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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 2020

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 2020 (the “**Interim Results**”). This announcement contains the full text of the interim report of the Group for the six months ended 30 June 2020 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 2020 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, 26 August 2020

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 Mr. Zhang Peng, 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.*

Important Notice

1. The Board, the Board of Supervisors and directors, supervisors and senior management of the Bank warrant that the truthfulness, accuracy and completeness of the contents of the interim report, and that there are no false presentations, misleading statements or material omissions herein, and legally liable jointly and severally.
2. The 2020 interim report and interim results announcement of the Bank have been considered and approved at the 38th meeting of the fourth session of the Board of Directors convened on 26 August 2020.

The number of directors who should attend the meeting is 11, with 8 directors actually attended the meeting and 3 directors entrusted other directors to vote on their behalf. Some supervisors and senior management personnel of the Bank attended the meeting.

3. The Bank's 2020 interim report prepared by the Bank in accordance with Chinese Accounting Standards has been audited by PricewaterhouseCoopers Zhong Tian LLP in according to the Chinese Standards on Review and the 2020 interim financial report prepared in accordance with International Financial Reporting Standards has been audited by PricewaterhouseCoopers in according to the International Standards on Review.
4. The Bank did not distribute profits and no capitalisation of the capital reserve to share capital is proposed during the 2020 interim period.
5. The chairman of the Bank Liu Jianzhong, president Xie Wenhui and vice president in charge of financial function Shu Jing warrant the authenticity, accuracy and completeness of the financial report in this report.
6. This report may contain forward-looking statements such as future plans of the Bank. Such statements are made by the Bank based on the current situation and forecast, are related to future events or the Bank's future financial, business or other performance. Possible future plans do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.
7. There is no misappropriation of the Bank's funds by its controlling shareholders and other related parties for non-operating purposes and no instance of providing external guarantee that is in breach of the established decision-making procedure.



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Definitions of frequently-used terms

“Bank” or “our Bank”	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
“CBIRC Chongqing Office”	China Banking and Insurance Regulatory Commission Chongqing Regulatory Bureau (中國銀行保險監督管理委員會重慶監管局)
“CBIRC”	China Banking and Insurance Regulatory Commission
“China Banking Regulatory Authority”	the CBIRC and its agencies
“CSRC”	China Securities Regulatory Commission
“CPC”	the Communist Party of China (中國共產黨)
“Board of Directors” or “Board”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“Articles of Association”	Articles of Association of Chongqing Rural Commercial Bank Co., Ltd.*, as amended from time to time
“Group”	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司) and its subsidiaries
“RMB or Renminbi”	the lawful currency of the PRC
“yuan”	RMB yuan
“HKD or HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region, the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules or Listing Rules”	The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Shanghai Stock Exchange”	Shanghai Stock Exchange



Definitions

“rural commercial bank”	a short-hand reference to “rural commercial bank” (農村商業銀行)
“Sannong”	a short-hand reference to the Chinese pronunciation of the phrase “agriculture, rural areas and farmers”
“village and township banks”	bank institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to provide services to local farmers or enterprises
“New Financial Instruments Standards”	“Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting” and “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments”
“PBOC” or “Central Bank”	the People’s Bank of China
“PRC” or “China”	the People’s Republic of China
“Reporting Period”	for the six months period from 1 January 2020 to 30 June 2020

Company Profile

I. Company Basic Information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as “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
Contact details of Secretary to the Board	Correspondence Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing, the PRC Telephone (telephone to investors): (8623) 6111 1637 Fax: (8623) 6111 0844 Email address: ir@cqrcb.com
Company Secretary	WONG Sau Ping (appointed as Company Secretary on 26 August 2020) CHU Wai Ha (resigned as Company Secretary on 26 August 2020)
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
Designated media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Designated website of CSRC for publication of interim report	Website of the Shanghai Stock Exchange (www.sse.com.cn)
Website of the Hong Kong Stock Exchange for publication of interim report	Website of the Hong Kong Stock Exchange (www.hkexnews.hk)
Place for maintenance of interim report	Office of the Board of Directors of the Bank
A-share listing stock exchange	Shanghai Stock Exchange Stock Short Name: Yu Nong Shang Hang Stock Code: 601077
H-share listing stock exchange	The Stock Exchange of Hong Kong Limited Stock Short Name: CQRC BANK Stock Code: 3618

Company Profile

A share registrar	Shanghai branch of China Securities Depository and Clearing Company Limited Level 3, China Insurance Building, No. 166 Lujiazui East Road, Pudong New District, Shanghai
H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Date of first incorporation and registration authority	27 June 2008 Chongqing Administration Bureau for Industry and Commerce
Unified social credit code of corporate legal person business license	91500000676129728J
Financial license institution number	The Bank holds a financial license number B0335H250000001 approved by the China Banking Regulatory Authority
Auditors	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC Signing accountants: Li Tieying, Feng Ye
Legal advisor as to PRC laws	Chongqing Exceedon & Partners 7/F, Block A, Fortune Mansion, No. 2 Fortune Road, Liangjiang New Area, Chongqing, the PRC
Legal advisor as to Hong Kong laws	Clifford Chance LLP 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Sponsor performing continuous supervision	China International Capital Corporation Limited Correspondence Address: 27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing Telephone: (8610) 6505 1166 Fax: (8610) 6505 1156 Sponsor Representatives: Xu Jia, Liu Zihan Continuous supervisory period: 29 October 2019 to 31 December 2021

II. Overview of the Company's Businesses

The Bank was established in 2008, listed on the H-share main board in 2010, and listed on the A-share main board in 2019. Its comprehensive strength ranks top among the China's rural commercial banks. The Bank's main businesses include corporate finance business, small and micro finance business, retail finance business and financial market business. The corporate finance business mainly provides a wide variety of corporate finance products and services for enterprises and public institutions, government agencies, and financial institutions, including corporate loans business, trade financing loans business, bills business and guarantees business. The small and micro finance business mainly provides a full range of financial services for micro-enterprises, small and micro business owners and individual businesses. The retail finance business mainly includes personal loan and deposit business, bank card business and intermediary business, etc.. The financial market business mainly includes capital operation business, asset management business, investment banking business and asset custody business.

Financial Highlights

(The financial information set forth in this interim report is prepared in accordance with International Financial Reporting Standards on a consolidated basis, and is the Group's data and expressed in Renminbi, unless otherwise stated)

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Rate of change (%)	For the six months ended 30 June 2018
Operating results				
Net interest income	12,016.4	11,485.7	4.62	8,951.7
Net non-interest income	1,906.6	1,784.4	6.85	4,310.8
Among which: net fee and commission income	1,443.9	1,327.5	8.77	1,114.3
other net non-interest income	462.7	456.9	1.27	3,196.5
Operating income	13,923.0	13,270.1	4.92	13,262.5
Operating expenses	(3,809.5)	(2,995.3)	27.18	(3,848.0)
Credit impairment losses	(3,713.7)	(3,239.5)	14.64	(3,080.5)
Profit before tax	6,399.8	7,035.3	(9.03)	6,334.0
Net profit	5,265.1	5,840.5	(9.85)	4,886.6
Net profit attributable to shareholders of the Bank	5,182.7	5,751.4	(9.89)	4,835.6
Based on per share (RMB)			Changes	
Basic earnings per share	0.46	0.58	(0.12)	0.48
Diluted earnings per share	0.46	0.58	(0.12)	0.48
Profitability indicators (%)			Changes	
Annual average return on total assets ⁽¹⁾	1.00	1.19	(0.19)	1.08
Annual weighted average return on net assets ⁽²⁾	11.44	15.70	(4.26)	14.64
Net interest spread ⁽³⁾	2.13	2.18	(0.05)	2.44
Net interest margin ⁽⁴⁾	2.30	2.35	(0.05)	2.35
Net fee and commission income to operating income ratio	10.37	10.00	0.37	8.40
Cost-to-income ratio ⁽⁵⁾	26.38	21.72	4.66	28.06

Financial Highlights

Notes:

- (1) Average return on total assets represents the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the period.
- (2) Calculated in accordance with the requirements of “Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share” (Revision 2010) issued by CSRC.
- (3) Calculated as the difference between the average yield on total interest-bearing assets and the average cost rate on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-bearing assets.
- (5) Calculated by dividing total operating expenses (excluding taxes and surcharges) by operating income.
- (6) 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 CBRC and the Notice on Adjusting the Supervision Requirements for the Loss Provisions for Middle and Small-Sized Rural Banks Loans in 2020 (Yu Yin Bao Jian Ban Fa [2020] No. 40) promulgated by the CBIRC Chongqing Office, the regulatory standards for the provision coverage ratio and provision-to-loan ratio of the Bank are 140% and 2.1% respectively.
- (7) Calculated in accordance with the “Regulation Governing Capital of Commercial Banks (Provisional)” promulgated by the 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.

