

(I) Physical Outlets

Operating outlets are the primary distribution channels of the Bank. As at 30 June 2019, the Bank had 1,775 branches of various kinds, including the headquarter and its business department, 6 branches, 36 first-level sub-branches, 108 second-level sub-branches, 1,621 branch outlets and 2 community branch outlets, among which Qujing Branch in Yunnan became the first cross-region branch of a rural commercial bank in the PRC. 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 and 311 outlets in the city's urban area. The number of branches and sub-branches ranks first in the industry in both the county area and the urban area.

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 2019, the Bank intended to relocate 27 existing branches and refurbish 88 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 2019, the Bank established 160 24-hour self-service centers and the number of ATMs and self-service inquiry terminals reached to 4,939 (including in Qujing City). The proportion of machine to outlet was nearly 2.78:1, among which the number of ATMs put into use amounted to 4,119 units and self-service inquiry terminals put into use amounted to 820 units. To promote the intelligent transformation of channels actively, the Bank deployed 683 units of intelligent integrated counters as at 30 June 2019.

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 2019, 523 convenient rural financial self-service centres had been established and commenced on-line operation and 3 mobile banking service vehicles had been launched across the organisation. 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 the advantages of comprehensive electronic internet finance to integrate electronic channels to achieve refined operation of electronic channels and preliminarily build a full-process intelligent system for electronic channels, in the hope of continuously innovating and 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 Group continued to innovate its mobile banking. Based on the realisation of the convenient service functions such as encrypted SMS authentication for mobile bank card, gesture/fingerprint password login, as well as services and functions for the convenience of the customers including card-free cash withdrawal, phone recharge, school bill payment, traffic fines, ETC top-up, online agency purchase of insurance, etc., the Group launched new product features such as quick loans, structured deposits, and net worth financing, to enhance the customer experience greatly and improve customer viscosity and satisfaction with bank mobile payments.

The Group continued to innovate and optimise mobile banking and strived to create a “mobile banking” app 5.0. At present, the mobile banking APP exclusive version and the simple version have been successfully launched and have entered the internal trial operation stage.

As of 30 June 2019, the number of mobile banking customers of the Bank reached 9,033,900, representing an increase of 792,500 new customers, or 9.62%, as compared to the end of the previous year. The aggregate number of financial transactions for the year amounted to 27,975,700, and the amount of transactions was RMB481,210 million.

2. *WeChat Banking*

The Group also launched a corporate WeChat banking equipped with bank reconciliation, account enquiry, to-do-list notice, business processing guidance and other functions, which provided corporate customers with convenient business process and effective information access. 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 of 30 June 2019, WeChat banking has attracted the attention of 950.9 thousand customers, with a total of 15,441.7 thousand messages received.

3. *Internet Banking*

(1) Corporate internet banking

The Group continued to carry out service for customers with enterprise-bank interlink such as group companies, large and medium-sized enterprises, trading centers, schools, etc. As of 30 June 2019, the number of customers of the Bank reached 142 and there were 2 more customers with enterprise-bank interlink which increased by 1.43% over the end of the previous year.

The Bank created internet banking and mobile banking suitable for small and micro enterprises, to realise the functions of transfers and remittances, corporate wealth management on mobile banking for small and micro enterprises, and provide efficient, convenient and safe fund settlement services for small and micro enterprises.

As of 30 June 2019, the number of corporate internet banking customers of the Bank increased by 13.84% over the end of the previous year to 91.3 thousand, representing an increase of 11.1 thousand in this year; 3,641.4 thousand financial transactions have occurred in this year; the amount of transactions was RMB358,194 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, carried out network payment business in a compliant manner, strictly implemented the relevant provisions of the network payment service and gradually improved the risk prevention capability of the network payment service.

As of 30 June 2019, the number of personal internet banking customers was 3,157.3 thousand, representing an increase of 145.1 thousand, or 4.82%, over the end of the previous year. 174,886.1 thousand financial transactions have occurred in the year; the amount of transactions occurred in the year was RMB129,283 million.

4. *Mobile Integrated Terminal*

The Group enriched the business content of the mobile integrated terminal to optimise business process and further increase service capability. The mobile integrated terminal platform realised the opening of debit cards, the signing and termination and maintenance of electronic channels, account management, loan application, deduction application, credit card application and advertising functions, and completed the village and township bank loan application and other functions. 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 of 30 June 2019, the number of contracted clients of mobile integrated terminal was 223.2 thousand among which 94.0 thousand were contracted debit card users, 60.8 thousand were mobile banking users, 12.7 thousand were personal online banking users, and 55.7 thousand were contracted SMS service users.

5. *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 efficiency of telephone banking services and strengthen the business support. As of 30 June 2019, the Bank had offered 4,001.9 thousand times services to customers via telephone banking. The growth of SMS banking is promising. As of 30 June 2019, the contracted accounts of SMS amounted to 12,331.8 thousand, in which contracts signed by high-end customers accounted for 80.35%.

The electronic internet finance business of the Group achieved sustainable and effective development through relentless efforts and bold innovations of the Bank. As of 30 June 2019, the substitution rate of E-banking account transactions of the Bank reached 93.77%, representing an increase of 0.88 percentage point 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 of the Bank provides customers with "Jiangyu FOF" (江渝基金寶) product, fund products, intelligent deposits product, bank wealth management product, loan application and other financial services through mobile banking client and other channels. As of 30 June 2019, the direct sales banking had 897.4 thousand registered users with 40.0 thousand transactions in this year and aggregate transaction amount of RMB1,109 million.

V. Principal Subsidiaries

CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as the 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 of the end of the Reporting Period, the Bank has established 12 CQRC Village and Township Banks with aggregate capital amounting to RMB3,496 million and the outstanding balance of deposits and loans in aggregate amounting to RMB1,503 million and RMB2,473 million, respectively.

In September 2014, CQRC Financial Leasing Co., Ltd. was incorporated with the current 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 2019, 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 2019, each important information system of the Bank was operating stably; no unplanned system interrupt accidents occurred; and the network operation was stable during the first half of the year.

(I) Technological Governance

In the first half of 2019, a total of three working meetings were organised and convened by the IT Strategic Development Committee, to consider and approve a series of important proposals including the systematic Construction Plan for 2019, the Ping An inclusive cooperation loan project, and the intelligent data decision making platform project. The Bank continued to optimise the personnel structure, strengthened the functions of various departments, facilitated the introduction of technology talents through multiple channels such as social recruitment and school recruitment, and continuously intensified the personnel training mechanism at the same time to form the benign technology team construction mechanism and broadened the career development space for the information technology personnel; improved the construction of assessment mechanism, introduced and implemented an outsourcing supplier assessment system, continuously standardised 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, standardised 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; continuously optimised monitoring capabilities, set up ECC central control center, established unified monitor system, sorted out digital security specifications, advanced digital governance and steadily improved the level of technical services; 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 special deployment on holidays and festivals and during the peak season of marketing to ensure safe and stable operation of the information system.

(III) Business Continuity Management

The Bank paid high attention to the business continuity management, and continuously optimised and perfected the contingency plan for the business continuity. Focusing on the strategic layout of the three centers in two areas, the Group leveraged the core support of the data center of Yuzui City to actively promote the infrastructure construction of the Bank and improve its business continuity guarantee capability. In the first half of 2019, the data center power supply system emergency drill and the air conditioning system emergency drill 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 preparation awareness, and further optimised the organisational structure and operational procedures of the emergency drill.

(IV) Information System Construction

The Bank strongly supported the intelligentization of the Bank's technology business, actively promoted the implementation of smart banking projects, accelerated the organic integration of financial technology and business such as big data platforms, artificial intelligence, cloud technology, etc., integrated channel trading, enhanced the user experience, promoted business upgrade reform, and provided strong support for rapid business development and innovation. In the first half of 2019, the Bank completed the initial operation of several important projects such as call center platform construction project, AI-assisted investment advisory, new generation international business system construction project, and financial asset management system optimisation project, providing strong support for the business and management of the Bank to improve steadily.

VII. Employees and Human Resources Management

(I) Basic Information on Employees

As of 30 June 2019, the Bank had 15,594 regular employees, 11,359 of whom held bachelor's degree or above, representing 72.84% of all the Bank's regular employees. In addition, the Bank had 467 dispatch workers, 685 internally retired employees and 6,049 retired employees.

(II) Overview of Human Resources Management

In 2019, the Bank actively explored new ideas and approaches in strategic planning, open selection, refined management and systematic training of human resources, which led to continuous optimisation of staff structure, significant improvement of team vitality and continuous enhancement of talent efficiency.

Optimising the team structure. The Bank optimised the allocation of human resources, guided the rational flow of human resources to the front-end marketing, and further optimised the staff structure. With the promotion of the project of improving the quality of all staff, the number of staffs with bachelor's degree or above increased by 2 percentage point compared with the beginning of the year.

Improving the organisational structure. The Bank sped up the adjustment of the organisational structure, clarified the boundaries of responsibilities, to further improve the level of refined management and provide organisational framework guarantee for promoting the transformation and development of the Bank.

Promoting talent development. The Bank increased the introduction of talents in areas such as financial innovation and direct sales banking and promoted the training and practice of excellent young talents and the rotation and practice of management trainees. With innovative education training mechanism, the Bank continued to conduct tiered and systematic training.

(III) Training Situation

The Bank is committed to business development and the improvement of professionalism of our staff, and continues to strengthen staff training, integrates education and training resources, and achieves a full-coverage training to comprehensively improve the overall quality of our staff. In the first half of 2019, a total of 891 training sessions were held to provide training to 49,000 employees.

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 of the Group, and also one of the Group's major sources of revenue. The Group provides diversified financial services for customers in County Area through five branches, 26 first-level sub-branches, 91 second-level sub-branches and their 1,340 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 of 30 June 2019, the loan balance of the financial business⁽¹⁾ of the Group in County Area amounted to RMB194,800 million, representing an increase of RMB19,019 million, or 10.82%, over the end of the previous year. In particular, the corporate loan balance of the financial business in County Area amounted to RMB88,964 million which accounted for 32.68% of the corporate loan balance of the Group, representing an increase of RMB12,668 million, or 16.60%, over the end of the previous year. The personal loan balance of the financial business in the County Area amounted to RMB105,836 million, representing an increase of RMB6,351 million, or 6.38%, over the end of the previous year, accounting for 74.07% of the personal loan balance of the Group. The deposits balance in County Area amounted to RMB465,540 million, representing an increase of RMB42,815 million, or 10.13%, over the end of the previous year.

The Bank firmly established the new development concepts, adhered to the requirements of high-quality development, and supported the rural revitalisation strategy as the general focus for Sannong financial services. Adhering to the general keytone of making progress while maintaining stability and targeting at the new industries, new business normal and new dominance based on county areas, channelling of financial resources was propelled to enhance the efficiency of Sannong financial services. As of 30 June 2019, the outstanding balance of agricultural loans⁽²⁾ of the Group amounted to RMB157,227 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 organisations, loans to urban enterprises and various organisations directing to activities related to agriculture, forestry, animal 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 financial 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 optimised the agriculture-related credit approval procedures to improve service quality and performance.

(II) Strengthening Incentives

The Bank further enhanced the capacity of Sannong financial services, solely prepared the credit plan for the agriculture-related financial services, established the revitalisation of rural areas and precise poverty alleviation special assessment scheme and implemented differentiated incentives policy for “Sannong” business. 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 the innovation of 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, promoted the integration and development of “Three Cooperatives”, 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 centred on the key corporate 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 every industry of aforesaid businesses as its main target customers, tighten classified management of corporate customers in County Area, energetically intensify marketing efforts and strive to foster core customer groups. For flagship companies of relevant industries, the Bank 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 at a steady pace, actively invested credit funds to promote the development of characteristic agriculture, rural tourism operation and beautiful rural housing construction, etc. in order to satisfy diversified credit needs of individual customers in County Area effectively. In the meantime, the Bank earnestly implemented the national targeted poverty alleviation work requirements, and precisely launched credit support to assist industries, education, employment and consumption 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 RMB12,631 million as of 30 June 2019. In the first half of 2019, the number of individual pensions withheld by the Bank amounted to 4,271.3 thousand, totaling RMB1,183 million; the number of individual pensions paid by the Bank as an agent amounted to 4,536.8 thousand, totaling RMB700 million. These services provided the Bank with an extensive customer base and helped stabilise the customer resources and facilitate the development of the Bank's businesses.

The Bank made greater efforts in the construction of electronic channels in County Area and vigorously marketed the Jiangyu Card (江渝卡), the Jiangyu Xiangqing Card (江渝鄉情卡), the Farmer's Fortune Card (福農卡), credit card, personal internet banking and mobile banking and other businesses. As of 30 June 2019, the Bank operated 2,944 ATMs, 668 multi-media enquiry machines in County Area and established and operated 523 convenient rural financial self-service centres. The number of debit cards and credit cards issued by the Bank in County Area also increased by 937.3 thousand and increased by 113.5 thousand over the end of the previous year, respectively, to 16,678.8 thousand and 630.4 thousand, respectively, which accounted for 77.96% of the debit cards issued by the Bank and 76.88% of the credit cards issued by the Bank, respectively. 2,238.3 thousand customers in County Area opened for personal internet banking service, accounting for 70.89% of the number of customers opening for personal internet banking service of the Bank and representing an increase in 121.8 thousand customers over the end of the previous year. 7,215.3 thousand customers in County Area opened for mobile phone banking service, accounting for 79.87% of the number of customers opening for mobile phone banking service of the Bank and representing an increase of 623.7 thousand customers over the end of the previous year. With the gradual enhancement in electronic equipment, the increase in the number of cards and the promotion and marketing on E-banking products, the Bank is well poised to keep expanding its customer base in County Area, increase the penetration of banking business in County Area, and build good business relationship with customers.

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 2019			For the six months ended 30 June 2018		
	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	1,701.8	9,783.9	11,485.7	2,038.0	6,913.7	8,951.7
Net fee and commission income	625.8	701.7	1,327.5	498.0	616.3	1,114.3
Net trading gain or loss	–	319.9	319.9	–	3,034.9	3,034.9
Other operating gain or loss, net	25.1	34.2	59.3	25.8	134.8	160.6
Net profit or loss resulted from derecognition of financial assets at fair value through other comprehensive income	–	–	–	–	(1.7)	(1.7)
Net profit or loss resulted from derecognition of financial assets measured at amortised cost	–	77.7	77.7	–	2.7	2.7
Total operating income	2,352.7	10,917.4	13,270.1	2,561.8	10,700.7	13,262.5
Internal transfer of income and expense	3,898.6	(3,898.6)	–	3,772.7	(3,772.7)	–
Gain after adjustment	6,251.3	7,018.8	13,270.1	6,334.5	6,928.0	13,262.5

For the six months ended 30 June 2019, the gain of County Area segment after adjustment was RMB6,251 million, mainly due to the increases in net fee and commission income.

RISK MANAGEMENT

In the first half of 2019, focusing on comprehensive risk management and various risk management requirements, the Group evaluated, updated and continuously implemented the risk appetite, optimised risk management policies and procedures, promoted the construction of risk management systems, and continuously improved the level of risk management to help the Bank's steady development. During the Reporting Period, the Group maintained sufficient capital with adequate liquidity, stable asset quality and strong risk mitigation, and effectively implemented internal control and risk management that matched the business nature, scale and complexity.

I. Credit Risk Management

Credit risks refer to the risk of economic loss arising from the failure of the borrower of a bank or the counterparty to a transaction to fulfil its related responsibilities in compliance with contractual agreements due to various reasons.

In the first half of 2019, confronted with the complicated 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 "strengthening the management, controlling risks 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 Group 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 trend of industry 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, Two Highs and One Surplus and other key sectors, and adopted list-based management in respect of customers with large risk and continuously monitored the risk profile. According to the "Rules on Large Exposure of Commercial Banks", the Group implemented management of large risk exposure. As of the end of June 2019, the Group's large risk exposure indicators were better than the regulatory requirements. The Group increased its efforts in proactive risk inspection, identification and mitigation as well as termination of loan to customers with potential risks. The Group prudently carried out the management of asset risk classification and made provisions to enhance risk compensation. The Group strengthened the management of loan interest settlement and the clearing, disposal and write off of non-performing assets as well as innovated transfer of non-performing assets. 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 getting sufficient funds at reasonable costs in a timely manner to meet the due liabilities 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, to effectively balance fund profitability and overall security no matter 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 and Risk 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, the Financial Planning Department, the Capital Operation Department, the Asset Management Department and other related departments cooperated with each other to form an organisational structure of liquidity risk management with division of work and cooperation, clear responsibilities and efficient operation.

In the first half of 2019, the Group insisted on the business ideology of prudence and compliance, improving its asset and liability structure continuously, formulating and implementing the liquidity risk appetite and limit control plan of 2019, carrying out forward-looking liquidity risk indicator management continuously, deploying and dynamically adjusting liquidity risk management strategies in advance, and promoting the continuous compliance of various indicators of liquidity risk. The Group enhanced daytime liquidity risk management, and further optimised liquidity risk management information system to facilitate the refined management.

The Group ensured payment by continuously monitoring and managing the position of the Bank. The Group, strengthened liquidity risks monitoring as well as the application of the FTP, a system for internal fund transfer pricing, improved the management of internal fund allocation under the system. The Group updated liquidity risks pressure tests scenarios annually and carried out liquidity risks 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 2019, the Central bank issued a targeted reserve requirement ratio reduction policy after two full-scale reserve requirement ratio cuts, released liquidity in stages, carried out MLF and TMLF operations frequently, created and carried out CBS operations. The total liquidity of the banking system was at a reasonable ample level. The Bank managed provisions actively, increased the excess reserve ratio and strictly complied with the liquidity quota management mechanism and therefore, its liquidity level was sound.

Management Discussion and Analysis

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. At the end of June 2019, the liquidity gap analysis of the Group by remaining maturity is as follows:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2019							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>73,228.3</u>	<u>(249,325.5)</u>	<u>6,154.4</u>	<u>(13,576.8)</u>	<u>(28,006.7)</u>	<u>73,945.0</u>	<u>209,210.7</u>	<u>71,629.4</u>

The Group measured and disclosed its liquidity coverage ratio and net stable funding 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 2019, the liquidity coverage ratio of the Group is as follows:

(Expressed in RMB million, unless otherwise stated)	30 June 2019
Qualified and high-quality current assets	121,439.41
Net cash outflows in future 30 days	51,776.19
Liquidity coverage (%)	<u>234.55</u>

As at the end of June 2019, the net stable funding ratio of the Group is as follows:

(Expressed in RMB million, unless otherwise stated)	30 June 2019	31 March 2019	31 December 2018
Available stable funding	700,887.45	688,336.40	647,256.55
Required stable funding	611,419.15	598,099.67	570,865.91
Net stable funding ratio (%)	<u>114.63</u>	<u>115.09</u>	<u>113.38</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 “The New Basel Capital Accord”. The Group has also formulated a management system for market risk through regulating, monitoring, reporting and other measures to govern authorisation, credit extension and limit of risks.

Interest Rate Risk Analysis

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

In the first half of 2019, China's economic operation was generally stable. In terms of the money market, the Central bank continued to implement a prudent monetary policy with moderately counter-cyclical adjustments, drove the transmission of monetary policy, maintained a reasonably abundant liquidity and smoothly running money market interest rates by reducing the deposit reserve ratio and flexibly conducting open market operations, etc.

In the bond market, from the global perspective, the bond yields of major countries in the first half of the year all dropped sharply. From the perspective of China, benefiting from the continued easing of the fund of the money market, the bond market performed well, and the interest rate bond yields generally declined. Although the economic operation in the second quarter was relatively stable, there is still downward pressure. The Group would keep 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 will generally improve the management of interest rate pricing, duly adjust the pricing of funds and effectively controlled the fluctuation of interest rates for loans and interest costs so as to improve the proactiveness of interest risk management and ensure 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 2019						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>(138,914.0)</u>	<u>(6,999.4)</u>	<u>123,888.5</u>	<u>(11,742.2)</u>	<u>80,826.9</u>	<u>24,569.6</u>	<u>71,629.4</u>

At the end of June 2019, the Group's accumulated interest rate gaps for all maturities amounted to RMB71,630 million, representing an increase of RMB2,250 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 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, Euro 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 2019, the world economy is in a period of transition, and the situation is becoming more complicated. The trend of the RMB exchange rate in the first half of the year was still highly affected by external uncertainties such as Sino-US trade friction. After mid-May 2019, the abnormal "stable" of the central parity of the RMB against the US dollar showed that the RMB exchange rate entered a sensitive period. However, as the market's expectations for the Fed's interest rate cuts continued to strengthen, the trend of the US dollar index shifting from a strong to a weak one began to emerge. Overall, the overall trend of the Renminbi has been relatively stable year-to-date, fluctuating in a certain range. The volatility range in the first half of the year was between 6.69 and 6.9. The Group will continue to pay attention to the trend of RMB exchange rate and strengthen its management capability of foreign exchange exposure risks and the management level of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans scale of foreign exchange and arranging the utilisation of foreign exchange capital reasonably. It will also actively explore 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 technology 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 2019, the Group strengthened the internal management in the comprehensive risk management system and established various important measures to control operational risk to meet the regulatory and internal control requirements, continuously enhancing its overall prevention and control over operational risks. Firstly, the Group strengthened daily risk management and implemented various measures such as annual case risk investigation and compliance risk point library identification to achieve full identification of risk points in all aspects of business management activities and improve corresponding risk control measures. Secondly, the Group carried out various special inspection on accounting business and counter operation, revealing the risk of rectification through on-site inspection. Thirdly, the Group organised several self-inspection inspections to fully implement regulatory requirements. These inspections mainly involve supervision and deployment inspection and credit special inspection, and illegal fund-raising investigation. Fourthly, the business continuity management was implemented in a stable manner. We formulated the drill plan for business continuity of the Bank for the year and launched a comprehensive business impact analysis. Fifthly, the Group facilitated the risk management of information technology. Based on daily monitoring, the Group conducted special evaluations on key projects. Sixthly, the Group organised 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. Seventhly, the Group improved the systematic assessment mechanism, cleaned up the redundant system, and adjusted the headquarter system file structure to meet the new requirements of the internal and external situation.

V. Implementation of The New Basel Capital Accord

The Group further promoted the new capital accord in accordance with the requirements of the regulatory authorities. In the first half of 2019, the Group mainly completed the annual update on the internal rating of non-retailing sector, promoting the wide use of the retailing scorecard model for online innovative products and offline traditional business. The Group continuously carried out internal rating system monitoring, prepared retailing and non-retailing internal 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 optimised the risk model and developed and updated the model that met the monitoring threshold and the data accumulation requirements in a timely manner to ensure the availability of the model. It continually optimised various systems such as rating system management, internal rating model and risk parameter quantitative management to promote the standardised and efficient use of the results of the construction of new capital accord. The Group officially put the risk data collection into operation, 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 utilisation of risk data to implement comprehensive risk management. The risk-weighted assets (RWA) system is based on risk data collection, realising 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 realise the impairment measurement under the new IFRS 9 standard, which effectively improved the refinement level of risk management.

VI. Anti-money Laundering

In the first half of 2019, the Bank followed the philosophy of risk orientation and took the opportunity of the implementation of the “No. 19 Document” of the Central bank to continuously promote the construction of anti-money laundering and anti-terrorism financing systems, continuously consolidate the foundation of anti-money laundering management, and effectively prevent money laundering risk. During the Reporting Period, The Group continued to improve the anti-money laundering internal control mechanism, optimize the anti-money laundering management process, and revise the anti-money laundering rules and regulations; continuously optimise the system, enhance the scientific and technological support, promote the “second generation system” switching and model and rule update, and improve data analysis efficiency; continuously promoted data governance, improved data quality, collected problems in the process of data governance, conducted in-depth self-examination and rectification, explored the use of smart banking channels to improve work efficiency and effectiveness; strengthened center construction, deepened intensive management, introduced professional talents, and improved investigation, identification analysis, and reporting operation mechanism for suspicious cases and improved risk prevention and control capabilities; vigorously promoted the propaganda of anti-money laundering obligations of specific non-financial institutions and actively fulfilled social responsibilities.

INTERNAL AUDIT

The Group has established a sound internal audit system according to the Articles of Association. The Board of Directors is responsible for establishing and maintaining a sound and effective internal audit system, ensuring that internal audit has sufficient independence. The internal audit is carried out under the leadership of the Party Committee and the Board of Directors, and is responsible and reported to them. The headquarter, branches and sub-branches have set up their respective internal audit departments. The internal audit departments of branches and sub-branches are operated under a dual leadership system. CQRC Financial Leasing Co., Ltd. and the Bank's controlled village and township banks have set up their respective internal audit departments or assigned designated staff responsible for internal audit subject to the guidance and management of the internal audit department of the headquarter. The internal audit department continuously improves risk management, internal control and corporate governance through inspection and evaluation activities to promote organisational goals.

During the Reporting Period, the internal audit department carried out in-depth implementation of the "Three Transformation" strategy, adhered to the risk orientation, systematically sorted out the regulatory requirements, formulated the internal audit plan based on the actual management, and reported it to the Board of Directors for review and approval with strict implementation, strictly implementing the audit duties. The department adhered to standardisation operations, strengthened review on audit quality, strengthened the use of audit results, and improved audit quality and effectiveness; strengthened the construction of the audit team and improved professional competence; strengthened audit innovation and improved the informationalised level of audit so as to continuously improve the value of internal audit and promote stable operation and high quality development of the Group.

FINANCIAL CONSUMER RIGHTS PROTECTION

In the first half of 2019, the Bank strictly abided by the regulatory rules, adhered to the Company's development strategy, and proactively implemented the measures of financial consumer rights protection by improving the mechanism and system construction, effectively fulfilling the duties of the business and the responsibility of consumer rights protection.

We improved the mechanism and system construction. The Consumer Rights Protection Committee and the working leading group of the consumer rights protection hold regular meetings to organize, deploy and coordinate the development of consumer protection in the Bank to clarify the overall thinking of consumer protection in 2019. The Bank also launched the "Consumer Rights Protection Tamping Year" in the whole area, and proposed working requirements in the aspects of sound working mechanism and system construction, consumer rights protection assessment, "double-recording and one-zone" management, product information disclosure, customer complaint management, publicity and education, etc.

We optimised the system of consumer rights protection. The Bank constantly established and improved the basic institutional framework of consumer rights protection that matched the Bank's organisational structure, business scale and development strategy, improved more than 20 rules and regulations such as the "Operational Regulations for the Agency Insurance Business of Chongqing Rural Commercial Bank" to ensure that there are rules to follow.

Management Discussion and Analysis

We improved customer service level. The Bank implemented the requirements of intelligent, miniaturized and light-weight outlets, increased the pilot placement of self-service machines such as cash recycling for agricultural customers counters and smart counters, set “Courtesy Service Counter” or “Green Channels”, equipped with reading glasses, priority seats, children’s entertainment facilities, constructed gentle slopes, handrails, guardrails, and other convenient facilities at certain outlets. At the same time, the Bank launched a special action of enhancing counter service and solidly promoted the evaluation of “top thousand”, “top hundred” and “star” outlets to better meet the daily financial service needs of financial consumers.

We carried out financial knowledge propaganda. The Bank established a bank-wide financial consumer promotion database and created a promotion brand of “Jiangyu Consumer Rights Protection Micro-Classroom”, to form a financial knowledge campaign across the Bank. The Bank also organised special promotional activities such as “3.15”, “Spreading Financial Knowledge to Keep Money Safe” (普及金融知識·守住錢袋子), “Financial Knowledge Walkathon” and “Preventing Illegal Fund Raising”. Over 3,000 outreach publicity events were conducted throughout the half year and more than 385,000 publicity materials were distributed, involving more than 370,000 audiences.

We strengthened customer complaint management. We established a complaint linkage mechanism and adopted various methods to prevent complaint escalation. At the same time, we strengthened the analysis of complaints and regularly screened the complaint information data in multiple dimensions. We improved and optimised product quality, business process and internal management according to the targeted evaluation.

We regulated product sales behavior. We sorted out the key points of review of product marketing recommendation data, evaluated the policies, business rules and pricing that may affect consumers, and strictly prevented irregular marketing promotion behaviors that damage the legitimate rights and interests of financial consumers. The “double-recording and one-zone” optimisation project was launched to ensure that the sales process can meet regulatory requirements and meet the Bank’s business development needs by filming education videos, conducting district construction assessments, and improving “double-recording” counter transactions.

OUTLOOK

In the first half of 2019, under the pattern of global economic integration, major national economic trend gradually shift from differentiation to synchronously slowdown with the decline of the world economic cycle and the intensified geopolitical conflict; the trade conflicts transform into a long-term game involving finance, technology, governance and other fields. In the second half of the year, it is expected that the world will continue to maintain relatively loose fiscal and monetary policies, which helps stabilise global economic growth and offset the wide-ranging effects of trade tensions.

In the second half of 2019, the Chinese economy is expected to continue to maintain an overall stability with steady progress in a complex and volatile international situation, gradually resolve those deep-rooted problems such as structural disorders, and to further release long-term growth potential. It is expected that, along with the accelerated digestion of new and old structural mismatches that inhibit consumption growth, the real release of the tax and dividend reductions that guides corporate profits and stabilizes manufacturing investment and the growth rate of real estate investment is stabilized by the re-optimisation of the “steady house price, steady low price, stable expectation” regulation policy, China’s economy will ensure no threats arose from the external shocks, the dominant position of the consumer engine will be further consolidated, and the economic restructuring and upgrading will continue to advance steadily.

Judging from the local condition, Chongqing’s economic operation remained in a reasonable range. In the first half of the year, the city’s GDP was RMB1,033.476 billion, representing a year-on-year increase of 6.2%. With the steady operation of the economy and the steady development trend, the consumption structure and industrial investment structure was steadily optimized and the supply-side structural reform was steadily advancing, as well as the implementation of “de-capacity, de-stocking, de-leverage, cost reduction and improvement of shortcomings” had shown significant effect.

In the second half of 2019, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank will thoroughly implement the spirit of the Nineteenth National Congress of the CPC, the decision-making arrangements of the Municipal Committee and the Municipal Government of Chongqing, further implement the “Three Transformation” strategy in strict accordance with the requirements of supervision at all levels, steadily carry out financial technology innovation, accelerate the listing of A-shares, strive to improve the quality and effectiveness of internal management, effectively prevent financial risks, comprehensively promote high-quality development to ensure the successful accomplishment of the various goals and tasks assigned by the Board of Directors.