Management Discussion and Analysis

I. Overview

In the first half of 2020, the Group conscientiously implemented the national policies and planning and regulatory requirements, adhered to the nature of supporting agriculture and small businesses and serving the real economy, centered on the work approach of “strengthening management, controlling risks and stabilizing development”, and insisted on the development direction of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, promoted the “four structural adjustments” of assets, liabilities, income, and management personnel. While ensuring the prevention and control of the pandemic and supporting the resumption of work and production, it maintained a sound momentum of stable development. The operations were characterized by:

Business scale grew steadily. The total assets of the Group were RMB1,073.078 billion, an increase of RMB42,848 million or 4.16% as compared to the end of the previous year. The deposit balance was RMB724,272 million, an increase of RMB50.870 billion or 7.55% as compared to the end of the previous year. The balance and the increase both remained the first in Chongqing. The balance of loans and advances was RMB473.461 billion, an increase of RMB36.376 billion or 8.32% as compared to the end of the previous year. The national rural commercial bank system and the first wholly-owned wealth management subsidiary in Western China, CQRC Wealth Management Co., Ltd., opened successfully.

Operating efficiency remained stable. Operating income was RMB13.923 billion, representing a year-on-year increase of RMB653 million or 4.92%, among which net interest income was RMB12,016 million, representing a year-on-year increase of RMB531 million or 4.62%; income from intermediate business was RMB1.444 billion, representing a year-on-year increase of RMB116 million or 8.77%; net profit was RMB5.265 billion. The operation was stable in general.

Asset quality was stable generally. The Group’s non-performing loan ratio was 1.28%, the ratio of loans overdue was 1.33%, and the asset quality remained at a sound level. The Group’s capital adequacy ratio was 14.77% and core Tier 1 capital adequacy ratio was 12.36%, Tier 1 capital adequacy ratio was 12.38%, and the provision coverage ratio was 370.16%, higher than the regulatory standard, indicating that the Group had strong risk resistance capabilities.

Structural adjustment progressed steadily. The Group’s loan balance accounted for 44.12% of total assets, representing an increase of 1.70 percentage points as compared to the end of the previous year; retail loans balances accounted for 37.45% of total loans, representing an increase of 0.33 percentage point as compared to the end of the previous year. The proportion of deposits in total liabilities increased by 2.24 percentage points as compared to the end of the previous year, among which personal deposits accounted for 76.51% in the total deposits, representing an increase of 0.54 percentage point as compared to the end of the previous year. Income from intermediary business accounted for 10.37% in the operating income, representing an increase of 0.37 percentage point as compared to the same period of the previous year. The structure of assets, liabilities and income structure continued to be optimized.

Overall strength improved steadily. Ranked 122nd among the top 1000 global banks by the British magazine “The Banker”, 815th overall and 1st among Chongqing enterprises in Forbes “Global Enterprise 2000”, and top 20 of the “Top 100 Chinese Banking Companies in 2019”. The overall strength ranked first among national rural commercial banks in China and banks in the Midwest.

II. Financial Review

(I) Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Change	Rate of change (%)
Net interest income	12,016.4	11,485.7	530.7	4.62
Net non-interest income	1,906.6	1,784.4	122.2	6.85
Including: net fee and commission income	1,443.9	1,327.5	116.4	8.77
net other non- interest income	462.7	456.9	5.8	1.27
Operating income	13,923.0	13,270.1	652.9	4.92
Operating expenses	(3,809.5)	(2,995.3)	(814.2)	27.18
Credit impairment losses	(3,713.7)	(3,239.5)	(474.2)	14.64
Profit before tax	6,399.8	7,035.3	(635.5)	(9.03)
Income tax expense	(1,134.7)	(1,194.8)	60.1	(5.03)
Net profit	5,265.1	5,840.5	(575.4)	(9.85)

In the first half of 2020, the Group recorded a net profit of RMB5,265 million, representing a year-on-year decrease of RMB575 million or 9.85%. Since the first half of the year, the Group's operations were generally stable, with a year-on-year increase in net interest income driven by continuous growth in scale, and the profitability of its intermediate businesses continued to improve. Due to the cancellation of the large scale medical insurance contributions for retirees in the same period of the previous year, the operating and administrative expenses for the current period changed significantly year-on-year. Meanwhile, taking into account the operation situation in the first half of the year and in order to enhance the ability to resist the risks, the provisions for credit impairment losses were increased during the period.

1. 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 2020	For the six months ended 30 June 2019	Change in amount	Rate of change (%)
Interest income	22,693.6	22,152.4	541.2	2.44
Interest expense	(10,677.2)	(10,666.7)	(10.5)	0.10
Net interest income	<u>12,016.4</u>	<u>11,485.7</u>	<u>530.7</u>	<u>4.62</u>

In the first half of 2020, the net interest income of the Group amounted to RMB12,016 million, representing an increase of RMB531 million or 4.62% as compared to the same period of the previous year. The net interest income accounted for 86.31% of the total operating income, which was mainly benefit from the steady growth in the scale of interest-bearing assets and the continuous improvement of risk pricing abilities.

(1) Net Interest Spread and Net Interest Margin

The data below sets forth the average balances of interest-bearing assets and interest bearing liabilities of the Group, related interest income or interest expense and average yields (for assets) or average costs rate (for liabilities) for the periods indicated. The analysis below excludes the impact of capital-preserve type of customer-driven wealth management products on the interest income and expense and average balances.

Management Discussion and Analysis

	For the six months ended 30 June 2020			For the six months ended 30 June 2019		
	(Expressed in RMB million, unless otherwise stated)	Annualised Interest income/ expense	Annualised average yield/cost rate (%)	Average balance	Annualised Interest income/ expense	Annualised average yield/cost rate (%)
Assets						
Loans and advances to customers	449,347.1	12,095.5	5.41	398,025.5	10,767.9	5.41
Financial investment	355,994.0	7,379.4	4.17	302,827.5	6,652.0	4.39
Balances with Central Bank	61,791.1	477.7	1.55	71,992.7	558.6	1.55
Due from banks and other financial institutions	182,523.8	2,708.2	2.98	204,600.5	3,963.6	3.87
Total interest-bearing assets	1,049,656.0	22,660.8	4.34	977,446.2	21,942.1	4.49
Liabilities						
Deposits from customers	695,719.9	6,966.7	2.01	656,670.7	6,185.6	1.88
Borrowings from Central Bank	35,568.8	543.3	3.07	24,015.4	389.3	3.24
Due to banks and other financial institutions	85,672.2	836.8	1.96	73,019.7	1,082.5	2.96
Debt securities issued	149,466.5	2,294.2	3.09	151,750.9	2,788.8	3.68
Total interest-bearing liabilities	966,427.4	10,641.0	2.21	905,456.7	10,446.2	2.31
Net interest income		12,019.8			11,495.9	
Net interest spread⁽¹⁾			2.13%			2.18%
Net interest margin⁽¹⁾			2.30%			2.35%

Notes:

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

In the first half of 2020, the Group's net interest spread was 2.13% and net interest margin was 2.30%, each representing a decrease of 0.05 percentage point, mainly due to the intensified market competition, decline in market interest rates, year-on-year decrease in margin of banks and other financial investments and year-on-year increase in the deposit interest rate.

The following table sets forth the changes in the Group's interest income and interest expense 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	Changes in interest income and expense
Assets			
Loans and advances to customers	1,380.7	(53.1)	1,327.6
Financial investments	1,102.5	(375.1)	727.4
Balances with Central Bank	(78.6)	(2.3)	(80.9)
Deposits with banks and other financial institutions	(327.1)	(928.3)	(1,255.4)
Changes in interest income	2,077.5	(1,358.8)	718.7
Liabilities			
Deposits from customers	390.3	390.8	781.1
Due to Central Bank, banks and other financial institutions	138.0	(229.7)	(91.7)
Debt securities issued	(35.1)	(459.5)	(494.6)
Changes in interest expense	493.2	(298.4)	194.8
Net changes in interest income	1,584.3	(1,060.4)	523.9

Net interest income increased by RMB524 million over the same period of the previous year, mainly due to the increase of RMB1,584 million of net interest income arising from changes in the average balance of various assets and liabilities and the decrease of RMB1,060 million of net interest income which was attributable to the changes in the average yield and the average cost rate.

(2) Interest Income

In the first half of 2020, the interest income of the Group amounted to RMB22,694 million, representing an increase of RMB541 million or 2.44% over the same period of the previous year, which was mainly due to the steady growth in loans and advances and the scale of financial investments and assets. The details are as follows (the analysis below does not take into account of the interest income generated from the capital-preserve type of customer-driven wealth management products):

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 2020			For the six months ended 30 June 2019		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans	258,803.0	6,496.5	5.05	242,228.1	6,030.0	4.98
General short-term loans	88,251.8	2,111.3	4.81	90,271.0	2,185.0	4.84
Medium and long-term loans	170,551.2	4,385.2	5.17	151,957.1	3,845.0	5.06
Retail loans	167,376.5	5,296.2	6.36	136,628.4	4,375.3	6.40
General short-term loans	55,130.1	1,923.2	7.02	44,323.9	1,602.7	7.23
Medium and long-term loans	112,246.4	3,373.0	6.04	92,304.5	2,772.6	6.01
Discounted bills	23,167.6	302.8	2.63	19,169.0	362.6	3.78
Total loans and advances to customers	449,347.1	12,095.5	5.41	398,025.5	10,767.9	5.41

In the first half of 2020, the interest income from loans and advances granted by the Group amounted to RMB12.096 billion, representing an increase of RMB1.328 billion or 12.33% over the same period of the previous year. This was mainly attributable to the Group's continuous efforts to increase support for the real economy and strengthen financial support for epidemic prevention and control, as well as the faster growth in the average balance of corporate loans and personal loans to ensure people's livelihood and the stable development of the real economy.

② Interest Income from Financial Investments

The average balance, interest income and annualised average yield for each component of financial investments of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2020			For the six months ended 30 June 2019		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Financial assets measured at amortised cost	345,330.4	7,203.6	4.19	302,827.5	6,652.0	4.39
Financial assets measured at fair value through other comprehensive income	10,663.6	175.8	3.32	-	-	-
Total financial investments	355,994.0	7,379.4	4.17	302,827.5	6,652.0	4.39

In the first half of 2020, interest income from financial investments of the Group amounted to RMB7.379 billion, representing an increase of RMB727 million or 10.94% over the same period of the previous year. This was mainly attributable to the Group's strengthening of market research and judgment, enhancing flexible management of asset allocation and reasonably adjusting its investment structure to improve the efficiency of fund utilization on the basis of ensuring stable growth in credit assets.

③ Interest Income from Balances with Central Bank

In the first half of 2020, the Group's interest income from balances with Central Bank amounted to RMB478 million, representing a decrease of RMB81 million or 14.48% over the same period of the previous year, mainly due to the fact that the PBOC lowered the reserve requirement ratio and the average balance of the Group with Central Bank decreased by 14.17% over the same period of the previous year.

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 2020			For the six months ended 30 June 2019		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Deposits and placements with banks and other financial institutions	148,501.9	2,465.4	3.34	177,507.2	3,663.7	4.13
Financial assets held under resale agreements	34,021.9	242.8	1.44	27,093.3	299.9	2.21
Total due from banks and other financial institutions	182,523.8	2,708.2	2.98	204,600.5	3,963.6	3.87

In the first half of 2020, the Group's interest income due from banks and other financial institutions amounted to RMB2,708 million, representing a decrease of RMB1,255 million or 31.67% over the same period of previous year, mainly due to that, the average yield of deposits and placements with banks and other financial institutions and financial assets held under resale agreements were affected by the decreased market interest rates.

(3) Interest Expense

In the first half of 2020, the Group's interest expense amounted to RMB10,677 million, representing an increase of RMB11 million or 0.10% over the same period of the previous year, which was primarily driven by the growth in the scale of deposits from the Group's customers. The details are as follows (the analysis below does not take into account of the interest income generated from the capital-preserve type of customer-driven wealth management products):

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 2020			For the six months ended 30 June 2019		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Demand deposit	113,440.1	389.4	0.69	121,401.0	422.1	0.70
Time deposit	42,721.8	595.7	2.80	43,096.9	560.5	2.60
Subtotal corporate deposits	156,161.9	985.1	1.27	164,497.9	982.6	1.19
Demand deposit	125,878.7	327.4	0.52	118,049.4	273.6	0.46
Time deposit	413,679.3	5,654.2	2.75	374,123.4	4,929.4	2.64
Subtotal personal deposits	539,558.0	5,981.6	2.23	492,172.8	5,203.0	2.11
Total deposits from customers	695,719.9	6,966.7	2.01	656,670.7	6,185.6	1.88

Driven by growth in scale and rising interest rates, interest expenses on deposits from customers of the Group in the first half of 2020 amounted to RMB6.967 billion, representing an increase of RMB781 million or 12.63% over the same period of the previous year; the interest payment rate on deposits from customers was 2.01%, representing an increase of 13 basis points over the same period of the previous year, but still at a relatively low level in the industry. Since the first half of the year, in order to actively consolidate the Group's core liability, on the one hand, the Group continued to leverage its traditional network advantages and stabilize deposit funding sources through online channels, and on the other hand, strengthened control over relatively high-cost deposit limits such as structured products and large certificates of deposit, and effectively disseminated structural adjustment requirements through the FTP pricing mechanism to ensure a relatively stable ratio of time deposit to demand deposit.

② Interest Expense on Borrowings from Central Bank

In the first half of 2020, interest expense on the Group's borrowings from Central Bank amounted to RMB543 million, representing an increase of RMB154 million or 39.56% over the same period of the previous year, mainly due to the actively access to the refinancing, re-loans in support of micro and small enterprises, re-loans in support of agriculture and special funds for rediscounting from Central Bank, with the increase of RMB11,553 million on average balance of borrowings from Central Bank over the same period of the previous year.

③ 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 2020			For the six months ended 30 June 2019		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Deposits from banks and other financial institutions	41,715.2	517.0	2.49	48,191.1	808.2	3.35
Financial assets sold under repurchase agreements	43,957.0	319.8	1.46	24,828.6	274.3	2.21
Total due to banks and other financial institutions	85,672.2	836.8	1.96	73,019.7	1,082.5	2.96

In the first half of 2020, the Group's interest expense on due to banks and other financial institutions amounted to RMB837 million, representing a decrease of RMB246 million or 22.70% over the same period of the previous year, mainly due to the year-on-year decrease in interbank cost of liabilities resulted by the decreased interbank interest rates.

④ Interest Expense on Issued Debt Securities

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2020			For the six months ended 30 June 2019		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Debt securities payable	23,463.4	449.2	3.85	15,731.4	381.6	4.85
Interbank deposit certificate	126,003.1	1,845.0	2.94	136,019.5	2,407.2	3.54
Total issued debt securities	149,466.5	2,294.2	3.09	151,750.9	2,788.8	3.68

In the first half of 2020, the interest expense on issued debt securities amounted to RMB2,294 million, representing a decrease of RMB495 million or 17.74%, primarily due to the aggressive restructuring of debt financing based on market conditions, which resulted in a 60 basis points decrease in the average cost ratio of interbank deposit certificate.

2. Net Non-interest Income

In the first half of 2020, the Group's net non-interest income amounted to RMB1,907 million, representing an increase of RMB122 million or 6.85% over the same period of the previous year, accounting for 13.69% of the operating income, representing an increase of 0.24 percentage point over the same period of the previous year.

(1) Net Fee and Commission Income

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Change	Change (%)
Subtotal fee and commission income	1,492.9	1,371.7	121.2	8.84
Wealth management fees	937.7	791.9	145.8	18.41
Agency and fiduciary service fees	175.5	265.6	(90.1)	(33.92)
Bank card fees	135.2	122.9	12.3	10.01
Settlement and clearing fees	68.2	69.6	(1.4)	(2.01)
Others	176.3	121.7	54.6	44.86
Fee and commission expense	(49.0)	(44.2)	(4.8)	10.86
Total net fee and commission income	1,443.9	1,327.5	116.4	8.77

In the first half of 2020, the net fee and commission income of the Group achieved great growth and amounted to RMB1,444 million, representing an increase of RMB116 million or 8.77% over the same period of the previous year. The net and commission income accounted for 10.37% of the operating income, representing an increase of 0.37 percentage point over the same period of the previous year.

Wealth management fees amounted to RMB938 million, representing an increase of RMB146 million or 18.41% over the same period of the previous year, mainly due to the Group's continued improvement in sales scales and operating capacity of net worth wealth management products.

Agency and fiduciary service fees amounted to RMB176 million, representing a year-on-year decrease of RMB90 million, mainly due to early expiry of some fiduciary projects of the Group.

Bank card fees amounted to RMB135 million, representing an increase of RMB12 million or 10.01% over the same period of the previous year, mainly attributed to the continued increase in the number of the Group's card holders.

Settlement and clearing fees amounted to RMB68 million, representing a decrease of RMB1 million over the same period of the previous year, mainly due to that, to implement preferential policies for financial services, the Group exempted certain business fees.