Changes in Share Capital and Particulars of Shareholders

MOVEMENT IN SHARES

Unit: share, %

	1 January 2019		Increase/(decrease) +/- during the Reporting Period						30 June 2019	
	Number of shares	Percentage	Private placemen	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⁾	5,924,048,559	59.24	-	-	-	-	-	-	5,924,048,559	59.24
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	3,112,186,100	31.12	-	-	-	-	-	-	3,112,186,100	31.12
2. Non-overseas listed shares held by natural persons	1,562,615,400	15.63	-	-	-	-	-	-	1,562,615,400	15.63
Including: ① Shares held by natural persons who are employees	152,468,510	1.52	-	-	-	-	32,200	32,200	152,500,710	1.53
② Shares held by natural persons other than employees	1,409,070,485	14.09	-	-	-	-	(31,710)	(31,710)	1,409,038,775	14.09
③ Shares held by Shareholders without affirmed ownership ⁽⁴⁾	1,076,405	0.01	-	-	-	-	(490)	(490)	1,075,915	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:

- As at the end of the Reporting Period, the Bank has 79,894 holders of non-overseas listed shares and 1,301 registered Shareholders of H shares.
- 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).
- 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, 490 shares held at the time of the former rural credit cooperatives have their ownership affirmed in the shares of the Bank, whereby leaving 1,075,915 shares held by shareholders without affirmed ownership).
- During the Reporting Period, Xiamen Septwolves Asset Management Co., Ltd. (廈門七匹狼資產管理有限公司) won 4,000,000 shares held by original legal person shareholder of the Bank, Nornova Group Company Limited (北城致遠集團有限公司), through judicial auction. The number of legal person shareholders of the Bank increased to 169 from 168.

Issue, Purchase, Sale and Redemption of Securities

During the Reporting Period, as at 13 June 2019, the Bank issued tier 2 capital bonds (the bond referred to as “19 Chongqing Rural Commercial Tier 2”, bond code: 1921021) of Chongqing Rural Commercial Bank Co., Ltd. in 2019 through book-building process and filing. The bonds are a 10-year fixed-rate variety with a pre-requisite redemption option at the end of the fifth year, and its final issuance scale is RMB5 billion and the coupon rate is 4.6%.

During the Reporting Period, as at 23 June 2019, the Bank exercised the redemption option for the tier 2 capital bonds (the bond was referred to as “14 Chongqing Rural Commercial Tier 2”, bond code: 1421006) of RMB5 billion which was issued on 19 June 2014 in the PRC inter-bank bond market.

During the Reporting Period, CQRC Financial Leasing Co., Ltd., a subsidiary of the Bank, issued financial bonds in a total of RMB2 billion on 1 April 2019 (the bond was referred to as “19 CQRC Leasing Bonds 01”, bond code: 1922017).

Issued Bonds

The Bank issued tier 2 capital bonds of RMB5 billion on 13 June 2019 in the PRC inter-bank bond market and exercised an early redemption option for the 2014 tier 2 capital bonds as at 23 June 2019. Please refer to Note 31 “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; there had not been any default by the Bank in respect of repayment of the principal and interests of the RMB3 billion small and micro enterprise loan specific financial bonds issued on 14 December 2018 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 RMB5 billion callable tier 2 capital bonds issued on 13 June 2019 in the PRC inter-bank bond market or any matters in connection therewith.

CQRC Financial Leasing Co., Ltd., a subsidiary of the Bank, issued financial bonds of RMB2 billion on 1 April 2019. During the Reporting Period, there had not been any default by CQRC Financial Leasing Co., Ltd., a subsidiary of the Bank, in respect of repayment of the principal and interests of RMB2 billion financial bonds issued on 1 April 2019 and 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.

Changes in Share Capital and Particulars of Shareholders

PARTICULARS OF SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF THE BANK

Unit: Share, %

No.	Name of Shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage ⁽¹⁾	Numbers of shares pledged ⁽²⁾	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	988,000,000	9.88	—	Non-overseas listed shares
03	Chongqing City Construction Investment (Group) Company Limited ⁽⁴⁾ (重慶市城市建設投資(集團)有限公司)	state-owned legal person	797,087,430	7.97	—	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)	private legal person	570,000,000	5.70	470,000,000	Non-overseas listed shares
06	CHONGQING CASIN GROUP CO., LTD. ⁽⁵⁾ (重慶財信企業集團有限公司)	private 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)	private 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)	private 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)	private legal person	150,000,000	1.50	74,900,000	Non-overseas listed shares
10	Jiangsu Huaxi Group Corporation Limited (江蘇華西集團有限公司)	private 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 2019, 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 2019, the non-overseas listed shares of the Bank were pledged by a total of 1,412,747,700 shares, of which 72,425,600 shares are involved in judicial freezing, representing 0.72% of the total share capital of the Bank.

During the Reporting Period, 4,000,000 shares of the pledged equity were involved in judicial auctions, accounting for 0.04% of the Bank's total share capital. As at 30 June 2019, the Bank's non-overseas listed company pledge rate was 14.13% of the total share capital, among which, a total of 966,447,700 shares in which the number of shares reached or exceeded 50% of the shares of the Bank, accounting for 9.66% of the Bank's total share capital. The above Shareholders and their dispatched Directors were subject to the relevant regulations such as the Articles of Association, and the Shareholders' voting rights at the general meeting of shareholders and their dispatched Directors' voting rights at the meeting of the Board were restricted.

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.
4. During the Reporting Period, Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) was granted 10,000,000 shares held by Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司).
5. Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司) and Chongqing River & Holiday Hotel Management Co., Ltd. (重慶兩江假日酒店管理有限公司), the related parties of Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), hold 10,000,000 and 2,000,000 non-overseas listed shares of the Bank respectively, and Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) together with whom hold 1,000,000,000 non-overseas listed shares of the Bank, accounting for 10% of the total; Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司), a related party of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), holds 30,000,000 non-overseas listed shares of the Bank, and Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) together with whom hold 827,087,430 non-overseas listed shares of the Bank, accounting for 8.27% of the total; Chongqing Casin Real Estate Development Co., Ltd. (重慶財信房地產開發股份有限公司), a related party of CHONGQING CASIN GROUP CO., LTD. (重慶財信企業集團有限公司), holds 110,700 non-overseas listed shares of the Bank, and CHONGQING CASIN GROUP CO., LTD. (重慶財信企業集團有限公司) together with whom hold 443,210,700 non-overseas listed shares of the Bank, accounting for 4.43% of the total. Chongqing Ji Li Yu Feng Industrial (Group) Co., Ltd. (重慶吉力芸峰實業(集團)有限公司) and Chongqing Yufeng Pharmaceutical Co., Ltd. (重慶芸峰藥業有限公司) are the related parties that related to the others, hold 85,000,000 and 10,000,000 non-overseas listed shares of the Bank respectively, they together hold 95,000,000 shares, accounting for 0.95% of the total..

Changes in Share Capital and Particulars of Shareholders

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	988,000,000	13.20	9.88
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	797,087,430	10.65	7.97
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 H shares held ⁽³⁾	Percentage of the issued H share capital of the Bank	% of the total share capital of the Bank
BlackRock, Inc. ⁽¹⁾	Interest of controlled corporations	247,586,823 (L)	9.85%	2.48%
		252,000 (S)	0.01%	0.003%
BlackRock Global Funds	Beneficial owner	132,885,000 (L)	5.29%	1.33%
Citigroup Inc.	Interest of controlled corporations/Approved lending agent	161,598,297 (L)	6.43%	1.62%
	Interest of controlled corporations	7,721,479 (S)	0.31%	0.08%
	Approved lending agent	153,112,570 (P)	6.09%	1.53%
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 Holdings Limited ⁽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%
LSV Asset Management	Investment manager	150,238,000 (L)	5.98%	1.50%

Notes:

- (1) According to BlackRock, Inc.'s Notice of Disclosure of Corporate Major Shareholders' Interests filed on 30 May 2019, BlackRock, Inc. is deemed to hold a long position of 247,586,823 H shares and a short position of 252,000 H shares. These shares are held jointly by Trident Merger, LLC, BlackRock Holdco 2, Inc. that are directly or indirectly controlled by BlackRock, Inc., and other controlled corporations. In accordance with the SFO, BlackRock, Inc. is deemed to have interests in the shares held by such companies, among which, the short position in 71,000 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 all deemed to be interested in the shares of the Bank held by Fosun International Limited and corporations controlled by it. Guo Guangchang holds jointly 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 988,000,000 shares, 797,087,430 shares, 589,084,181 shares and 570,000,000 shares of the Bank respectively, representing 9.88%, 7.97%, 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 1.50% 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 People’s 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 Market Regulation 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 Market Regulation 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 Market Regulation 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, 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 a 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, electrical equipment of machine, 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 a 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”.

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

Changes in Share Capital and Particulars of Shareholders

Name of shareholder	Controlling shareholder	Actual controller	Parties acting in concert	Ultimate beneficiary
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 Development Investment Co., Ltd. (重慶發展投資有限公司)	The Finance Bureau of Chongqing City	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	Nil	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).

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

As at the end of the Reporting Period, the interests or short positions of the Directors, supervisors and the chief executive of the Bank or their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meanings of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise required to be 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	0.000119
Zhu Yuzhou	Beneficial owner	37,600	0.00050	0.000376

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.

DIVIDENDS

Upon the approval of the 2018 annual general meeting of the Bank, the Bank distributed final dividends for 2018 on 11 June 2019 of RMB0.20 per share (tax inclusive) in cash, 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 8 May 2019 (after trading hours).

Directors, Supervisors and Senior Management

DIRECTORS OF THE BANK

As of 30 June 2019, the Board of Directors comprised a total of eleven Directors, including three executive Directors, namely Mr. Liu Jianzhong (Secretary to the Party Committee and Chairman of the Board of Directors), Mr. Xie Wenhui (Deputy Secretary to the Party Committee and President) and Mr. Zhang Peizong (Member of the Party Committee and Vice President); three non-executive Directors, namely Ms. Chen Xiaoyan, Mr. Luo Yuxing and Mr. Wen Honghai; and five independent non-executive Directors, namely, Mr. Yuan Zengting, Mr. Cao Guohua, Mr. Song Qinghua, Mr. Zhang Qiaoyun and Mr. Lee Ming Hau. Ms. Chen Xiaoyan, Mr. Luo Yuxing and Mr. Wen Honghai, all of whom are Directors, were nominated by Shareholder units including Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司), 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.

As at 12 June 2019, the Board of Directors received a letter of resignation from Mr. Duan Xiaohua, a non-executive Director, who voluntarily resigned from the non-executive Director and the Sannong Financial Service Committee and the Consumer Rights and interests Protection Committee. As at 12 June 2019, the Bank announced that Mr. Duan Xiaohua will not serve as a non-executive Director of the Bank and a member of the relevant special committee of the Board of Directors. As at 13 June 2019, the Bank received the approval of the qualification as Director of the Chongqing Bureau of CBIRC for Mr. Lee Ming Hau. As at 14 June 2019, the Bank announced the appointment of Mr. Lee Ming Hau as an independent non-executive Director of the Bank and as a member of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee of the Board, with a term from 6 June 2019 until the expiration of the term of the current session of the Board.

As at 26 April 2019, at the 2018 annual general meeting of the Bank, the Bank considered and approved the resolutions in relation to the election of Mr. Qiao Changzhi and Mr. Zhang Peng as non-executives Directors of the Bank. Mr. Qiao Changzhi and Mr. Zhang Peng were nominated by Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) and Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), respectively. As at 12 March 2019, 4 April 2019 and 26 April 2019, the Bank's resolutions were announced on the notice, the circular and the resolutions of the 2018 annual general meeting. The biographies of Mr. Qiao Changzhi and Mr. Zhang Peng are detailed in the circular of the general meeting. The qualifications of the two proposed Directors are subject to the approval of the regulatory authority of the banking industry of the PRC.

SUPERVISORS OF THE BANK

At the end of the Reporting Period, the Board of Supervisors comprised 8 supervisors, including 2 shareholder representative supervisors, namely Mr. Zeng Jianwu and Ms. Zuo Ruilan, 3 external supervisors, namely Mr. Wang Hong, Mr. Pan Like and Mr. Hu Shuchun; 3 employee representative supervisors, namely Mr. Zheng Yi, Mr. Zhu Yuzhou and Mr. Le Xiaoming. 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), respectively.

The Bank has received a resignation letter from Ms. Ni Yuemin, the chairwoman of the Board of Supervisors and the employee representative supervisor of the Bank in respect of her resignation from the positions of the chairwoman of the Board of Supervisors as well as the employee representative supervisor of the Bank and made an announcement on 31 May 2019. Mr. Le Xiaoming was elected as the employee representative supervisor of the Board of Supervisors at the meeting of employee representatives of the Bank held on 13 June 2019.

SENIOR MANAGEMENT OF THE BANK

During the Reporting Period, there was no change in the composition of the senior management of the Bank.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted a code of conduct regarding securities transactions by Directors and supervisors and relevant employees no less exacting than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors and supervisors, all Directors and supervisors of the Bank confirmed that they have complied with the aforesaid code throughout the six months ended 30 June 2019.

Major Events

CORPORATE GOVERNANCE

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

For the six months ended 30 June 2019, 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 21 September 2018, the resolution in relation to the proposed amendments to the Articles of Association, among others, was considered and approved at the 2018 First EGM. Meanwhile, the Bank obtained the final approval from the regulatory authority of the banking industry of the PRC on 7 January 2019, and disclosed on 10 January 2019. The amended Articles of Association shall be effective upon the date of approval by the regulatory authority of the banking industry of the PRC. 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 Shareholders of Domestic Shares 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 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 relevant provisions of 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 2018 on 11 June 2019 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 8 May 2019 (after trading hours). Dividends will be distributed in cash.

The Bank did not declare an interim dividend in 2019 (2018: Nil).

MATERIAL RELATED PARTY TRANSACTIONS

As of the end of the Reporting Period, The balance of loans under the material related party transactions between the Bank and related parties amounted to RMB18,566 million, accounting for 4.47% of the total amount of loans. Loans under the material related party transactions between the Bank and related parties have 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 RMB6.83 million. 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 of the Bank 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.

MATERIAL ASSET OPERATION

The resolution on the initial public offering and listing of Renminbi Ordinary Shares of the Bank (the “A Share Offering”), among others, was considered and approved at the 2015 annual general meeting of the Bank which was held on 17 June 2016. The resolution of extension of the term of the A Shares Offering, among others, was considered and approved at the 2016 annual general meeting of the Bank held on 5 May 2017.

The Bank complied with the requirements of the relevant laws and regulations and submitted full set of application materials in respect of the A Shares Offering, including the A Share Prospectus Application Proof of Chongqing Rural Commercial Bank Co., Ltd.’s Initial Public Offering of A Shares to the CSRC on 26 December 2017, and “CSRC’s Acceptance Notice of the Application for Administration Permission” (No.172656) (《中國證監會行政許可申請受理通知書》(172656號)) dated 3 January 2018 issued by the CSRC was received on 4 January 2018.

The resolution of extension of the term of the A Shares Offering, among others, was considered and approved at the 2017 annual general meeting of the Bank held on 27 April 2018. The progress of the A Shares Offering will be determined on the basis of the CSRC’s review and the conditions of the A shares market.

The Bank has submitted the responses and the updated application materials to the CSRC as required after the feedback was obtained on 12 October 2018. Currently, the A Shares Offering of the Bank is being reviewed and the progress of which meets the expectation. The specific listing date will be determined on the basis of the CSRC’s review and the conditions of the A shares market. After CSRC’s approval of the A Shares Offering, the Bank will carry out the listing registration and other procedures in relation to the A Shares Offering in accordance with the relevant rules, regulations and requirements of the CSRC, the Shanghai Stock Exchange and the China Securities Depository and Clearing Corporation Limited.

SUBSEQUENT EVENTS

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

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group adopted IFRS 16 for the first time since 1 January 2019, and the above standard had been adopted by the Group in preparing the financial statements for the six months ended 30 June 2019. Such changes constitute changes in accounting policies and adjustments to the relevant amounts have been recognised in the financial statements.