(2) Net Other Non-interest Income

The following table sets forth, for the periods indicated, net other non-interest income of the Group:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Change	Change (%)
Net trading gain or loss	396.5	319.9	76.6	23.94
Other net business gain	29.5	59.3	(29.8)	(50.25)
Share of net profits from associates	(2.7)	–	(2.7)	N/A
Net gain resulted from derecognition of financial assets at fair value through other comprehensive income	38.4	–	38.4	N/A
Net gain resulted from derecognition of financial assets measured at amortised cost	1.0	77.7	(76.7)	(98.71)
Total net other non-interest income	462.7	456.9	5.8	1.27

In the first half of 2020, the Group's net other non-interest income was RMB463 million, representing a year-on-year increase in RMB6 million or 1.27% over the same period of the previous year, mainly due to the net gains and losses on financial assets transactions at fair value through profit and loss and increase in net gains from derecognition of financial assets at fair value through other comprehensive income.

Management Discussion and Analysis

3. Operating expenses

The following table sets forth, for the periods indicated, the business and administrative expenses of the Group:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Change in amount	Rate of change (%)
Staff costs	2,458.0	1,768.0	690.0	39.03
Salaries, bonuses and allowances	1,832.2	1,803.8	28.4	1.57
Staff benefits, social insurance premiums, housing provident fund	413.6	638.9	(225.3)	(35.26)
Others	212.2	(674.7)	886.9	(131.45)
Taxes and surcharges	136.5	113.2	23.3	20.58
Depreciation and amortisation	438.6	389.5	49.1	12.61
Other general and administrative expenses	776.4	724.6	51.8	7.15
Total operating expenses	<u>3,809.5</u>	<u>2,995.3</u>	<u>814.2</u>	<u>27.18</u>

In the first half of 2020, the operating expenses of the Group amounted to RMB3,810 million, representing an increase of RMB814 million or 27.18% as compared to the same period of the previous year, mainly due to the cancellation of large-scale medical insurance contributions for retirees and the less expense over the previous period.

(1) Staff Costs

Staff costs were the largest component of operating expenses of the Group, accounting for 64.52% and 59.03% of its total operating expenses for first half of 2020 and 2019 respectively.

During the first half of 2020, staff costs amounted to RMB2.458 billion, representing an increase of RMB690 million or 39.03% over the same period of the previous year. Among which, salaries, bonuses and allowances increased by RMB28 million or 1.57% over the same period of the previous year; staff benefits, social insurance premiums and housing provident fund decreased by RMB225 million or 35.26% over the same period of the previous year, mainly due to that, to follow the spirit of the relevant instructions on epidemic prevention and control, the Group's social insurance contributions for its employees can enjoy certain stage reductions and concessions; the RMB887 million increase in other employee costs over the same period of the previous year was primarily due to the cancellation of the large-scale medical insurance contributions for retirees in accordance with state policy to offset RMB781 million of actuarial benefit expenses in prior years.

(2) Taxes and Surcharges

Taxes and surcharges mainly relate to revenue generated from lending (interest income), transfer of securities and other financial products and services. In the first half of 2020, taxes and surcharges of the Group amounted to RMB137 million, representing a year-on-year increase of RMB23 million or 20.58%, which was mainly due to the increase in the taxes, such as value-added tax, driven by the continued increase in the Group's taxable income.

(3) Depreciation and Amortization

In the first half of 2020, the depreciation and amortization amounted to RMB439 million, representing an increase of RMB49 million over the same period of the previous year, which was mainly due to that the Group had firmly implemented the strategy of "propelling the Bank with technology", continually accelerated the deployment of financial technology, and put more investment into the financial technology.

(4) Other General and Administrative Expenses

In the first half of 2020, other general and administrative expenses amounted to RMB776 million, representing an increase of RMB52 million or 7.15% as compared to the same period of the previous year. Firstly, the growth in deposits from customers drove increase in deposit premiums, and secondly, there were increases in electronic equipment operations and consulting service fees related to network operations and business development.

4. Credit impairment losses

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Change in amount	Rate of change (%)
Credit impairment losses on loans and advances to customers	3,299.6	1,882.4	1,417.2	75.29
Credit impairment losses on financial investment	584.7	953.9	(369.2)	(38.70)
Other credit impairment losses	(170.6)	403.2	(573.8)	(142.31)
Total impairment loss	<u>3,713.7</u>	<u>3,239.5</u>	<u>474.2</u>	<u>14.64</u>

During the first half of 2020, the Group's impairment loss was RMB3,714 million, representing an increase of RMB474 million or 14.64% over the same period of the previous year. Among which, impairment losses on loans and advances to customers increased by RMB1,417 million over the same period of the previous year, impairment losses on financial investments decreased by RMB369 million, and other impairment losses decreased by RMB574 million. Affected by the COVID-19 outbreak and taking into account the decline in short-run GDP growth, the Group further optimized the expected credit impairment model to improve its risk resilience capability and increased the impairment provision for loans to customers based on the need for forward-looking risk management. The Group will continue to monitor the macroeconomic recovery in the future in order to reasonably assess loan impairment risk.

5. Income Tax Expense

The following table sets forth the profit before tax and income tax expense for the six months ended 30 June 2020 and 2019.

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Change in amount	Rate of change (%)
Profit before tax	6,399.8	7,035.3	(635.5)	(9.03)
Tax calculated at applicable statutory tax rate	1,572.8	1,730.7	(157.9)	(9.12)
Add/(less) the tax effect of the following items:				
Non-deductible expenses	18.3	15.8	2.5	15.82
Non-taxable income	(455.8)	(360.0)	(95.8)	26.61
Tax effect of changes in large-scale health insurance policies	–	(195.3)	195.3	(100.00)
Others	(0.6)	3.6	(4.2)	(116.67)
Income tax expense	<u>1,134.7</u>	<u>1,194.8</u>	<u>(60.1)</u>	<u>(5.03)</u>

In the first half of 2020, income tax expense amounted to RMB1,135 million, representing a decrease of RMB60 million over the same period of the previous year. The effective income tax rate was 17.73%, lower than the statutory rate of 25%. The decrease was mainly due to the fact that the Group continued to optimize the investment structure of its business by holding certain statutory tax-exempt treasury bonds and local government bonds on the basis of balancing risks and returns, thereby reducing the effective income tax rate.

(II) Analysis on Statement of Financial Position

1. Assets

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

(Expressed in RMB million, unless otherwise stated)	30 June 2020		31 December 2019		Change	Change (%)
	Amount	Percentage of total amount (%)	Amount	Percentage of total amount (%)		
Net loans and advances to customers	450,964.7	42.02	416,340.8	40.41	34,623.9	8.32
Carrying balance of loans and advances to customers	473,461.3	44.12	437,084.9	42.42	36,376.4	8.32
Allowances for impairment on loans and advances to customers ⁽¹⁾	(22,496.6)	(2.10)	(20,744.1)	(2.01)	(1,752.5)	8.45
Financial Investments	390,141.9	36.36	377,353.2	36.63	12,788.7	3.39
Financial assets measured at amortised cost	348,459.3	32.47	346,418.4	33.63	2,040.9	0.59
Financial assets measured at fair value through other comprehensive income	13,931.1	1.30	7,256.8	0.70	6,674.3	91.97
Financial assets measured at fair value through profit and loss	27,751.5	2.59	23,678.0	2.30	4,073.5	17.20
Cash and balances with Central Bank	67,592.5	6.30	77,413.6	7.51	(9,821.1)	(12.69)
Deposits and placements with banks and other financial institutions	135,949.0	12.67	146,001.2	14.18	(10,052.2)	(6.89)
Financial assets held under resale agreements	12,523.6	1.17	–	–	12,523.6	N/A
Investment in associates	447.3	0.04	–	–	447.3	N/A
Goodwill	440.1	0.04	440.1	0.04	–	–
Other assets⁽²⁾	15,019.0	1.40	12,681.3	1.23	2,337.7	18.43
Total Assets	1,073,078.1	100.00	1,030,230.2	100.00	42,847.9	4.16

Notes:

- (1) Includes only the provision for impairment on loans and advances to customers measured at amortised cost.
- (2) Other assets consist of fixed assets, deferred income tax assets and right-of-use assets.

As at 30 June 2020, the Group's total assets amounted to RMB1,073,078 million, representing an increase of RMB42,848 million or 4.16% as compared to the end of the previous year.

The carrying balance of loans and advances to customers amounted to RMB473.461 billion, representing an increase of RMB36.376 billion or 8.32% over the end of the previous year. Since the COVID-19 outbreak, the Group, as the largest local financial institution in Chongqing, has increased its support to the real economy on the basis of ensuring its own healthy operation. On the one hand, the Group has continued to increase its credit commitment in the area of people's livelihood, providing strong support to the local economic development of Chongqing; on the other hand, the Group continued to grant concessionary loans to enterprises and individual businesses, and fully supported the epidemic prevention and control as well as the resumption of work and production of micro, small and medium-sized enterprises. In addition, the Group continued to innovate small and micro credit products and improve the quality of small and micro financial services, and devoted itself to supporting the stable development of private and small and micro enterprises.

Financial investments amounted to RMB390,142 million, representing an increase of RMB12,789 million or 3.39% as compared to the end of the previous year. In the first half of 2020, the Group increased the investment in standardized products such as bonds and funds.

Total cash and balances with the Central Bank amounted to RMB67,593 million, representing a decrease of RMB9,821 million or 12.69% as compared to the end of the previous year, mainly due to downward adjustment of the deposit reserve ratio.

Deposits and placements with banks and other financial institutions amounted to RMB135,949 million, representing a decrease of RMB10,052 million or 6.89% as compared to the end of the previous year, mainly due to that, the Group optimized its asset structure, increased credit investment and increased the proportion of relatively higher-yielding debt investments.

Financial assets held under resale agreements amounted to RMB12.524 billion, mainly due to the Group's utilization of surplus funds through multiple channels, after comprehensively taking into account the needs of asset-liability and liquidity management.

Investment in associates amounted to RMB447 million, mainly due to the Group's equity participation in Chongqing Xiaomi Consumer Finance Corporate.

Management Discussion and Analysis

(1) Loans and Advances to Customers

The following table sets forth, as at the dates indicated, the composition of the Group's loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	Amount	Percentage of total amount (%)	Amount	Percentage of total amount (%)
Corporate loans	270,039.0	57.04	254,760.4	58.29
Short-term loans ⁽¹⁾	84,340.4	17.81	78,134.2	17.88
Medium and long-term loans ⁽²⁾	185,698.6	39.23	176,626.2	40.41
Retail loans	177,321.5	37.45	162,237.8	37.12
Residential mortgage and personal commercial property loans ⁽³⁾	80,083.9	16.91	73,091.4	16.72
Personal business and re-employment loans ⁽⁴⁾	55,188.0	11.66	50,516.0	11.56
Other loans ⁽⁵⁾	42,049.6	8.88	38,630.4	8.84
Discounted bills	26,100.8	5.51	20,086.7	4.59
Total loans and advances to customers	473,461.3	100.00	437,084.9	100.00

Notes:

- (1) Short-term loans primarily consist of loans with contractual maturities of one year and or less.
- (2) Medium and long-term loans primarily consist of loans with contractual maturities over one year.
- (3) Residential mortgage and personal commercial property loans primarily consist of personal mortgage loans, second residential mortgage and decoration loans, and loans to retail 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 small amount loans related to employment and re-employment.
- (5) Other loans primarily consist of personal commercial property mortgage loans, personal residential maximum mortgage loans, credit card loans, personal car loans, loans for personal durable goods, personal education loans, rural cross-guaranteed loans and credit loans.

As of 30 June 2020, the balance of loans and advances to customers of the Group amounted to RMB473,461 million, representing an increase of RMB36,376 million, or 8.32% as compared to the end of the previous year.

The gross amount of corporate loans and advances was RMB270,039 million, representing an increase of RMB15,279 million, or 6.00% as compared to the end of the previous year. Among which, short-term loans represented an increase of RMB6.206 billion, and medium- and long-term loans represented an increase of RMB9.072 billion, which were mainly due to that, in order to implement regulatory requirements, support epidemics prevention and control and the resumption of work and production of enterprises, new loans were mainly invested in people's livelihood, small and micro-enterprises, and private enterprises, etc.

Total personal loans and advances amounted to RMB177.322 billion, representing an increase of RMB15.084 billion or 9.30% over the end of the previous year, and an increase of 0.33 percentage point of the ratio in the total loans, among which, total personal property loans amounted to RMB80.084 billion, representing an increase of RMB6.993 billion or 9.57% over the end of the previous year, mainly due to strong support for the citizens' borrowing requirement for owner-occupied houses; total personal business and re-employment loans amounted to RMB55.188 billion, representing an increase of RMB4.672 billion or 9.25% over the end of the previous year. The Group has been adhering to the philosophy of "retail establishment" and actively explored the integration of online and offline development, innovated and launched online credit products such as "Yukuai Loan" (渝快贷), accelerated the development of consumer finance such as car mortgage, credit cards, tourism and education, and promoted the transformation and upgrade of retail finance through multiple channels.

Discounted bills amounted to RMB26,101 million, representing an increase of RMB6,014 million or 29.94% as compared to the end of the previous year, mainly due to the support for the short-term capital turnover of enterprises.

Management Discussion and Analysis

The following table sets forth, as at the dates indicated, the composition of the Group's loans by industry classification:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Total corporate loans and advances	270,039.0	57.04	254,760.4	58.29
Manufacturing	64,121.7	13.55	61,130.0	13.99
Water conservancy, environmental and public utility management	61,787.4	13.05	59,508.9	13.61
Leasing and commercial services	58,115.9	12.27	50,481.8	11.55
Wholesale and retail industries	19,407.9	4.10	18,792.1	4.30
Electricity, heat, gas and water production and supply industries	17,205.2	3.63	16,531.0	3.78
Transportation, warehousing and postal services	13,386.9	2.83	12,221.2	2.80
Real estate	7,206.7	1.52	8,032.9	1.84
Construction	7,767.6	1.64	7,152.0	1.64
Health and social work	5,982.2	1.26	5,538.1	1.27
Education	3,006.8	0.64	2,861.6	0.65
Others	12,050.7	2.55	12,510.8	2.86
Personal loans and advances	177,321.5	37.45	162,237.8	37.12
Discounted bills	26,100.8	5.51	20,086.7	4.59
Total loans and advances to customers	473,461.3	100.00	437,084.9	100.00

During the first half of 2020, the Group issued guidelines for credit investment in a timely manner, continued to promote the optimization of the credit structure, strengthen financial support for major national and local strategic projects and intelligent industry, vigorously promote green finance, and strengthen its support for the “benefiting people’s livelihood” areas such as healthcare and education. As of the end of June 2020, the balance of the Group’s corporate loans invested to manufacturing, water conservancy, environmental and public utility management as well as leasing and commercial services were RMB64,122 million, RMB61,787 million and RMB58,116 million, respectively, accounting for 13.55%, 13.05% and 12.27% of total loans and advances of the Group.

(2) Financial Investments

The following table sets forth, as at the dates indicated, the composition of the Group's financial investments:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	Amount	Percentage of total amount (%)	Amount	Percentage of total amount (%)
Bonds investment	271,179.8	69.52	249,463.0	66.11
Debt instruments issued by financial institutions	16,938.1	4.34	31,593.3	8.37
Interbank certificates of deposit	59,192.6	15.17	69,486.3	18.42
Debt financing plan	28,613.3	7.33	20,724.8	5.49
Fund	13,749.7	3.52	5,508.0	1.46
Equity instruments	468.4	0.12	577.8	0.15
Total financial investments	<u>390,141.9</u>	<u>100.00</u>	<u>377,353.2</u>	<u>100.00</u>

As at 30 June 2020, the total financial investment amounted to RMB390,142 million, representing an increase of RMB12,789 million or 3.39% as compared with the end of the previous year. The Group continued to strengthen its market analysis and judgment, actively optimized its investment structure, appropriately increased the proportion of investment in standardized assets and leveraged its low-cost capital advantages to enhance investment effectiveness.

① Bond Investments

The following table sets forth, as at the dates indicated, the composition of the Group's bond investments by issuer:

(Expressed in RMB million, unless otherwise stated)	30 June 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	113,043.8	41.68	97,403.4	39.05
Public institutions, and quasi-government bonds	64,562.2	23.81	56,933.4	22.82
Financial institution bonds	38,184.6	14.08	33,484.0	13.42
Corporate bonds	55,389.2	20.43	61,642.2	24.71
Total bonds investment	271,179.8	100.00	249,463.0	100.00

In the first half of 2020, the Group optimized the structure of financial investment and increased the allocation of local government bonds, debt securities issued by policy banks and bonds of financial institutions. As of 30 June 2020, the government bonds, public institutions and quasi-government bonds and financial institution bonds increased by RMB15,640 million, RMB7,629 million and RMB4,701 million respectively, as compared to the end of the previous year.

(3) Repossessed assets

As part of its effort to recover impaired loans and advances, the Group may obtain the title of the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. As at 30 June 2020, the Group's repossessed assets were RMB114 million, and the balance of impairment allowances for repossessed assets were RMB13 million. Please refer to "Other Assets" under Notes to the Financial Statements for details.