THE REVIEW

The Bank's interim condensed consolidated financial information for the six months ended 30 June 2019 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 2019 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 97 to 176, which comprises the interim 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 2019 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement 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, 16 August 2019

Condensed Consolidated Income Statement

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
Interest income	6	22,152,387	18,881,015
Interest expense	6	(10,666,665)	(9,929,360)
Net interest income		11,485,722	8,951,655
Fee and commission income	7	1,371,711	1,162,891
Fee and commission expense	7	(44,190)	(48,559)
Net fee and commission income		1,327,521	1,114,332
Net trading gain	8	319,888	3,034,913
Other operating income, net	9	59,293	160,564
Net loss on derecognition of financial assets measured at fair value through other comprehensive income		—	(1,698)
Net gain on derecognition of financial assets measured at amortised cost		77,751	2,694
Operating income		13,270,175	13,262,460
Operating expenses	10	(2,995,301)	(3,847,994)
Expected credit losses	11	(3,239,461)	(3,080,500)
Profit before tax		7,035,413	6,333,966
Income tax expense	12	(1,194,837)	(1,447,368)
Profit for the period		5,840,576	4,886,598
Attributable to:			
Shareholders of the Bank		5,751,430	4,835,639
Non-controlling interests		89,146	50,959
		5,840,576	4,886,598
Earnings per share (Expressed in Renminbi ("RMB") Yuan per share)			
- Basic/Diluted	13	0.58	0.48

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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit for the period	<u>5,840,576</u>	<u>4,886,598</u>
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on defined benefit plans	37	(65,903)
Net gains on financial assets measured at fair value through other comprehensive income – equity instruments	<u>18,521</u>	<u>-</u>
	<u>18,558</u>	<u>(65,903)</u>
Items that may be reclassified subsequently to profit or loss:		
Net losses on financial assets measured at fair value through other comprehensive income – debt instruments	<u>(25,379)</u>	<u>(50,247)</u>
Other comprehensive income for the period (net of tax)	<u>(6,821)</u>	<u>(116,150)</u>
Total comprehensive income for the period	<u><u>5,833,755</u></u>	<u><u>4,770,448</u></u>
Total comprehensive income attributable to:		
Shareholders of the Bank	5,744,609	4,719,489
Non-controlling interests	<u>89,146</u>	<u>50,959</u>
Total comprehensive income for the period	<u><u>5,833,755</u></u>	<u><u>4,770,448</u></u>

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

Condensed Consolidated Statement of Financial Position

As At 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
Cash and balances with central bank	15	91,214,069	85,935,176
Deposits with banks and other financial institutions	16	29,529,345	32,208,145
Placements with banks and other financial institutions	17	143,746,271	138,543,543
Derivative financial assets	18	105,535	93,990
Financial assets held under resale agreements	19	4,845,347	6,000,733
Loans and advances to customers	20	396,110,961	364,026,148
Financial investments	21		
Financial assets measured at fair value through profit or loss		21,774,584	15,094,518
Financial assets measured at fair value through other comprehensive income		2,123,173	7,713,114
Financial assets measured at amortised cost		317,510,112	289,564,720
Property and equipment	22	4,691,719	4,841,593
Right-of-use assets		160,677	N/A
Goodwill	23	440,129	440,129
Deferred tax assets	32	5,179,516	4,512,960
Other assets	24	2,253,886	1,643,270
Total assets		1,019,685,324	950,618,039
LIABILITIES			
Borrowings from central bank	25	25,482,983	30,454,523
Deposits from banks and other financial institutions	26	19,613,729	23,500,698
Placements from banks and other financial institutions	27	28,136,607	28,873,761
Derivative financial liabilities	18	117,337	83,907
Financial assets sold under repurchase agreements	28	13,702,436	5,920,678
Deposits from customers	29	682,853,884	616,166,192
Accrued staff costs	30	4,220,528	5,625,314
Income tax payable		877,320	960,672
Lease liabilities		151,863	N/A
Debt securities issued	31	162,185,898	159,609,417
Other liabilities	33	6,400,122	7,274,015
Total liabilities		943,742,707	878,469,177

Condensed Consolidated Statement of Financial Position (Continued)

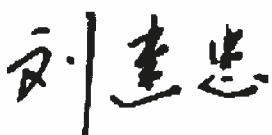
As At 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	30 June 2019 (Unaudited)	31 December 2018 (Audited)
EQUITY			
Share capital	34	10,000,000	10,000,000
Capital reserve	35	12,483,907	12,483,907
Investment revaluation reserve	36	39,074	51,108
Actuarial changes reserve		(306,166)	(306,203)
Surplus reserve	37	10,346,945	10,346,945
General reserve	38	12,658,089	12,225,243
Retained earnings		<u>29,271,015</u>	<u>25,947,255</u>
Equity attributable to shareholders of the Bank		74,492,864	70,748,255
Non-controlling interests		<u>1,449,753</u>	<u>1,400,607</u>
Total equity		<u>75,942,617</u>	<u>72,148,862</u>
Total equity and liabilities		<u>1,019,685,324</u>	<u>950,618,039</u>

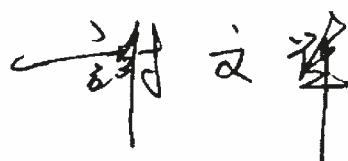
The accompanying notes form an integral part of these condensed consolidated financial statements.

The condensed consolidated financial information on pages 97 to 176 were approved and authorised for issue by the Board of Directors on 16 August 2019 and were 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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Attributable to shareholders of the Bank							Non-Controlling Interests	Total	
		Share capital	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings			Subtotal
As at 1 January 2019		10,000,000	12,483,907	51,108	(306,203)	10,346,945	12,225,243	25,947,255	70,748,255	1,400,607	72,148,862
Profit for the period		-	-	-	-	-	-	5,751,430	5,751,430	89,146	5,840,576
Other comprehensive income		-	-	(6,858)	37	-	-	-	(6,821)	-	(6,821)
Total comprehensive income for the period		-	-	(6,858)	37	-	-	5,751,430	5,744,609	89,146	5,833,755
Appropriation to general reserve	38	-	-	-	-	-	432,846	(432,846)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(2,000,000)	(2,000,000)	(40,000)	(2,040,000)
Other comprehensive income transferred to retained earnings		-	-	(5,176)	-	-	-	5,176	-	-	-
As at 30 June 2019 (Unaudited)		10,000,000	12,483,907	39,074	(306,166)	10,346,945	12,658,089	29,271,015	74,492,864	1,449,753	75,942,617
As at 31 December 2017 (Audited)		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		-	-	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	38	-	-	-	-	-	1,485,761	(1,485,761)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(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

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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Operating activities		
Profit before tax	7,035,413	6,333,966
Adjustments for:		
Depreciation and amortisation	389,456	380,250
Expected credit losses	3,239,461	3,080,500
Interest income arising from investment securities	(6,816,290)	(4,887,897)
Interest income arising from impaired financial assets	(32,663)	(35,632)
Interest expense arising from debt securities issued	2,788,764	2,298,168
Net gain on disposal of investment securities	(77,751)	(996)
Dividends income from investment securities	(2,915)	—
Net gain on disposal of property and equipment	(3,057)	(6,284)
Fair value loss/(gain)	65,077	(1,472,696)
Exchange gain	(30,723)	(135,057)
Operating cash flows before movements in working capital	6,554,772	5,554,322
Decrease in balances with central bank, deposits with banks and other financial institutions	4,306,152	22,861,232
Increase in placements with banks and other financial institutions	(8,429,453)	(48,947,681)
(Increase)/Decrease in financial assets measured at fair value through profit or loss	(856)	132,250
Increase in loans and advances to customers	(33,599,219)	(25,458,423)
Increase/(Decrease) in financial assets sold under repurchase agreements	7,783,550	(6,411,030)
Decrease in borrowings from central bank	(4,829,396)	(3,012,810)
Decrease in placements from banks and other financial institutions	(779,133)	(2,072,456)
Increase in deposits from customers, deposits from banks and other financial institutions	62,522,452	11,415,709
Decrease in other operating assets	7,479	1,222,772
Decrease in other operating liabilities	(559,312)	(1,803,765)
Cash from/(used in) operating activities	32,977,036	(46,519,880)
Income tax paid	(1,940,746)	(2,086,931)
Net cash from/(used in) operating activities	31,036,290	(48,606,811)

Condensed Consolidated Statement of Cash Flows (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	NOTE	2019	2018
		(Unaudited)	(Unaudited)
Investing activities			
Cash received from disposal and redemption of investment securities		73,294,580	162,550,786
Interest income received from investment securities		6,950,535	4,945,777
Cash received from disposal of property and equipment and other assets		5,185	18,756
Dividends income from investment securities		2,915	—
Cash paid for purchase of investment securities		(103,439,074)	(113,771,810)
Cash paid for purchase of property and equipment and other assets		(201,489)	(170,872)
Net cash (used in)/from investing activities		(23,387,348)	53,572,637
Financing activities			
Debt securities issued		106,112,686	67,549,991
Transactions with non-controlling interests		—	(264,650)
Redemption of bonds issued		(105,870,000)	(69,100,000)
Dividends paid to shareholders of the Bank		(1,979,211)	(1,965,509)
Dividends paid to shareholders of non-controlling interests		(40,000)	(24,000)
Interest paid on debt securities issued		(2,788,764)	(319,000)
Cash paid in other financing activities		(32,764)	—
Net cash used in financing activities		(4,598,053)	(4,123,168)
Net increase in cash and cash equivalents		3,050,889	842,658
Cash and cash equivalents as at 1 January		34,637,437	48,608,610
Effect of foreign exchange rate changes		1,600	18,074
Cash and cash equivalents as at 30 June	39	<u>37,689,926</u>	<u>49,469,342</u>
Net cash from operating activities include:			
Interest received		15,091,288	14,076,759
Interest paid		(7,771,508)	(10,276,354)
Net interest received from operating activities		<u>7,319,780</u>	<u>3,800,405</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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

The Bank has financial services certificate No. B0335H250000001 issued by the China Banking Regulatory Commission (the former “CBRC”. It was renamed as “China Banking and Insurance Regulatory Commission” in 2018, hereinafter referred to as “CBIRC”), 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 RMB, which is also the functional currency of the Bank.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

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 2018. 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 (“IFRS”). Therefore the condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

New standards, amendments and interpretations effective in 2019 and adopted by the Group

- | | | |
|-----|--|---|
| (a) | IFRS 16 | Lease |
| (b) | IFRIC 23 | Uncertainty over Income Tax Treatment |
| (c) | Amendments to IFRS 3, IFRS 11 and IAS 12, IAS 23 | IASB Annual Improvements 2015 – 2017 cycle |
| (d) | Amendments to IFRS 9 | Prepayment Features with Negative Compensation |
| (e) | Amendments to IAS 19 | Employee Benefits Regarding Plan Amendment, Curtailment or Settlement |

The adoption of IFRS 16 is disclosed in Note 4 “Changes in significant accounting policies”. The adoption of the amendments mentioned above does not have a significant impact on the operation results, comprehensive income and financial position of the Group.

New standards and amendments not yet effective and have not been adopted before their effective dates

			Effective for annual periods beginning on or after
(a)	IFRS 17	Insurance Contracts	1 January 2022
(b)	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. Early application of the amendments continues to be permitted.

Except for those stated below, the Group expects the adoption of the above standards and amendments to have no significant impact on the Group's consolidated financial statements.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted IFRS 16 *Leases* as issued by the IASB on 13 January 2016 with a date of transition on 1 January 2019, 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 16 in previous periods.

(1) According to the transition policy of IFRS 16, the changes in accounting policies of the Group are disclosed as follows:

As permitted by the transitional provisions of IFRS 16, the Group has elected not to restate comparative figures. As at 1 January 2019, the right-of-use asset and lease liability recognised were RMB170 million and RMB151 million respectively. The comparatives for the year ended 31 December 2018 were not restated.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) For the six months ended 30 June 2019, the accounting policies for leases adopted by the Group are disclosed as follows:

(i) Recognition of the leases

A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group performed the following assessment:

- (a) Whether a contract involves the use of identified assets – the identified assets may be explicitly or implicitly specified in the contract, and are either physically distinct or represent substantially all of the capacity of the asset. A customer does not have the right to use an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use;
- (b) Whether the Group has the right to obtain substantially all of the economic benefits from use of the identified asset;
- (c) Whether the Group has the right to direct the use of the identified asset. When the Group has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the period of use, the Group is considered to have the right to direct the use of the identified asset. In the cases where the relevant decisions about how and for what purpose the asset is used are predetermined, if:
 - the Group has the right to operate the asset;
 - the Group designed the asset in a way that predetermines how and for what purpose the asset will be used, the Group is considered to have the right to direct the use of the asset.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) For the six months ended 30 June 2019, the accounting policies for leases adopted by the Group are disclosed as follows: (Continued)

(i) Recognition of the leases (Continued)

When initially recognising or reassessing the lease components in a contract, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

(ii) The Group as lessee

At the commencement date, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, comprising: the amount of the initial measurement of the lease liability (adjusted for any lease payments made at or before the commencement date); any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequently, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The useful life of the right-of-use asset is estimated based on the same method as that of estimating the useful life of properties and equipments. Additionally, the Group regularly determines and recognises any impairment of right-of-use assets, and adjusted for any remeasurement of the lease liability.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) For the six months ended 30 June 2019, the accounting policies for leases adopted by the Group are disclosed as follows: (Continued)

(ii) The Group as lessee (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate. Generally, the Group uses incremental borrowing rate as discount rate.

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, the lease payments during the extension period of an extension option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group remeasures the lease liability if the future lease payments change resulting from a change in the amounts expected to be payable under a residual value guarantee, an index or a rate used to determine those payments, or a change in the assessment of extension, termination or purchase options.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) For the six months ended 30 June 2019, the accounting policies for leases adopted by the Group are disclosed as follows: (Continued)

(ii) The Group as lessee (Continued)

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group will recognise any remaining amount of the remeasurement in profit or loss.

For short-term leases with a lease term of 12 month or less and leases for which the underlying asset is of low value, the Group has elected not to recognise the right-of-use assets and the lease liabilities. The Group recognises the lease payments associated with those leases as an expense on either a straight-line basis over the lease term.

(iii) The Group as lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, regardless of whether legal title transfers. Leases other than finance leases are classified as operating leases.

When the Group is the lessor in a finance lease, an amount representing the minimum lease payment receivables and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the “net lease investment”) is recorded in the consolidated statement of financial position as Loans and Advances to Customers. The difference between the net lease investment and the undiscounted amount is recorded as unearned finance income, and interest income over the lease term is calculated and recognised based on the interest rate implicit in the lease. Impairment losses on lease receivables are accounted for in accordance with the accounting policies as financial instruments impairment.

When the Group is the lessor in an operating lease, the assets subject to the operating lease continue to be recognised as the Group’s property and equipment. Rental income from operating leases is recognised as Other Operating Income in the consolidated income statement on a straight-line basis over the term of the related lease.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

5. SUBSIDIARIES

As at 30 June 2019, 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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

5. SUBSIDIARIES (Continued)

The proportion of equity interest and proportion of voting power in the board of directors remained the same as above for the six months ended 30 June 2019.