2. Liabilities

The following table sets forth, as at the dates indicated, the composition of the Group's total liabilities:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	Amount	Percentage of total amount (%)	Amount	Percentage of total amount (%)
Deposits from customers	724,272.2	73.85	673,401.8	71.61
Deposits and placements from banks and other financial institutions	36,657.0	3.74	35,568.7	3.78
Debt securities issued	133,863.2	13.65	171,330.1	18.22
Borrowings from Central Bank	38,712.6	3.95	31,218.0	3.32
Financial assets sold under repurchase agreements	35,283.1	3.60	15,086.1	1.60
Other liabilities ⁽¹⁾	11,865.4	1.21	13,823.2	1.47
Total liabilities	<u>980,653.5</u>	<u>100.00</u>	<u>940,427.9</u>	<u>100.00</u>

Note:

- (1) Other liabilities consist of staff salary payable, taxes payable, lease liabilities and other payables, etc.

As at 30 June 2020, the total liabilities of the Group increased by RMB40,226 million, or 4.28%, to RMB980,654 million as compared to the end of the previous year. Deposits from customers are the largest liabilities source of the Group, representing an increase of RMB50,870 million or 7.55% as compared to the end of the previous year. Deposits and placements from banks and borrowings from Central Bank increased by RMB8,583 million or 12.85% as compared to the end of the previous year. This was mainly due to the Group's active use of Central Bank's monetary instruments such as epidemic prevention and control, new Central Bank's special re-lending, re-loans in support of agriculture and micro and small enterprises, etc.; the debt securities issued decreased by RMB37.467 billion or 21.87% over the end of the previous year, which was mainly due to the timely adjustment of the Group's inter-bank liability structure based on the actual operation conditions.

Management Discussion and Analysis

(1) Deposits from Customers

The following table sets forth, as at the dates indicated, the composition of deposits from customers of the Group:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	Amount	Percentage of total amount (%)	Amount	Percentage of total amount (%)
Subtotal corporate deposits	162,996.2	22.50	156,030.7	23.17
Demand deposit	129,012.6	17.81	125,140.0	18.58
Time deposit	33,983.6	4.69	30,890.7	4.59
Subtotal personal deposits	554,132.0	76.51	511,571.7	75.97
Demand deposit	121,306.5	16.75	116,031.2	17.23
Time deposit	432,825.5	59.76	395,540.5	58.74
Pledged deposits	7,131.4	0.98	5,783.2	0.86
Other deposits	12.6	0.01	16.2	—
Total deposits from customer	<u>724,272.2</u>	<u>100.00</u>	<u>673,401.8</u>	<u>100.00</u>

In the first half of 2020, the Group leveraged its channel and retail advantages, and steadily increased deposits from customers. At of 30 June 2020, total deposits from customers amounted to RMB724,272 million, representing an increase of RMB50,870 million or 7.55% as compared to the end of the previous year, and accounted for 73.85% of total liabilities with 2.24 percentage points higher than that of the end of the previous year.

In terms of customer structure, corporate deposits amounted to RMB162,996 million with an increase of RMB6,966 million or 4.46% over the end of the previous year, accounted for 22.50% of deposits from customers, with a decrease of 0.67 percentage point compared to the end of the previous year; personal deposits amounted to RMB554,132 million with an increase of RMB42,560 million or 8.32% over the end of the previous year, accounted for 76.51% of total deposits from customers, with an increase of 0.54 percentage point compared to the end of the previous year, further reflecting the advantages of “retail establishment”.

In terms of term structure, the demand deposits amounted to RMB250,319 million, representing an increase of RMB9,148 million or 3.79% over the end of the previous year, and accounted for 34.56% of total deposits from customers, with a decrease of 1.25 percentage points compared to the end of the previous year. Time deposits amounted to RMB466,809 million, representing an increase of RMB40,378 million or 9.47% over the end of the previous year, with the proportion of total deposits from customers rising by 1.12 percentage points over the end of the previous year to 64.45%.

(2) Debt securities issued

The Bank has not issued any corporate bonds that are required to be disclosed in accordance with the requirements of the “Rules No. 3 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities—Contents and Format of Interim Report (Revision 2017)” and the “Rules No. 39 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities – Contents and Format of the Interim Report on Corporate Bonds”. For details, please refer to “Bonds Payable” under Notes to the Financial Statements.

(III) Shareholders’ Equity

The following table sets forth, as at the dates indicated, the composition of shareholders’ equity of the Group:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2020		As at 31 December 2019	
	Amount	Percentage of total amount (%)	Amount	Percentage of total amount (%)
Share capital	11,357.0	12.29	11,357.0	12.65
Capital reserve	21,014.6	22.74	21,014.6	23.40
Investment revaluation reserve	(137.1)	(0.15)	(106.6)	(0.12)
Actuarial revaluation reserve	(336.0)	(0.36)	(336.1)	(0.37)
Surplus reserve	11,283.6	12.21	11,283.6	12.56
General risk reserve	13,928.8	15.07	12,635.3	14.07
Retained earnings	33,642.7	36.39	32,365.7	36.04
Equity attributable to equity holders of the Bank	90,753.6	98.19	88,213.5	98.23
Non-controlling interests	1,671.0	1.81	1,588.8	1.77
Total shareholders’ equity	92,424.6	100.00	89,802.3	100.00

As of 30 June 2020, total equity amounted to RMB92,425 million, representing an increase of RMB2,622 million as compared to the end of the previous year, mainly attributable to the increase in retained earnings. In particular, investment revaluation reserve decreased by RMB31 million from the end of the previous year, mainly due to the changes in the fair value of financial assets measured at fair value through other comprehensive income invested by the Group; general risk reserve increased by RMB1,294 million as compared to the end of the previous year, mainly due to provision with an amount of 1.5% of the balance of risk assets at the end of the previous year.

(IV) Analysis of off-Balance-Sheet Items

Off-balance-sheet items of the Group mainly include unused credit card limit, acceptance bills, letters of guaranteed funds issued and letters of credit issued. As of 30 June 2020, the balances of unused credit card limit, acceptance bills, letters of guaranteed funds issued and letters of credit issued amounted to RMB20,380 million, RMB10,135 million, RMB3,791 million and RMB2,973 million respectively.

1. Operating Lease Commitments

As at 30 June 2020, the operating lease commitments of the Group that are not included in the measurement of lease liabilities were not significant.

2. Capital Expenditure Commitments

As at 30 June 2020, all the Group's capital expenditure commitments which have been approved but were unnecessary to be presented on the balance sheet were signed but unfulfilled contracts with amount of RMB495 million.

(V) Statement of Cash Flows

The following table sets forth, as at the dates indicated, the Group's cash flow statement:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Net cash flow from operating activities	58,214.4	31,036.3
Net cash flow from investing activities	(5,535.9)	(23,387.3)
Net cash flow from financing activities	(41,836.0)	(4,598.1)

Net cash inflows from operating activities of the Group amounted to RMB58,214 million with an increase of RMB27,178 million as compared to the same period of the previous year, which was mainly due to the net increase in financial assets sold under resale agreements and net decrease of placements with banks. In particular, cash inflow amounted to RMB115,355 million with an increase of RMB22,722 million; cash outflow amounted to RMB57,140 million with a decrease of RMB4,456 million.

Net cash outflow from investing activities amounted to RMB5,536 million. In particular, cash inflows amounted to RMB106,682 million with an increase of RMB26,428 million, which was mainly due to the increase in cash received from recovery of bonds investments; cash outflows amounted to RMB112,218 million with an increase of RMB8,577 million, which was mainly due to the increase in cash paid for bonds investments.

During the Reporting Period, net cash inflow from financing activities of the Group amounted to RMB41,836 million. In particular, cash inflow amounted to RMB96,586 million, which was mainly due to the Group's cash received by means of the issuance of bonds; cash outflow amounted to RMB138,422 million, which was mainly due to the repayment of debt securities.

(VI) Loan Quality Analysis

1. 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 2020		As at 31 December 2019	
	Amount	Percentage of total amount (%)	Amount	Percentage of total amount (%)
Normal	455,963.5	96.31	421,463.7	96.43
Special mention	11,417.4	2.41	10,161.3	2.32
Substandard	4,238.1	0.89	3,447.0	0.79
Doubtful	1,690.1	0.36	1,883.0	0.43
Loss	152.2	0.03	129.9	0.03
Total loans and advances to customers	473,461.3	100.00	437,084.9	100.00
Amount of non-performing loans	6,080.4		5,459.9	
Non-performing loan ratio (%)		1.28		1.25

In the first half of 2020, affected by the dual impact of the economic downturn and the COVID-19 pandemic, the related risks gradually shifted to commercial banks. As at 30 June 2020, the balance of non-performing loans of the Group increased by RMB621 million from the end of the previous year to RMB6,080 million; while the non-performing loan ratio was 1.28% which was 0.03 percentage point higher than that of the end of the previous year. Among which, the balance of non-performing loans of urban area and the balance of non-performing loans of county area accounted for 65.05% and 34.95% of the total non-performing loans of the Group, respectively.

2. Concentration of Loans

(1) Concentration by industry and distribution of non-performing loans

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2020				As at 31 December 2019			
	Loan amount	Percentage of total amount (%)	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Percentage of total amount (%)	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans	270,039.0	57.04	4,823.3	1.79	254,760.4	58.29	4,305.5	1.69
Manufacturing	64,121.7	13.55	1,594.8	2.49	61,130.0	13.99	1,741.4	2.85
Production and supply of electricity, gas and water	17,205.2	3.63	-	-	16,531.0	3.78	0.00	-
Real estate	7,206.7	1.52	-	-	8,032.9	1.84	692.3	8.62
Leasing and commercial services	58,115.9	12.27	7.8	0.01	50,481.8	11.55	2.0	0.00
Water conservancy, environment and public utility management	61,787.4	13.05	-	-	59,508.9	13.61	4.5	0.01
Construction	7,767.6	1.64	1,543.1	19.87	7,152.0	1.64	143.0	2.00
Wholesale and retail	19,407.9	4.10	443.9	2.29	18,792.1	4.30	332.7	1.77
Other	34,426.6	7.28	1,233.7	3.58	33,131.7	7.58	1,389.6	4.19
Personal loans	177,321.5	37.45	1,256.1	0.71	162,237.8	37.12	1,153.4	0.71
Discounted bills	26,100.8	5.51	1.0	0.00	20,086.7	4.59	1.0	0.00
Total	473,461.3	100.00	6,080.4	1.28	437,084.9	100.00	5,459.9	1.25

In the first half of 2020, in the face of the economic downturn and the COVID-19 pandemic, the Group has always adhered to prudent operation and strictly implemented the guidelines for credit investment and the national macro credit policy. The balance of real estate loans continued to decline, and some construction enterprises had great risks on account of the tight capital chain and difficulties in operation. As a result, the Group lowered its loan risk classification to non-performing based on the principle of prudence.

(2) Concentration of borrowers

In the end of June 2020, the Group's total loans to its largest single borrower accounted for 5.13% of its net capital while total loans to its top ten clients accounted for 25.15% of its net capital, both of which were in compliance with the regulatory requirements. As at 30 June 2020, all 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 2020	As at 31 December 2019	As at 31 December 2018
Loan ratio for the largest single client (%)	≤10%	5.13	5.15	5.95
Loan ratio for the single group client (%)	≤15%	6.28	6.37	7.75

Management Discussion and Analysis

② Loans to top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	As at 30 June 2020	
		Amount	Percentage of the total amount of loans (%)
Client A	Manufacturing	5,592.3	1.18
Client B	Leasing and commercial service	3,053.5	0.64
Client C	Water conservancy, environment and public utility management	2,897.1	0.61
Client D	Leasing and commercial service	2,584.3	0.55
Client E	Manufacturing	2,503.2	0.53
Client F	Water conservancy, environment and public utility management	2,449.7	0.52
Client G	Leasing and commercial service	2,203.0	0.47
Client H	Leasing and commercial service	2,067.4	0.44
Client I	Water conservancy, environment and public utility management	2,046.1	0.43
Client J	Water conservancy, environment and public utility management	1,994.0	0.42

3. 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 of the Group by product type:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2020			As at 31 December 2019		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	270,039.0	4,823.3	1.79	254,760.4	4,305.5	1.69
Short-term loans	84,340.4	1,042.3	1.24	78,134.2	1,225.7	1.57
Medium-and-long-term loans	185,698.6	3,781.0	2.04	176,626.2	3,079.8	1.74
Retail loans	177,321.5	1,256.1	0.71	162,237.8	1,153.4	0.71
Housing mortgages and personal loans for commercial real estate property	80,083.9	259.2	0.32	73,091.4	238.1	0.33
Personal business and re-employment loans	55,188.0	443.5	0.80	50,516.0	440.9	0.87
Other loans	42,049.6	553.4	1.32	38,630.4	474.4	1.23
Discounted bills business	26,100.8	1.0	0.00	20,086.7	1.0	0.00
Total	473,461.3	6,080.4	1.28	437,084.9	5,459.9	1.25

As at 30 June 2020, non-performing ratio of corporate loans of the Group increased by 0.1 percentage point to 1.79% as compared with the end of the previous year, whereas non-performing ratio of retail loans remained the same as that of the end of the previous year.

Management Discussion and Analysis

4. 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 2020		As at 31 December 2019	
	Percentage of the total amount of loans and advances		Percentage of the total amount of loans and advances	
	Amount	Percentage (%)	Amount	Percentage (%)
Restructured loans and advances to customers	708.0	0.15	623.6	0.14

5. 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 2020		As at 31 December 2019	
	Percentage of the total amount of loans and advances		Percentage of the total amount of loans and advances	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue within 3 months	3,032.3	0.64	2,010.5	0.46
Overdue for 3 months to 1 year	1,712.8	0.36	1,368.1	0.31
Overdue for over 1 year and within 3 years	1,446.7	0.31	1,404.3	0.32
Overdue for more than 3 years	87.0	0.02	279.1	0.07
Total overdue loans and advances to customers	6,278.8	1.33	5,062.0	1.16

As at 30 June 2020, the total overdue loans of the Group amounted to RMB6,279 million, representing an increase of RMB1,217 million from the end of the previous year. The Group's overdue loans accounted for 1.33%, representing an increase of 0.17 percentage point from the end of the previous year.

6. Changes in Provision for Loans Impairment

The Group (Expressed in RMB million, unless otherwise stated)	30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	8,545.0	5,205.7	6,993.4	20,744.1
Transfer:				
Transfer to stage 1	1,322.9	(1,288.6)	(34.3)	–
Transfer to stage 2	(487.9)	505.9	(18.0)	–
Transfer to stage 3	(136.3)	(159.3)	295.6	–
ECL changes arisen from stage transfer	(1,090.9)	912.4	744.1	565.6
New financial assets originated or purchased	3,710.2	–	–	3,710.2
Derecognition or settlement	(1,787.5)	(305.2)	(150.0)	(2,242.7)
Remeasurement	75.3	951.2	569.9	1,596.4
Write-offs and other transfer out of the year	–	–	(1,877.0)	(1,877.0)
Closing balance	10,150.8	5,822.1	6,523.7	22,496.6

As of 30 June 2020, impairment provisions for loan and advance measured at amortized cost amounted to RMB22,497 million, representing an increase of RMB1,753 million from the end of the previous year. In addition, the provision for discounted and re-discounted bill losses measured at fair value through other comprehensive income was RMB10 million.

Management Discussion and Analysis

7. Distribution of Loans 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 2020		As at 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Credit loans	60,064.2	12.69	52,668.6	12.05
Guaranteed loans	148,258.2	31.31	137,850.8	31.54
Collateralised loans	192,617.1	40.68	181,751.6	41.58
Pledged loans	72,521.8	15.32	64,813.9	14.83
Total loans and advances to customers	473,461.3	100.00	437,084.9	100.00

8. Loan Migration Ratios

Item(%)	30 June 2020	31 December 2019	31 December 2018
Migration ratios of normal loans	1.40	3.32	3.14
Migration ratios of special mention loans	24.57	7.40	39.30
Migration ratios of substandard loans	5.34	30.01	65.32
Migration ratios of doubtful loans	1.97	2.07	10.98

Note: The loan migration rate is calculated based on the 1104 statement of the CBIRC, which is group data.

(VII) Segment Information

1. Abstract of Geographical Segments

(Expressed in percentage)	As at 30 June 2020		As at 31 December 2019	
	County area	Urban area	County area	Urban area
Deposits	70.36	29.64	69.33	30.67
Loans	48.55	51.45	48.02	51.98
Assets	49.29	50.71	49.37	50.63
Loan-deposit ratio	45.11	113.46	44.96	110.01

(Expressed in percentage)	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	County area	Urban area	County area	Urban area
Return on average total assets	0.92	1.14	1.14	1.26
Net fee and commission income to operating income	9.58	11.07	10.01	10.00
Cost-to-income ratio	32.34	22.82	20.40	22.89

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2020			For the six months ended 30 June 2019		
	County area	Urban area	Total	County area	Urban area	Total
Net interest income	1,999.0	10,017.4	12,016.4	1,701.8	9,783.9	11,485.7
Net fee and commission income	624.6	819.3	1,443.9	625.8	701.7	1,327.5
Net trading gain	-	396.5	396.5	-	319.9	319.9
Net profit or loss of other businesses	(4.1)	70.3	66.2	25.1	34.2	59.3
Total operating income	2,619.5	11,303.5	13,923.0	2,352.7	10,917.4	13,270.1
Internal transfer income and expenditure	3,902.0	(3,902.0)	-	3,898.6	(3,898.6)	-
Adjusted earnings	6,521.5	7,401.5	13,923.0	6,251.3	7,018.8	13,270.1

Management Discussion and Analysis

In the first half of 2020, the Group's county-level deposits accounted for 70.36%, representing a year-on-year increase of 1.03 percentage points. County-level loan accounted for 48.55%, representing a year-on-year increase of 0.53 percentage point, and the county-level assets accounted for 49.29%, representing a year-on-year decrease of 0.08 percentage point. Based on Chongqing, the Group deeply cultivates the rural economy, continuously improves the county's financial service capabilities, and supports the development of county economy.