All the 13 subsidiaries above were sponsored to establish by the Bank. As at 30 June 2019 and 31 December 2018, the amount of non-controlling interests of each subsidiary of the Bank was insignificant to the Group and was 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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET INTEREST INCOME

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Interest income		
Loans and advances to customers	10,767,867	9,198,723
Including: Corporate loans and advances	6,029,955	5,218,677
Personal loans and advances	4,375,306	3,694,495
Discounted bills	362,606	285,551
Financial investments	6,816,290	4,887,897
Including: Financial assets measured at amortised cost	6,760,469	4,398,194
Financial assets measured at fair value through other comprehensive income (FVOCI)	55,821	489,703
Placements with banks and other financial institutions	3,161,591	3,188,109
Deposits with banks and other financial institutions	548,172	641,513
Balances with central bank	558,601	657,029
Financial assets held under resale agreements	299,866	307,744
Subtotal	22,152,387	18,881,015
Interest expense		
Deposits from customers	(6,214,195)	(4,926,449)
Debt securities issued	(2,788,764)	(2,298,168)
Deposits from banks and other financial institutions	(382,828)	(1,372,514)
Borrowings from central bank	(389,308)	(497,938)
Placements from banks and other financial institutions	(613,997)	(630,234)
Financial assets sold under repurchase agreements	(274,300)	(204,057)
Others	(3,273)	N/A
Subtotal	(10,666,665)	(9,929,360)
Net interest income	11,485,722	8,951,655
Included in interest income		
Interest income on listed investments	5,517,058	3,296,608
Interest income on unlisted investments	1,299,232	1,591,289
Total	6,816,290	4,887,897

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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

7. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Fee and commission income		
Wealth management fees	791,903	635,778
Agency and fiduciary service fees	265,660	245,914
Bank card fees	122,862	148,768
Settlement and clearing fees	69,582	58,945
Others	121,704	73,486
Subtotal	1,371,711	1,162,891
Fee and commission expense		
Bank card fees	(18,215)	(22,662)
Settlement and clearing fees	(12,440)	(12,029)
Other service fees	(13,535)	(13,868)
Subtotal	(44,190)	(48,559)
Total	1,327,521	1,114,332

8. NET TRADING GAIN

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Net gain on financial assets measured at fair value through profit or loss	323,323	3,135,188
Net loss on derivatives	(3,435)	(100,275)
Total	319,888	3,034,913

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

9. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Exchange gain	30,723	135,057
Government subsidies	13,961	14,004
Rental income	4,176	5,188
Penalty and compensation income	3,838	5,143
Net gain on disposal of property and equipment	3,057	6,284
Net gain on disposal of foreclosed assets	—	159
Others, net	3,538	(5,271)
Total	59,293	160,564

10. OPERATING EXPENSES

	NOTE	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
Staff costs	(1)	1,768,028	2,534,756
General operating and administrative expenses		577,319	561,626
Depreciation and amortisation		389,456	380,250
Tax and surcharges		113,243	126,770
Auditor's remuneration		1,794	1,576
Others		145,461	243,016
Total		2,995,301	3,847,994

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

10. OPERATING EXPENSES (Continued)

(1) Staff costs

	NOTE	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
Salaries, bonuses and allowances		1,803,833	1,782,553
Social insurance		403,775	399,052
Housing funds		161,654	157,123
Staff welfare		73,403	65,408
Labour union fees and staff education expenses		62,103	61,550
Early retirement benefits		5,840	9,390
Supplementary retirement benefits	(i)	(742,580)	59,680
Total		1,768,028	2,534,756

- (i) According to 《重慶市人民政府關於調整城鎮職工大額醫保繳費政策實現退休人員醫保待遇與用人單位繳費脫鉤的通知》(渝府發[2018]59號) and 《重慶市醫療保障局重慶市財政局關於調整我市城鎮職工醫療保險政策實現退休人員醫保待遇與用人單位繳費脫鉤的通知》(渝醫保發[2018]27號), the Group ceased to pay the large-amount supplemental medical insurance (大額醫保) for retired employees since 1 January 2019. Therefore the supplemental medical insurance has been excluded from the retirement benefit plans, which led to the change of present value of the defined benefit plan obligation. During the six months ended 30 June 2019, the amount of the adjustment recognised in profit or loss was RMB781 million.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

11. EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Loans and advances to customers	1,882,435	3,001,893
Financial investments:		
Financial assets measured at amortised cost	1,001,875	99,659
Financial assets measured at fair value through other compressive income	(48,009)	12,290
Placements with banks and other financial institutions	280,676	15,677
Financial assets held under resale agreements	(2,734)	13,399
Deposits with banks and other financial institutions	88,330	(35,172)
Loan commitments	34,033	(27,246)
Others	2,855	—
Total	<u>3,239,461</u>	<u>3,080,500</u>

12. INCOME TAX EXPENSE

(1) Income tax expense

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	1,857,395	2,091,517
Deferred tax (Note 32)	(662,558)	(644,149)
Total	<u>1,194,837</u>	<u>1,447,368</u>

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

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE (Continued)

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

The tax charges for the six months ended 30 June 2019 and 30 June 2018 can be reconciled to the profit before tax per the condensed consolidated statement of income as follows:

	NOTE	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
Profit before tax		7,035,413	6,333,966
Tax calculated at applicable statutory tax rate of 25%		1,758,853	1,583,491
Difference of income tax calculated at subsidiaries' applicable statutory tax rate of 15%		(28,107)	(24,066)
Tax effect of expenses not deductible for tax purpose		15,751	21,755
Tax effect of non-taxable income and tax reduction	(i)	(359,965)	(164,208)
Unrecognised deferred tax assets relating deductible tax losses and others		3,570	30,396
Supplemental medical insurance and others	(ii)	(195,265)	—
Income tax expense		1,194,837	1,447,368

- (i) Interest income from government bonds, and local government bonds is not subject to income tax; and interest income from railway construction bonds is subject to income tax levied at half in accordance with the relevant PRC tax regulations.
- (ii) The amount of the large-amount supplemental medical insurance(大额医保) was deducted when calculating income tax for the six months ended 30 June 2019, since it was recognised as taxable item and the income tax was already paid in previous years.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

13. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Earnings:		
Profit for the period attributable to shareholders of the Bank	5,751,430	4,835,639
Numbers of shares:		
Weighted average number of shares in issue (<i>thousand</i>)	10,000,000	10,000,000
Basic and diluted earnings per share (<i>RMB Yuan</i>)	0.58	0.48

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.

14. DIVIDENDS

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Dividends recognised as distribution during the period		
Year 2018 – RMB20 cents per share	2,000,000	–
Year 2017 – RMB20 cents per share	–	2,000,000

A dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2018 with a total of RMB2,000 million has been proposed by the Board of Directors on 26 March 2019 and was approved by the shareholders in the 2018 annual general meeting on 26 April 2019.

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.

The Bank does not propose interim dividend for year 2019.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

15. CASH AND BALANCES WITH CENTRAL BANK

	NOTE	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Cash		3,144,339	3,253,449
Mandatory reserve deposits with central bank	(1)	66,725,281	67,023,668
Surplus reserve deposits with central bank	(2)	19,863,322	13,254,423
Other deposits with central bank	(3)	<u>1,481,127</u>	<u>2,403,636</u>
Total		<u>91,214,069</u>	<u>85,935,176</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 2019, mandatory reserve deposits with the PBOC were calculated at 10% (31 December 2018: 11%) of eligible RMB deposits for the Bank, while for the subsidiaries at 8%, 7% or 6% (31 December 2018: 9%, 8% or 7%); and 5% for foreign currency deposits from customers (31 December 2018: 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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Deposits with:		
Domestic banks and other financial institutions	28,871,388	31,772,031
Overseas banks	<u>759,448</u>	<u>449,275</u>
Gross amount	<u>29,630,836</u>	<u>32,221,306</u>
Expected credit losses allowances (ECL allowances)	<u>(101,491)</u>	<u>(13,161)</u>
Carrying amount	<u>29,529,345</u>	<u>32,208,145</u>

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Placements with:		
Other domestic financial institutions	105,407,160	98,909,978
Domestic banks	<u>38,751,168</u>	<u>39,764,946</u>
Gross amount	<u>144,158,328</u>	<u>138,674,924</u>
ECL allowances	<u>(412,057)</u>	<u>(131,381)</u>
Carrying amount	<u>143,746,271</u>	<u>138,543,543</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 30 June 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Contract/ Nominal amount	Assets	Liabilities	Contract/ Nominal amount	Assets	Liabilities
Currency forward	4,866,001	87,498	(75,289)	7,649,663	92,975	(83,661)
Foreign exchange swap	4,837,385	18,037	(38,366)	378,927	1,015	–
Interest swap	13,759,790	–	(3,682)	4,256,600	–	(246)
Total	23,463,176	105,535	(117,337)	12,285,190	93,990	(83,907)

19. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Analysed by collateral type:		
Debt securities	4,847,734	6,005,854
ECL allowances	(2,387)	(5,121)
Carrying amount	4,845,347	6,000,733

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Gross loans and advances measured at amortised cost	396,466,880	360,943,002
Less: ECL allowances	(19,015,010)	(17,109,505)
Carrying amount of loans and advances measured at amortised cost (i)	<u>377,451,870</u>	<u>343,833,497</u>
Carrying amount of loans and advances measured at fair value through other comprehensive income	<u>18,659,091</u>	<u>20,192,651</u>
Net loans and advances to customers	<u>396,110,961</u>	<u>364,026,148</u>

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

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Gross loans and advances to customers measured at amortised cost	396,466,880	360,943,002
Less: ECL allowances		
– stage 1	(7,312,234)	(6,225,467)
– stage 2	(5,659,293)	(5,113,766)
– stage 3	<u>(6,043,483)</u>	<u>(5,770,272)</u>
Carrying amount of loans and advances measured at amortised cost	<u>377,451,870</u>	<u>343,833,497</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Movements of gross carrying amount on loans and advances to customers

Corporate loans and advances	For the six months ended 30 June 2019 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	185,788,433	34,392,561	7,506,052	227,687,046
Transfer:				
Transfer from stage 1 to stage 2	(13,527,850)	13,527,850	–	–
Transfer from stage 1 to stage 3	(181,000)	–	181,000	–
Transfer from stage 2 to stage 1	15,249,845	(15,249,845)	–	–
Transfer from stage 2 to stage 3	–	(300,243)	300,243	–
Transfer from stage 3 to stage 2	–	26,661	(26,661)	–
New financial assets originated or purchased	83,549,651	–	–	83,549,651
Derecognition or settlement	(48,876,267)	(8,465,659)	(349,363)	(57,691,289)
Write-offs and others	–	–	(76,966)	(76,966)
Others	1,542	105,123	(1,473)	105,192
As at 30 June 2019	<u>222,004,354</u>	<u>24,036,448</u>	<u>7,532,832</u>	<u>253,573,634</u>

Personal loans and advances	For the six months ended 30 June 2019 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	130,559,344	1,386,309	1,310,303	133,255,956
Transfer:				
Transfer from stage 1 to stage 2	(1,235,076)	1,235,076	–	–
Transfer from stage 1 to stage 3	(361,421)	–	361,421	–
Transfer from stage 2 to stage 1	154,776	(154,776)	–	–
Transfer from stage 2 to stage 3	–	(239,317)	239,317	–
Transfer from stage 3 to stage 1	44,070	–	(44,070)	–
Transfer from stage 3 to stage 2	–	32,501	(32,501)	–
New financial assets originated or purchased	46,804,190	–	–	46,804,190
Derecognition or settlement	(36,319,667)	(484,215)	(210,236)	(37,014,118)
Write-offs and others	–	–	(145,125)	(145,125)
Others	(5,433)	(470)	(1,754)	(7,657)
As at 30 June 2019	<u>139,640,783</u>	<u>1,775,108</u>	<u>1,477,355</u>	<u>142,893,246</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(2) Movements of gross carrying amount on loans and advances to customers (Continued)

Corporate loans and advances	For the year ended 31 December 2018 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	172,811,872	36,937,107	5,003,505	214,752,484
Transfer:				
Transfer from stage 1 to stage 2	(21,416,553)	21,416,553	–	–
Transfer from stage 1 to stage 3	(2,413,702)	–	2,413,702	–
Transfer from stage 2 to stage 1	5,785,949	(5,785,949)	–	–
Transfer from stage 2 to stage 3	–	(3,612,445)	3,612,445	–
Transfer from stage 3 to stage 2	–	45,660	(45,660)	–
New financial assets originated or purchased	128,730,288	–	–	128,730,288
Derecognition or settlement	(97,941,344)	(14,661,057)	(1,477,804)	(114,080,205)
Write-offs and others	–	–	(2,118,570)	(2,118,570)
Others	231,923	52,692	118,434	403,049
As at 31 December 2018	185,788,433	34,392,561	7,506,052	227,687,046

Personal loans and advances	For the year ended 31 December 2018 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	110,363,732	1,818,487	1,369,113	113,551,332
Transfer:				
Transfer from stage 1 to stage 2	(1,236,852)	1,236,852	–	–
Transfer from stage 1 to stage 3	(826,868)	–	826,868	–
Transfer from stage 2 to stage 1	266,806	(266,806)	–	–
Transfer from stage 2 to stage 3	–	(423,958)	423,958	–
Transfer from stage 3 to stage 1	50,518	–	(50,518)	–
Transfer from stage 3 to stage 2	–	11,859	(11,859)	–
New financial assets originated or purchased	75,762,106	–	–	75,762,106
Derecognition or settlement	(53,931,248)	(991,737)	(379,843)	(55,302,828)
Write-offs and others	–	–	(867,839)	(867,839)
Others	111,150	1,612	423	113,185
As at 31 December 2018	130,559,344	1,386,309	1,310,303	133,255,956

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(3) Analysed by assessment method of ECL allowances

	As at 30 June 2019 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances measured at amortised cost	361,645,137	25,811,556	9,010,187	396,466,880
Less: ECL allowances	(7,312,234)	(5,659,293)	(6,043,483)	(19,015,010)
Carrying amount of loans and advances measured at amortised cost	<u>354,332,903</u>	<u>20,152,263</u>	<u>2,966,704</u>	<u>377,451,870</u>
Carrying amount of loans and advances measured at FVOCI	<u>18,450,838</u>	<u>–</u>	<u>208,253</u>	<u>18,659,091</u>
Expected credit losses of loans and advances measured at FVOCI	<u>(12,548)</u>	<u>–</u>	<u>(32,517)</u>	<u>(45,065)</u>

	As at 30 June 2018 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances measured at amortised cost	316,347,777	35,778,870	8,816,355	360,943,002
Less: ECL allowances	(6,225,467)	(5,113,766)	(5,770,272)	(17,109,505)
Carrying amount of loans and advances measured at amortised cost	<u>310,122,310</u>	<u>30,665,104</u>	<u>3,046,083</u>	<u>343,833,497</u>
Carrying amount of loans and advances measured at FVOCI	<u>20,192,651</u>	<u>–</u>	<u>–</u>	<u>20,192,651</u>
Expected credit losses of loans and advances measured at FVOCI	<u>(23,864)</u>	<u>–</u>	<u>–</u>	<u>(23,864)</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(4) Movements of ECL allowances on loans and advances to customers

Corporate loans and advances	For the six months ended 30 June 2019 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	3,552,897	4,784,458	4,739,149	13,076,504
Transfer:				
Transfer from stage 1 to stage 2	(639,269)	639,269	–	–
Transfer from stage 1 to stage 3	(77,108)	–	77,108	–
Transfer from stage 2 to stage 1	2,158,310	(2,158,310)	–	–
Transfer from stage 2 to stage 3	–	(57,634)	57,634	–
Transfer from stage 3 to stage 2	–	18,217	(18,217)	–
ECL changes arisen from stage transfer	(1,920,631)	1,975,460	200,365	255,194
New financial assets originated or purchased	2,039,181	–	–	2,039,181
Derecognition or settlement	(608,598)	(367,126)	(173,559)	(1,149,283)
Remeasurement	(72,264)	358,261	65,206	351,203
Write-offs and others	–	–	(76,966)	(76,966)
As at 30 June 2019	<u>4,432,518</u>	<u>5,192,595</u>	<u>4,870,720</u>	<u>14,495,833</u>

Personal loans and advances	For the six months ended 30 June 2019 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	2,672,570	329,308	1,031,123	4,033,001
Transfer:				
Transfer from stage 1 to stage 2	(93,680)	93,680	–	–
Transfer from stage 1 to stage 3	(29,089)	–	29,089	–
Transfer from stage 2 to stage 1	52,437	(52,437)	–	–
Transfer from stage 2 to stage 3	–	(71,164)	71,164	–
Transfer from stage 3 to stage 1	32,774	–	(32,774)	–
Transfer from stage 3 to stage 2	–	23,586	(23,586)	–
ECL changes arisen from stage transfer	(81,128)	216,379	312,184	447,435
New financial assets originated or purchased	1,074,181	–	–	1,074,181
Derecognition or settlement	(653,623)	(73,948)	(110,074)	(837,645)
Remeasurement	(94,726)	1,294	40,762	(52,670)
Write-offs and others	–	–	(145,125)	(145,125)
As at 30 June 2019	<u>2,879,716</u>	<u>466,698</u>	<u>1,172,763</u>	<u>4,519,177</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(4) Movements of ECL allowances on loans and advances to customers (Continued)

Corporate loans and advances	For the year ended 31 December 2018 (Audited)			
	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:				
Transfer from stage 1 to stage 2	(1,664,653)	1,664,653	–	–
Transfer from stage 1 to stage 3	(517,088)	–	517,088	–
Transfer from stage 2 to stage 1	724,478	(724,478)	–	–
Transfer from stage 2 to stage 3	–	(679,410)	679,410	–
Transfer from stage 3 to stage 2	–	26,058	(26,058)	–
ECL changes arisen from stage transfer	(627,381)	1,160,497	2,741,163	3,274,279
New financial assets originated or purchased	4,209,093	–	–	4,209,093
Derecognition or settlement	(1,181,692)	(830,525)	(502,534)	(2,514,751)
Remeasurement	(112,094)	(304,312)	76,764	(339,642)
Write-offs and others	–	–	(2,118,570)	(2,118,570)
As at 31 December 2018	3,552,897	4,784,458	4,739,149	13,076,504

Personal loans and advances	For the year ended 31 December 2018 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	1,652,015	394,483	1,109,466	3,155,964
Transfer:				
Transfer from stage 1 to stage 2	(131,857)	131,857	–	–
Transfer from stage 1 to stage 3	(124,884)	–	124,884	–
Transfer from stage 2 to stage 1	80,345	(80,345)	–	–
Transfer from stage 2 to stage 3	–	(103,619)	103,619	–
Transfer from stage 3 to stage 1	39,504	–	(39,504)	–
Transfer from stage 3 to stage 2	–	8,871	(8,871)	–
ECL changes arisen from stage transfer	(114,184)	134,085	716,385	736,286
New financial assets originated or purchased	1,802,603	–	–	1,802,603
Derecognition or settlement	(746,518)	(158,510)	(192,727)	(1,097,755)
Remeasurement	215,546	2,486	85,710	303,742
Write-offs and others	–	–	(867,839)	(867,839)
As at 31 December 2018	2,672,570	329,308	1,031,123	4,033,001

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

- (5) 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 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	Amount	%	Amount	%
Corporate loans and advances				
Manufacturing	66,005,528	24.25	65,984,774	26.61
Water, environment and public utilities management	55,371,315	20.34	42,510,083	17.15
Leasing and commercial services	47,348,774	17.39	37,698,767	15.21
Retail and wholesale	29,952,674	11.00	28,982,025	11.69
Production and supply of electricity, gas and water	15,719,281	5.77	14,874,024	6.00
Transportation, logistics and postal service	13,986,984	5.14	12,340,581	4.98
Real estate	8,982,017	3.30	8,267,894	3.34
Construction	7,971,863	2.93	8,426,056	3.40
Financial industry	7,032,461	2.58	8,791,584	3.55
Sanitation and social work	5,278,600	1.94	4,923,744	1.99
Agriculture, forestry, animal husbandry and fishery	3,232,946	1.19	4,206,545	1.70
Education	3,220,697	1.18	3,209,672	1.29
Others	8,129,585	2.99	7,663,948	3.09
Subtotal	272,232,725	100.00	247,879,697	100.00
Personal loans and advances				
Mortgages	65,609,086	45.92	60,373,885	45.30
Loans to private business and business supporting loans	46,198,558	32.33	42,998,253	32.27
Credit card overdraft	4,033,104	2.82	3,955,417	2.97
Others	27,052,498	18.93	25,928,401	19.46
Subtotal	142,893,246	100.00	133,255,956	100.00
Total	415,125,971		381,135,653	

As at 30 June 2019, the amount of discounted bills included in corporate loans and advances is RMB18,659 million (31 December 2018: RMB20,193 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	As at 30 June 2019 (Unaudited)			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	28,097,587	17,788,698	6,461,921	52,348,206
Guaranteed loans	36,890,690	42,095,918	47,400,684	126,387,292
Collateralised and other secured loans				
– loans secured by property and other immovable assets	64,686,214	26,420,567	82,849,125	173,955,906
– other pledged loans	23,137,179	6,934,325	32,363,063	62,434,567
Total	152,811,670	93,239,508	169,074,793	415,125,971

	As at 31 December 2018 (Audited)			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	26,308,180	17,379,707	6,412,645	50,100,532
Guaranteed loans	38,088,445	38,374,513	29,942,004	106,404,962
Collateralised and other secured loans				
– loans secured by property and other immovable assets	62,513,298	25,920,448	75,936,734	164,370,480
– other pledged loans	24,225,947	7,304,898	28,728,834	60,259,679
Total	151,135,870	88,979,566	141,020,217	381,135,653

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(7) Overdue loans analysed by overdue period

	As at 30 June 2019 (Unaudited)				Total
	Up to 90 days	91-360 days	361 days to 3 years	Over 3 years	
Unsecured loans	167,483	264,972	53,018	6,118	491,591
Guaranteed loans	1,407,337	709,183	550,893	18,157	2,685,570
Collateralised and other secured loans					
– loans secured by property and other immovable assets	2,158,141	957,683	1,119,712	313,410	4,548,946
– other pledged loans	1,513,277	59,253	21,630	–	1,594,160
Total	5,246,238	1,991,091	1,745,253	337,685	9,320,267

	As at 31 December 2018 (Audited)				Total
	Up to 90 days	91-360 days	361 days to 3 years	Over 3 years	
Unsecured loans	188,828	236,712	7,308	5,514	438,362
Guaranteed loans	453,010	864,494	278,002	13,971	1,609,477
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,358,523	1,126,656	656,763	275,080	3,417,022
– other pledged loans	27,338	27,822	–	–	55,160
Total	2,027,699	2,255,684	942,073	294,565	5,520,021

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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS

(1) By measurement

		As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Financial assets measured at fair value through profit or loss (FVPL)	(a)	21,774,584	15,094,518
Financial assets measured at amortised cost	(b)	317,510,112	289,564,720
Financial assets measured at FVOCI	(c)	2,123,173	7,713,114
– Debt instruments		1,500,117	7,096,739
– Equity instruments		<u>623,056</u>	<u>616,375</u>
Total		<u>341,407,869</u>	<u>312,372,352</u>

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

By nature

		As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Debt securities	(i)	4,162,081	5,276,083
Investment in wealth management products	(ii)	<u>17,612,503</u>	<u>9,818,435</u>
Total		<u>21,774,584</u>	<u>15,094,518</u>
Analysed as:			
– Listed outside Hong Kong		4,162,081	5,276,083
– Unlisted		<u>17,612,503</u>	<u>9,818,435</u>
Total		<u>21,774,584</u>	<u>15,094,518</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(1) By measurement (Continued)

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

By type of issuers

(i) Debt securities

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Debt securities issued by:		
Public sector and quasi-governments	412,409	404,062
Financial institutions	3,588,322	4,265,135
Corporations	<u>161,350</u>	<u>606,886</u>
Total	<u>4,162,081</u>	<u>5,276,083</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 2019 (Unaudited)	As at 31 December 2018 (Audited)
WMPs issued by:		
Banks	<u>17,612,503</u>	<u>9,818,435</u>

During the period ended 30 June 2019, 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 FVPL.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(1) By measurement (Continued)

(b) Financial assets at amortised cost

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Government bonds	94,793,134	82,403,604
Public sector and quasi-government bonds	51,861,234	38,686,150
Financial institutions bonds	11,070,226	11,975,092
Corporate bonds	52,424,677	50,906,424
Interbank deposit certificates	57,036,586	67,159,384
Trust plans	34,876,056	33,588,976
Others	18,631,698	7,026,714
Gross balances	<u>320,693,611</u>	<u>291,746,344</u>
ECL Allowances		
– Stage 1	(2,017,180)	(1,694,617)
– Stage 2	<u>(1,166,319)</u>	<u>(487,007)</u>
Net balances	<u>317,510,112</u>	<u>289,564,720</u>
Analysed as:		
Listed outside Hong Kong	266,977,830	250,918,732
Unlisted	<u>50,532,282</u>	<u>38,645,988</u>
Total	<u>317,510,112</u>	<u>289,564,720</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(1) By measurement (Continued)

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

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 2019 (Unaudited)	As at 31 December 2018 (Audited)
Debt instruments:			
Corporate bonds		1,500,117	6,238,482
Others		—	858,257
Subtotal		1,500,117	7,096,739
Equity instruments:			
Banks and other financial institutions		41,626	55,690
Other corporations		581,430	560,685
Subtotal		623,056	616,375
Total		2,123,173	7,713,114
Analysed as:			
Listed outside Hong Kong	(i)	2,081,547	6,814,325
Listed in Hong Kong		33,626	32,532
Unlisted		8,000	866,257
Total		2,123,173	7,713,114

- (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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(2) Movements of gross carrying amount on financial assets

Financial assets measured at amortised cost

	As at 30 June 2019(Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	289,234,500	2,511,844	–	291,746,344
Transfer:				
From stage 1 to stage 2	(4,200,000)	4,200,000	–	–
New financial assets originated or purchased	88,821,176	–	–	88,821,176
Derecognition or settlement	(60,048,320)	(745,845)	–	(60,794,165)
Others	870,672	49,584	–	920,256
As at 30 June 2019	<u>314,678,028</u>	<u>6,015,583</u>	<u>–</u>	<u>320,693,611</u>

	As at 31 December 2018(Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	159,582,210	2,507,881	158,546	162,248,637
Transfer:				
From stage 1 to stage 2	(2,580,835)	2,580,835	–	–
From stage 2 to stage 1	2,335,600	(2,335,600)	–	–
New financial assets originated or purchased	164,591,915	–	–	164,591,915
Derecognition or settlement	(38,543,023)	(172,281)	(108,116)	(38,823,420)
Write-offs and transfer out	–	–	(50,430)	(50,430)
Others	3,848,633	(68,991)	–	3,779,642
As at 31 December 2018	<u>289,234,500</u>	<u>2,511,844</u>	<u>–</u>	<u>291,746,344</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(2) Movements of gross carrying amount on financial assets (Continued)

Financial assets measured at fair value through other comprehensive income-debt instruments

	As at 30 June 2019 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	7,043,931	52,808	–	7,096,739
Derecognition or settlement	(5,543,814)	(52,808)	–	(5,596,622)
As at 30 June 2019	<u>1,500,117</u>	<u>–</u>	<u>–</u>	<u>1,500,117</u>

	As at 31 December 2018 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	7,463,955	–	–	7,463,955
Transfer:				
From stage 1 to stage 2	(34,150)	34,150	–	–
New financial assets originated or purchased	1,768,075	17,278	–	1,785,353
Derecognition or settlement	(1,170,402)	–	–	(1,170,402)
Others	(983,547)	1,380	–	(982,167)
As at 31 December 2018	<u>7,043,931</u>	<u>52,808</u>	<u>–</u>	<u>7,096,739</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(3) Analysed by assessment method of ECL allowances

	As at 30 June 2019 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	314,678,028	6,015,583	–	320,693,611
Less: ECL allowances	(2,017,180)	(1,166,319)	–	(3,183,499)
Carrying amount of financial assets measured at amortised cost	<u>312,660,848</u>	<u>4,849,264</u>	<u>–</u>	<u>317,510,112</u>
Carrying amount of financial assets measured at FVOCI	<u>1,500,117</u>	<u>–</u>	<u>–</u>	<u>1,500,117</u>
Carrying amount of financial investments which recognised ECL	<u>314,160,965</u>	<u>4,849,264</u>	<u>–</u>	<u>319,010,229</u>
ECL allowances of financial assets measured at FVOCI	<u>(4,144)</u>	<u>–</u>	<u>–</u>	<u>(4,144)</u>

	As at 31 December 2018 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	289,234,500	2,511,844	–	291,746,344
Less: ECL allowances	(1,694,617)	(487,007)	–	(2,181,624)
Carrying amount of financial assets measured at amortised cost	<u>287,539,883</u>	<u>2,024,837</u>	<u>–</u>	<u>289,564,720</u>
Carrying amount of financial assets measured at FVOCI	<u>7,043,931</u>	<u>52,808</u>	<u>–</u>	<u>7,096,739</u>
Carrying amount of financial investments which recognised ECL	<u>294,583,814</u>	<u>2,077,645</u>	<u>–</u>	<u>296,661,459</u>
ECL allowance of financial assets measured at FVOCI	<u>(51,596)</u>	<u>(557)</u>	<u>–</u>	<u>(52,153)</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(4) Analysed by movements of ECL allowances

Financial assets measured at amortised cost

	As at 30 June 2019 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	1,694,617	487,007	–	2,181,624
Transfer:				
From stage 1 to stage 2	(283,012)	283,012	–	–
ECL changes arisen from stage transfer	–	302,741	–	302,741
New financial assets originated or purchased	892,261	–	–	892,261
Derecognition or settlement	(262,691)	(1,648)	–	(264,339)
Remeasurement	(23,995)	95,207	–	71,212
As at 30 June 2019	<u>2,017,180</u>	<u>1,166,319</u>	<u>–</u>	<u>3,183,499</u>

	As at 31 December 2018 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	1,567,643	18,352	107,133	1,693,128
Transfer:				
From stage 1 to stage 2	(34,126)	34,126	–	–
From stage 2 to stage 1	17,943	(17,943)	–	–
ECL changes arisen from stage transfer	(15,658)	452,881	–	437,223
New financial assets originated or purchased	525,819	–	–	525,819
Derecognition or settlement	(583,702)	(409)	(82,925)	(667,036)
Remeasurement	216,698	–	26,222	242,920
Write-offs and others	–	–	(50,430)	(50,430)
As at 31 December 2018	<u>1,694,617</u>	<u>487,007</u>	<u>–</u>	<u>2,181,624</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(4) Analysed by movements of ECL allowances (Continued)

Financial assets measured at amortised cost (Continued)

	As at 30 June 2019 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	51,596	557	–	52,153
Derecognition or settlement	(47,452)	(557)	–	(48,009)
As at 30 June 2019	4,144	–	–	4,144

	As at 31 December 2018 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	40,093	–	–	40,093
Transfer:				
From stage 1 to stage 2	(81)	81	–	–
ECL changes arisen from stage transfer	–	453	–	453
New financial assets originated or purchased	9,394	23	–	9,417
Derecognition or settlement	(2,848)	–	–	(2,848)
Remeasurement	5,038	–	–	5,038
As at 31 December 2018	51,596	557	–	52,153

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

22. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2018	6,536,778	1,066,405	112,638	745,289	263,978	8,725,088
Additions	22,878	209,187	3,898	29,641	300,098	565,702
Transferred in	142,299	3,030	–	2,914	(148,243)	–
Transferred to other assets	–	–	–	–	(13,170)	(13,170)
Disposals	(19,629)	(37,829)	(8,031)	(17,582)	–	(83,071)
As at 31 December 2018						
(Audited)	6,682,326	1,240,793	108,505	760,262	402,663	9,194,549
Additions	5,947	50,392	–	17,796	118,449	192,584
Transferred in	88,867	–	–	951	(89,818)	–
Transferred to other assets	–	–	–	–	(9,243)	(9,243)
Disposals	(8,176)	(12,406)	(5,262)	(4,898)	–	(30,742)
As at 30 June 2019						
(Unaudited)	6,768,964	1,278,779	103,243	774,111	422,051	9,347,148
Accumulated depreciation						
As at 1 January 2018	(2,366,364)	(764,304)	(91,863)	(501,590)	–	(3,724,121)
Charge for the year	(464,483)	(127,250)	(8,892)	(95,863)	–	(696,488)
Disposals	11,751	35,026	5,358	15,518	–	67,653
As at 31 December 2018						
(Audited)	(2,819,096)	(856,528)	(95,397)	(581,935)	–	(4,352,956)
Charge for the period	(215,374)	(73,012)	(3,196)	(39,850)	–	(331,432)
Disposals	7,297	12,028	4,992	4,642	–	28,959
As at 30 June 2019						
(Unaudited)	(3,027,173)	(917,512)	(93,601)	(617,143)	–	(4,655,429)
Carrying amount						
As at 30 June 2019						
(Unaudited)	3,741,791	361,267	9,642	156,968	422,051	4,691,719
As at 31 December 2018						
(Audited)	3,863,230	384,265	13,108	178,327	402,663	4,841,593

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

22. PROPERTY AND EQUIPMENT (Continued)

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 2019, 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.

23. GOODWILL

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Cost and carrying amount	440,129	440,129

During the six months ended 30 June 2019, based on assessment performed by the Bank, there is no impairment for the goodwill (31 December 2018: Nil).

24. OTHER ASSETS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Interest receivable	147,818	26,807
Land use rights	413,086	420,632
Pre-paid tax	64,301	80,203
Foreclosed assets	103,876	103,876
Intangible assets	118,680	115,473
Others	1,406,125	896,279
Total	2,253,886	1,643,270

25. BORROWINGS FROM CENTRAL BANK

As at 30 June 2019, borrowings from central bank mainly contain the mid-term loan facilities from PBOC, of which the carrying amount is RMB22,000 million (31 December 2018: RMB27,500 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

26. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Deposits from domestic banks	15,404,770	21,307,895
Deposits from other domestic financial institutions	4,208,959	2,192,803
Total	19,613,729	23,500,698

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

27. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Placements from domestic banks and other financial institutions	25,620,149	27,138,205
Placements from overseas banks	2,516,458	1,735,556
Total	28,136,607	28,873,761

28. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Analysed by collateral type:		
– Debt securities	12,024,525	2,227,636
– Bills	1,677,911	3,693,042
Total	13,702,436	5,920,678

All repurchase agreements are due within twelve months from inception.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

29. DEPOSITS FROM CUSTOMERS

	NOTE	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Demand deposits			
Corporate customers		132,446,623	122,756,228
Individual customers		114,079,581	111,100,497
Time deposits			
Corporate customers		35,212,452	31,179,270
Individual customers		393,512,128	343,579,509
Pledged deposits	(1)	7,541,508	7,508,095
Others (Including outward remittance and remittance outstanding)		61,592	42,593
Total		<u>682,853,884</u>	<u>616,166,192</u>

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

		As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Acceptances		3,479,654	3,731,410
Loans and receivables		1,259,889	1,212,731
Letters of credit		339,073	367,172
Letters of guarantee		98,232	530,705
Others		<u>2,364,660</u>	<u>1,666,077</u>
Total		<u>7,541,508</u>	<u>7,508,095</u>

30. ACCRUED STAFF COSTS

	NOTE	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Salaries, bonuses and allowances		1,977,641	2,590,007
Supplementary retirement benefits	(1)	1,830,002	2,624,659
Early retirement benefits	(2)	193,352	213,076
Labor union fees and staff education expenses		<u>219,533</u>	<u>197,572</u>
Total		<u>4,220,528</u>	<u>5,625,314</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

30. 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 2019	As at 31 December 2018
Discount rate	3.50%	3.50%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2010-2013	

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

30. 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 2019 (Unaudited)	As at 31 December 2018 (Audited)
Service cost:		
– Current service cost	4,460	16,420
– Past service cost		
New participants during the period	2,540	3,850
Plan amendments (i)	(781,060)	–
Net interest expense	31,480	98,030
Components of supplementary retirement benefit costs recognised in profit or loss	(742,580)	118,300
Remeasurement on the net defined benefit liability	(50)	234,070
Components of supplementary retirement benefit cost recognised in other comprehensive income	(50)	234,070
Total	(742,630)	352,370

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

30. 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 2019 (Unaudited)	As at 31 December 2018 (Audited)
Defined benefit obligation at beginning of the period	2,624,659	2,381,298
Interest cost	31,480	98,030
Loss arising from re-measurement on the defined benefit liability:		
– Actuarial (gain)/loss arising from changes in financial assumptions	(50)	234,070
Current service cost	4,460	16,420
Past service cost		
– New participants during the period	2,540	3,850
– Plan amendments (i)	(781,060)	–
Benefits paid	(52,027)	(109,009)
Defined benefit obligation at end of the period	<u>1,830,002</u>	<u>2,624,659</u>

- (i) According to 《重慶市人民政府關於調整城鎮職工大額醫保繳費政策實現退休人員醫保待遇與用人單位繳費脫鉤的通知》(渝府發[2018]59號) and 《重慶市醫療保障局重慶市財政局關於調整我市城鎮職工醫療保險政策實現退休人員醫保待遇與用人單位繳費脫鉤的通知》(渝醫保發[2018]27號), the Group ceased to pay the large-amount supplemental medical insurance (大額醫保) for retired employees since 1 January 2019. Therefore the supplemental medical insurance has been excluded from the retirement benefit plans, which led to the change of present value of the defined benefit plan obligation. During the six months ended 30 June 2019, the amount of the adjustment recognised in profit or loss was RMB781 million.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

30. ACCRUED STAFF COSTS (Continued)

(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 2019, the Group incurred RMB6 million (for the six months ended 30 June 2018: reversal of RMB9 million), and paid RMB26 million (for the six months ended 30 June 2018: RMB29 million) in respect of the early retirement benefits plan.

31. DEBT SECURITIES ISSUED

	NOTE	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Interbank certificates of deposit issued	(1)	145,099,680	144,345,729
Bonds issued	(2)	<u>17,086,218</u>	<u>15,263,688</u>
Total		<u>162,185,898</u>	<u>159,609,417</u>

- (1) As at 30 June 2019 and 31 December 2018, the tenor of the outstanding certificates of deposit issued by the Bank in the China Domestic Internal Bond Market was within 12 months.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

31. DEBT SECURITIES ISSUED (Continued)

- (2) As approved by the PBOC and CBIRC, the Bank issued callable tier-two capital bonds of RMB5,000 million on 13 June 2019.

As approved by the PBOC and CBIRC, CQRC Financial Leasing Co., Ltd., the subsidiary of the Bank, issued financial bonds of RMB2,000 million on 1 April 2019.

As approved by the PBOC and CBIRC, the Bank issued special financial bonds for small and micro enterprise loans of RMB3,000 million on 14 December 2018.

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. The Bank exercised the early redemption option and redeemed all the bonds of RMB5,000 million at face value on 23 June 2019.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

32. 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:

	ECL allowances	Retirement benefits	Accrued salaries bonuses and allowances	Provision	Fair value changes of financial instruments	Government grants	Others	Total
As at 1 January 2019	3,606,897	155,337	687,863	76,905	(43,953)	20,860	9,051	4,512,960
Credit/(Charge) to profit or loss	886,225	(4,931)	(147,641)	9,926	(16,269)	(324)	(64,428)	662,558
Credit/(Charge) to other comprehensive income	–	(13)	–	–	(4,416)	–	6,702	2,273
Others	–	–	–	–	1,725	–	–	1,725
As at 30 June 2019 (Unaudited)	<u>4,493,122</u>	<u>150,393</u>	<u>540,222</u>	<u>86,831</u>	<u>(62,913)</u>	<u>20,536</u>	<u>(48,675)</u>	<u>5,179,516</u>
As at 1 January 2018	2,252,805	103,844	591,731	110,709	106,186	21,510	34,377	3,221,162
Credit/(Charge) to profit or loss	1,354,092	(7,024)	96,132	(33,804)	(125,910)	(650)	(19,918)	1,262,918
Credit/(Charge) to other comprehensive income	–	58,517	–	–	(24,229)	–	(5,408)	28,880
As at 31 December 2018 (Audited)	<u>3,606,897</u>	<u>155,337</u>	<u>687,863</u>	<u>76,905</u>	<u>(43,953)</u>	<u>20,860</u>	<u>9,051</u>	<u>4,512,960</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

33. OTHER LIABILITIES

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Other payables	4,767,918	5,908,972
Deferred income	756,070	624,453
Tax payables (excluding corporate income tax payable)	470,182	395,132
Dividends payable	58,628	37,839
Provision (1)	347,324	307,619
Total	6,400,122	7,274,015

(1) Provision

	NOTE	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Guarantees and commitments	(i)	275,450	241,417
Others		71,874	66,202
		347,324	307,619

- (i) As at 30 June 2019 and 31 December 2018, the provisions for the Group's guarantees and commitments are mainly in stage 1.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

34. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 31 December 2018 (Audited)	10,000,000	10,000,000
As at 30 June 2019 (Unaudited)	<u>10,000,000</u>	<u>10,000,000</u>

35. 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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

36. INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax impact	Net-of-tax amount
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 year			
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	198,575	(49,644)	148,931
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at FVOCI	<u>(80,025)</u>	<u>20,006</u>	<u>(60,019)</u>
As at 31 December 2018 (Audited)	<u>68,145</u>	<u>(17,037)</u>	<u>51,108</u>
As at 1 January 2019	68,145	(17,037)	51,108
Fair value gain/(loss) for the period			
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(33,839)	8,460	(25,379)
Expected credit loss for the period for financial assets measured at FVOCI	<u>17,794</u>	<u>(4,449)</u>	<u>13,345</u>
As at 30 June 2019 (Unaudited)	<u>52,100</u>	<u>(13,026)</u>	<u>39,074</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

37. 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.

38. 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 2019, the Group transferred RMB377 million to general reserve pursuant to the regulatory requirement (during the six months ended 30 June 2018: RMB1,351 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

39. 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 2019 (Unaudited)	As at 31 December 2018 (Audited)
Cash	3,144,339	3,253,449
Surplus reserve deposits with central bank	19,863,322	13,254,423
Deposits with banks and other financial institutions	6,636,453	6,280,011
Placements with banks and other financial institutions	3,200,000	5,847,283
Financial assets held under resale agreements	4,845,812	6,002,271
Total	<u>37,689,926</u>	<u>34,637,437</u>

40. 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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

40. 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.

For better presentation, for the six months ended 30 June 2018, “net loss on derecognition of financial assets measured at FVOCI” and “net gain on derecognition of financial assets measured at amortised cost” are presented in “operating income”.

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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

40. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

	For the six months ended 30 June 2019 (Unaudited)					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	6,535,839	4,790,629	10,825,919	22,152,387	–	22,152,387
External interest expense	(1,061,770)	(5,155,699)	(4,449,196)	(10,666,665)	–	(10,666,665)
Inter-segment interest (expense)/ income	(1,230,788)	4,705,896	(3,475,108)	–	–	–
Net interest income	4,243,281	4,340,826	2,901,615	11,485,722	–	11,485,722
Fee and commission income	363,555	581,816	426,340	1,371,711	–	1,371,711
Fee and commission expense	(4,760)	(20,976)	(18,454)	(44,190)	–	(44,190)
Net fee and commission income	358,795	560,840	407,886	1,327,521	–	1,327,521
Net trading gain	–	–	319,888	319,888	–	319,888
Other operating income, net	5,824	4,268	40,369	50,461	8,832	59,293
Net gain on derecognition of financial assets measured at amortised cost	–	–	77,751	77,751	–	77,751
Operating income	4,607,900	4,905,934	3,747,509	13,261,343	8,832	13,270,175
Operating expenses	(976,074)	(1,261,936)	(757,291)	(2,995,301)	–	(2,995,301)
Expected Credit Losses	(1,484,017)	(435,308)	(1,320,136)	(3,239,461)	–	(3,239,461)
Profit before tax	2,147,809	3,208,690	1,670,082	7,026,581	8,832	7,035,413
Income tax expense						(1,194,837)
Profit for the period						5,840,576
Depreciation and amortisation included in operating expenses	126,911	164,080	98,465	389,456	–	389,456
Capital expenditure	65,659	84,888	50,942	201,489	–	201,489
As at 30 June 2019 (Unaudited)						
Segment assets	254,851,324	138,854,537	615,491,252	1,009,197,113	10,488,211	1,019,685,324
Segment liabilities	180,554,789	509,987,024	251,174,953	941,716,766	2,025,941	943,742,707
Supplementary information						
Credit commitments	20,479,039	14,256,253	–	34,735,292	–	34,735,292

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

40. 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
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
Operating income	3,864,297	4,770,442	4,620,657	13,255,396	7,064	13,262,460
Operating expenses	(1,339,369)	(1,507,115)	(1,001,510)	(3,847,994)	–	(3,847,994)
Expected credit losses	(2,433,750)	(540,897)	(105,853)	(3,080,500)	–	(3,080,500)
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 31 December 2018 (Audited)						
Segment assets	229,927,094	129,592,946	581,293,262	940,813,302	9,804,737	950,618,039
Segment liabilities	168,038,676	457,412,649	250,730,838	876,182,163	2,287,014	878,469,177
Supplementary information						
Credit commitments	15,980,271	12,186,388	–	28,166,659	–	28,166,659

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

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

41. 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 2019 (Unaudited)	As at 31 December 2018 (Audited)
Chongqing Yufu Assets Management Group Co., Ltd. (重慶渝富資產經營管理集團有限公司)	9.88	9.98
Chongqing City Investment (Group) Co., Ltd. (重慶市城市建設投資(集團)有限公司)	7.97	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 related to 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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

41. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions

For the six months ended 30 June 2019, the Group entered into the following material transactions with related parties

	Interest income		Interest expense	
	For the six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Shareholders of the Bank	187,219	219,578	10,031	11,067
Other related parties	270,781	276,064	11,094	7,507
Total	458,000	495,642	21,125	18,574

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 2019 (Unaudited)	31 December 2018 (Audited)	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Shareholders of the Bank	7,677,068	7,656,633	1,674,603	1,512,512
Other related parties	10,889,085	8,902,411	3,890,469	2,293,958
Total	18,566,153	16,559,044	5,565,072	3,806,470

	Guarantee provided by related parties	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Other related parties	8,292,449	7,762,950

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. The impairment of the investments in related parties was assessed using expected credit loss (ECL) model, the same as regular investments.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

41. 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 2019 and the year ended at 31 December 2018, transactions between the Bank and its subsidiaries include deposits with banks, deposits from banks, placement with banks and other financial institutions, debt securities investment, and so forth.

As at 30 June 2019, the Bank's deposits with subsidiaries amounted to RMB200 million (31 December 2018: RMB95 million); the Bank's deposits from subsidiaries amounted to RMB657 million (31 December 2018: RMB674 million); the Bank's placements with subsidiaries amounted to RMB3,550 million (31 December 2018: RMB3,360 million), debt securities issued by the Bank's subsidiary and purchased by the Bank amounted to RMB100 million (31 December 2018: nil).

For the six months ended at 30 June 2019, the interest income of the Bank's transactions with subsidiaries amounted to RMB78 million (for the six months ended at 30 June 2018: RMB114 million); the interest expense amounted to RMB8 million (for the six months ended at 30 June 2018: RMB0.9 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

41. 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 was as follows:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Basic salaries, bonuses and allowances	5,067	1,140
Contribution to pension schemes	460	378
Fees	—	—
Total	<u>5,527</u>	<u>1,518</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 2019. 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 2019, 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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

42. 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 2019 and 31 December 2018, the outstanding WMPs issued by the Group amounted to RMB126,943 million and RMB110,038 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 2019, the Group’s interest in the non-guaranteed WMP Vehicles included in Fee and Commission Income was RMB696 million (for the six months ended at 30 June 2018: RMB495 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 2019 and the year ended 31 December 2018. The Group is not required to absorb any loss incurred by WMPs before other parties. During the six months ended 30 June 2019 and the year ended 31 December 2018, 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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

42. 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 2019 and 31 December 2018, the Group's maximum exposure to these other unconsolidated structured entities is summarised in the table below.

	As at 30 June 2019 (Unaudited)	
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost
WMPs issued by other banks	17,612,503	–
Asset-backed securities	28,023	6,944,508
Trust beneficial rights	–	32,603,168
Total	<u>17,640,526</u>	<u>39,547,676</u>

	As at 31 December 2018 (Audited)	
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost
WMPs issued by other banks	9,818,435	–
Asset-backed securities	29,856	8,557,213
Trust beneficial rights	–	31,884,245
Total	<u>9,848,291</u>	<u>40,441,458</u>

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

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

42. STRUCTURED ENTITIES (Continued)

(3) Consolidated structured entities

The Group's consolidated structured entities consist principally of WMP Vehicles that issue and distribute WMPs with respect to which the Group has not guaranteed the investors' principal investment and/or return upon maturity of the WMP, regardless of its actual performance during the six months ended 30 June 2019 and the year 2018. The amount of unguaranteed WMPs consolidated by the Group at 30 June 2019 and 31 December 2018 is nil.

43. 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 2019 and 31 December 2018, provisions of RMB1.39 million and RMB2.48 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 2019 (Unaudited)	As at 31 December 2018 (Audited)
Contracted but not provided for	443,128	205,382

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

43. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit commitments

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Acceptances	9,587,380	9,629,490
Undrawn credit card limit	14,256,253	12,186,388
Letters of guarantee	8,098,731	5,241,007
Letters of credit issued	2,792,928	1,109,774
Total	34,735,292	28,166,659

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 2019 (Unaudited)	As at 31 December 2018 (Audited)
Credit commitments	16,408,109	13,500,156

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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

43. 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 31 December 2018 (Audited)
Within 1 year	74,141
1 to 2 years	45,969
2 to 3 years	24,005
3 to 4 years	13,056
4 to 5 years	9,009
Above 5 years	37,570
Total	203,750

Collateral

Assets pledged as collateral

The carrying amount of assets pledged as collateral under repurchase agreement and borrowings from central bank by the Group is as follows:

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Bonds	47,322,432	48,662,226
Bills	1,645,226	3,649,451
Loans and advances	2,329,754	2,488,000
Total	51,297,412	54,799,677

Collateral accepted

The Group received 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 2019 and 31 December 2018.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

44. 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 2019, there are debt securities with carrying amount of RMB12,375 million under these agreements measured at amortised cost (31 December 2018: RMB2,420 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 RMB1,645 million as at 30 June 2019 (31 December 2018: RMB3,649 million). The proceeds from selling such debt securities and bills totalling RMB13,702 million as at 30 June 2019 (31 December 2018: RMB5,921 million) are presented as “financial assets sold under repurchase agreements” (see Note 28).

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 2019 and 31 December 2018, the carrying amount of the outstanding rediscounted bills of the Group, which qualifies for derecognition, were RMB1,029 million and RMB4,170 million, respectively.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

44. 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 2019, the unexpired asset-backed securities transferred by the Group to special purpose trust was RMB199 million (31 December 2018: RMB568 million) included accumulative loans. 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 2019 was 31 million (31 December 2018: RMB44 million), with a maximum loss exposure similar to the carrying amount.

(4) Transfer of non-performing loans

For the six months ended 30 June 2019, the Group did not dispose non-performing assets (31 December 2018: RMB1,469 million) 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 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 2019, the principal balance of debt securities lent to counterparties was RMB11,420 million. (31 December 2018: RMB4,550 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT

(1) Overview

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

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

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

(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 2019 are the same as those followed in the preparation of the Group's consolidated financial statement for the year end 31 December 2018.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

46. 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 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

46. 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 2019 and 31 December 2018, 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 2019 (Unaudited)				
Financial assets measured at fair value through profit or loss				
– Debt securities issued by:				
Public sector and quasi-governments	–	412,409	–	412,409
Financial institutions	–	3,560,299	28,023	3,588,322
Corporations	–	161,350	–	161,350
– WMPs issued by other banks	–	–	17,612,503	17,612,503
Financial assets measured at fair value through other comprehensive income				
– Listed equity securities issued by:				
Financial institutions	–	33,626	–	33,626
Other institutions	–	581,430	–	581,430
– Unlisted equity securities issued by:				
Financial institutions	–	–	8,000	8,000
– Debt securities issued by:				
Corporations	–	1,500,117	–	1,500,117
Loans and advances to customers				
Carrying amount of financial assets measured at fair value through other comprehensive income	–	–	18,659,091	18,659,091
Derivative financial instruments				
– Assets	–	105,535	–	105,535
– Liabilities	–	117,337	–	117,337

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

46. 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 2018 (Audited)				
Financial assets measured at fair value through profit or loss				
– Debt securities issued by:				
Public sector and quasi-governments	–	404,062	–	404,062
Financial institutions	–	4,235,279	29,856	4,265,135
Corporations	–	606,886	–	606,886
– WMPs issued by other financial institutions	–	–	9,818,435	9,818,435
Financial assets measured at fair value through other comprehensive income				
– Listed equity securities issued by:				
Financial institutions	–	47,690	–	47,690
Other institutions	–	560,685	–	560,685
– Unlisted equity securities issued by:				
Financial institutions	–	–	8,000	8,000
– Debt securities issued by:				
Corporations	–	6,238,482	–	6,238,482
Debt financing plans	–	–	858,257	858,257
Loans and advances to customers				
Loans and advances to customers measured at fair value through other comprehensive income	–	–	20,192,651	20,192,651
Derivative financial instruments				
– Assets	–	93,990	–	93,990
– Liabilities	–	83,907	–	83,907

There were no significant transfers between levels for the six months ended 30 June 2019 and the year of 2018.

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

46. 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 2019 (Unaudited)		
	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 2019	9,848,291	866,257	20,192,651
Total gain or loss:	(92,765)	—	5,760
Purchases	13,985,000	—	48,805,729
Sales and settlements	(6,100,000)	(858,257)	(50,345,049)
As at 30 June 2019	<u>17,640,526</u>	<u>8,000</u>	<u>18,659,091</u>

	2018 (Audited)		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Loans and advances to customers
As at 1 January 2018	145,680,259	787,252	10,020,879
Total gain or loss:	323,737	(26,376)	21,550
Purchases	9,500,000	109,000	32,452,933
Sales and settlements	(145,655,705)	(3,619)	(22,302,711)
As at 31 December 2018	<u>9,848,291</u>	<u>866,257</u>	<u>20,192,651</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

46. 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 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets held under resale agreements	4,845,347	4,847,420	6,000,733	6,006,247
Financial assets measured at amortised cost	317,510,112	323,531,008	289,564,720	293,751,825
Total	322,355,459	328,378,428	295,565,453	299,758,072
Financial liabilities				
Debt securities issued	162,185,898	160,000,486	159,609,417	155,359,028
Total	162,185,898	160,000,486	159,609,417	155,359,028

The Group determines debt securities issued by adopting Level 2; determines the fair value of financial assets measured at amortised cost by adopting Level 2 or 3.

47. 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 2019	As at 31 December 2018
RMB current assets to RMB current liabilities	<u>59.18</u>	<u>51.71</u>

LIQUIDITY COVERAGE RATIO

Group

	As at 30 June 2019	As at 31 December 2018
Liquidity coverage ratio (expressed in percentage)	<u>234.55</u>	<u>207.66</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			Total
	US Dollars	Hong Kong Dollars	Others	
As at 30 June 2019				
Spot assets	10,629.1	115.2	2,029.5	12,773.8
Spot liabilities	(9,145.0)	(183.2)	(22.1)	(9,350.3)
Forward purchases	1,846.3	—	—	1,846.3
Forward sales	(3,307.2)	—	(1,843.3)	(5,150.5)
Net position	23.2	(68.0)	164.1	119.3

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2018				
Spot assets	7,801.7	109.5	158.0	8,069.2
Spot liabilities	(7,128.5)	(181.0)	(20.2)	(7,329.7)
Forward purchases	1,494.1	—	—	1,494.1
Forward sales	(1,878.9)	—	—	(1,878.9)
Net position	288.4	(71.5)	137.8	354.7

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 2019			
Asia Pacific (not including China)	9,051.5	3,573.6	12,625.1
– of which attributed to Hong Kong	264.1	–	264.1
North America	347.0	–	347.0
Europe	146.3	–	146.3
Total	9,544.8	3,573.6	13,118.4
As at 31 December 2018			
Asia Pacific (not including China)	4,571.2	3,230.6	7,801.8
– of which attributed to Hong Kong	38.6	–	38.6
North America	304.2	–	304.2
Europe	104.0	–	104.0
Total	4,979.4	3,230.6	8,210.0

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 2019			For the six months ended 30 June 2018		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	1,701.8	9,783.9	11,485.7	2,038.0	6,913.7	8,951.7
Net fee and commission income	625.8	701.7	1,327.5	498.0	616.3	1,114.3
Net trading gain	–	319.9	319.9	–	3,034.9	3,034.9
Other operating income, net	25.1	34.2	59.3	25.8	134.8	160.6
Net loss on derecognition of financial assets measured at FVOCI	–	–	–	–	(1.7)	(1.7)
Net gain on derecognition of financial assets measured at amortised cost	–	77.7	77.7	–	2.7	2.7
Total operating income	2,352.7	10,917.4	13,270.1	2,561.8	10,700.7	13,262.5
Internal transfer of income and expense	3,898.6	(3,898.6)	–	3,772.7	(3,772.7)	–
Income after adjustment	6,251.3	7,018.8	13,270.1	6,334.5	6,928.0	13,262.5

- (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

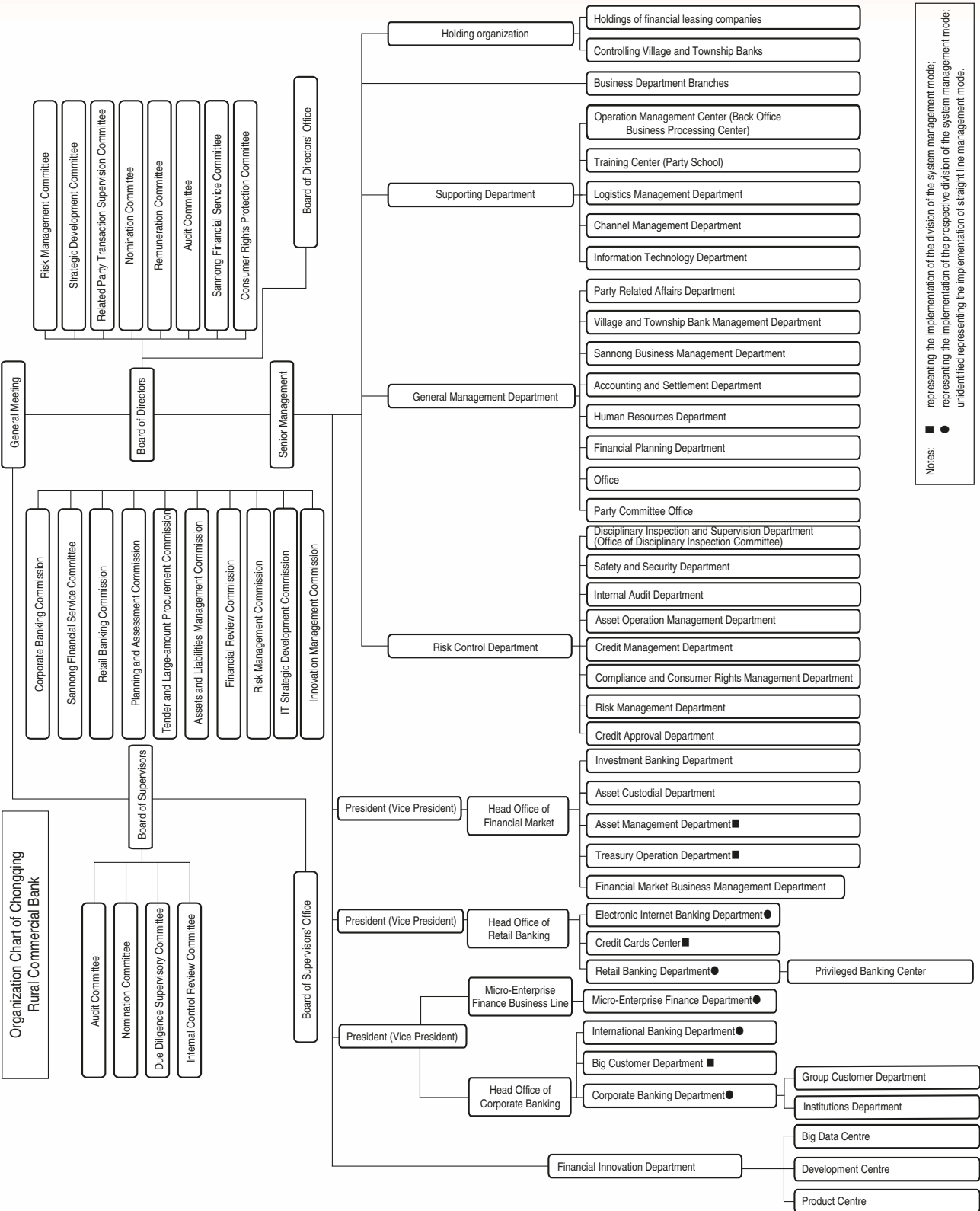
(Amounts in thousands of Renminbi, unless otherwise stated)

Abstract of geographical segments

(Expressed in percentage)	As at 30 June 2019		As at 31 December 2018	
	County Area	Urban Area	County Area	Urban Area
Deposits	68.18	31.82	68.61	31.39
Loans	46.93	53.07	46.12	53.88
Assets	47.58	52.42	47.94	52.06
Loan-deposit ratio	41.84	101.39	41.58	106.16

(Expressed in percentage)	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.14	1.26	1.06	1.10
Net fee and commission income to operating income	10.01	10.00	7.86	8.90
Cost-to-income ratio	20.40	22.89	31.88	24.57

Organisation Chart



Definitions

In this annual 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 the Board	the board of directors of the Bank
Board of Supervisors	the board of supervisors of the Bank
CBIRC	China Banking and Insurance Regulatory Commission
CBRC	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
regulatory authority of the banking industry of the PRC	the CBIRC and its agencies
CSRC	China Securities Regulatory Commission
Director	director of the Bank
Domestic Share(s)	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
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

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
POS	Point of Sale
PRC or China	the People's Republic of China
Reporting Period	for the six months period from 1 January 2019 to 30 June 2019
RMB or Renminbi	Renminbi, the lawful currency of the PRC
rural commercial bank	rural and commercial bank (農村商業銀行)
Sannong	agriculture, rural areas and farmers
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SGD	Singapore Dollar, the lawful currency of Singapore
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	industries with high pollution, high energy consumption and excess capacity
UI	User Interface
USD or US dollar(s)	United States dollars, the lawful currency of the United States of America
village and township bank(s)	banking institutions that are approved by the regulatory authority of the banking industry of the PRC to be incorporated in rural areas to provide services to local farmers or enterprises
yuan	RMB yuan