County area refers to regions other than 9 districts of 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 (曲靖分行) of the Chongqing Rural Commercial Bank.

2. Summary of Business Segment

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	Amount	Percentage of total amount (%)	Amount	Percentage of total amount (%)
Operating income				
Corporate business	4,960.4	35.63	4,607.9	34.72
Retail banking business	5,285.4	37.96	4,905.9	36.97
Treasury operation business	3,674.2	26.39	3,747.5	28.24
Unallocated	3.0	0.02	8.8	0.07
Total operating income	13,923.0	100.00	13,270.1	100.00

In the first half of 2020, the Group's operating income of corporate business was RMB4,960 million, accounting for 35.63%, representing a year-on-year increase of 0.91 percentage point; operating income of retail banking business was RMB5,285 million, accounting for 37.96%, representing a year-on-year increase of 0.99 percentage point; operating income of capital operation business was RMB3,674 million, accounting for 26.39%, representing a year-on-year decrease of 1.85 percentage points. In recent years, the Bank has been adhering to the strategy of "retail establishment" and releasing retail loans and small and micro loans in a fast manner, and insisting on optimizing the loan structure. The proportion of operating income from retail banking business continued to increase.

(VIII) Differences between the Financial Statements Prepared in accordance with Chinese Accounting Standards and IFRS

1. Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS

As a financial institution incorporated in the PRC, the Bank prepares the bank and consolidated financial statements of the Bank and its subsidiaries in accordance with the Accounting Standards for Enterprises promulgated by the Ministry of Finance of the PRC, relevant regulations issued by the CSRC and other regulatory agencies (collectively referred to as "Accounting Standards for Enterprises").

The Group also compiles consolidated financial statements in accordance with the International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board and the disclosure regulations applicable to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Therefore, there are some differences between the financial statements set out in this Report and the Group's financial statements prepared in accordance with Chinese Accounting Standards. The differentiated items and amounts are listed below:

(Expressed in RMB million, unless otherwise stated)	Net Assets (Consolidated)		
	30 June 2020	31 December 2019	31 December 2018
In accordance with Accounting Standards for Enterprises	91,984.5	89,362.2	71,708.7
Differentiated items and amount			
– Goodwill from acquisitions	440.1	440.1	440.1
In accordance with IFRS	92,424.6	89,802.3	72,148.8

2. Reasons for the Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS

The Bank was incorporated on 27 June 2008 as a limited company by shares, and the newly incorporated company acquired the assets and liabilities of 38 county/district rural credit cooperative unions, including the former Chongqing Rural Credit Cooperative Union (重慶市農村信用合作社聯合社), Chongqing Yuzhong District Rural Credit Cooperative Union (重慶市渝中區農村信用合作社聯合社) and Chongqing Wulong Rural Cooperative Bank (重慶武隆農村合作銀行) (the “Acquisition”). The Bank first implemented the Accounting Standards for Enterprises on 1 January 2009 and was not required to recognise the goodwill generated from the Acquisition. The Bank made an initial public offering of overseas listed foreign shares (H shares) on the Hong Kong Stock Exchange on 16 December 2010 and adopted IFRS for the first time in the same year. The goodwill generated from the Acquisition was retrospectively recognized in accordance with the relevant requirements of the first implementation of IFRS.

(IX) Changes in Significant Accounting Policies and 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. 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, scope of consolidation, and income taxes, etc.

III. Discussion and analysis of principal businesses

(I) Retail Business

The Bank proposed the strategy of “establishing banks with retail”, which is an advantage and a general trend. Under the strong market foundation of the Bank, the retail business had a solid foundation and a strong base to seize the market and achieve quality improvement and efficiency increment. In 2020, the Bank promoted the “six-type strategies” to achieve “six outcomes”, that are: developing customerisation to ensure the customer-centered philosophy “has a specific focus”; franchising business to ensure the large retail business “has a unique system”; intelligentising tools to ensure refined management “has a strong support”; scenarising network to ensure “having a good experience” in the Yukuai Living Spheres (渝快生活圈); professionalising personnel to ensure “competitiveness” when competing market peers; implementing branding to ensure “having the best reputation” in the Chongqing’s retail market, so as to promote a continuous steady growth in the retail business.

1. Personal Deposit and Loan Business

- (1) **Personal deposit continued to increase.** The Bank took full advantage of its regional advantages and strived to align its brand value-added services with key marketing campaigns and social responsibility, encouraging greater innovation during key business hours of peak seasons. Thus, retail deposits recorded a continuing increase. As at 30 June 2020, the balance of personal deposits of the Group amounted to RMB554,132 million, representing an increase of RMB42,560 million or 8.32% over the end of the previous year. The Bank remained unrivalled among its regional counterparts in terms of the amount, annual growth and market share of personal deposits.
- (2) **Personal loans developed steadily.** With a view to becoming the largest and the best local retail bank, the Bank insisted on business for small and micro enterprises, optimized the credit structure, stressed product innovation, implemented differentiated credit services and continued to support inclusive finance. It constantly consolidated the advantageous position of personal loan business and created an internet financial platform based on the existing advantageous channels including retail loan centres and operation outlets, and actively promoted the development of the professional institutes, so as to achieve the franchised institutes and professional personnel. As at 30 June 2020, the Group's retail loans amounted to RMB177,322 million, representing an increase of RMB15,084 million or 9.30% over the end of the previous year. Personal residential mortgage loans amounted to RMB80,084 million, representing an increase of RMB6,993 million over the end of the previous year. **There is significant room for customers to explore.** Among nearly 29 million retail customers of the Group, the number of personal loan customers reached 570,000 (excluding tri-party cooperative innovation loans), the number of existing customers was huge. In addition, the Bank accelerated the onlineisation process of offline retail loan business and accelerated the online development of primary housing loans, pledge loans, consumer loans, etc., to enhance customer experience and expand customer acquisition channels.

2. Bank Card Business

(1) Debit card business

The number of new debit cards recorded a stable growth. As of 30 June 2020, the total number of debit cards issued by the Bank reached 23,150,000; specially, nostalgia series of debit cards issued with the function of subsidizing foreign remittance fees gained remote deposits of RMB77,576 million and reached an issued number of 12,739,200.

(2) Credit card business

The Bank made persistent efforts to the innovation of credit card business, and was committed to branding credit card business with distinctive features and optimized the two main product lines of card products and assets business products. Rapid progress has been made in organization structures, customer exploration, business innovation, system construction and brand establishment. Based on the principles of “tilting resources in the front office, reducing staff and increasing efficiency in the middle office, and streamlining administration at the back office”, the Bank optimized its staffing and concentrated premium resources on product innovation. The Bank promoted credit card business innovation, launched products such as “Yukuai Car Life” (渝快車生活) and “Yukuai Family Life” (渝快家生活), and created the “Yukuai Life” (渝快生活) series brand. The Bank strengthened business innovation and introduced new products with market competitiveness such as upgraded car parking installment, home renovation installment, platinum card automatic installment, and advance loan installment. The Bank focused on fintech innovation, fully promoted the “Digital Credit Card” project, opened online channels such as credit card WeChat public account, WeChat applet and H5 page to strengthen credit card automatic approval and risk control capabilities. The Bank continued to build “Jiangyu credit card” product brand and focused on “regionalisation and specialisation 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, further rationalised the credit card system, continued to expand Internet-based electronic service channels, and improved credit card financial services and create opportunities for sustainable development.

In the first half of 2020, the credit card issuance scale grew rapidly, and transaction scale developed steadily. 237,800 new cards were issued by the Bank, reaching an all-time high, representing an increase of 91,600 new cards or 62.65% as compared to the same period of the previous year. The accumulative total number of credit cards issued by the Bank exceeded 1.25 million. In the first half of 2020, the cumulative number of consumptions related to credit cards amounted to 9,152,500 and the spending amount was RMB14,480 million. The issuance and transaction scale of credit cards continued to increase.

3. Wealth Management and Private Banking Business

Wealth management and private banking business developed rapidly. The Bank established 14 wealth management centers and built a professional customer investment advisory team. Focusing on customers, the Bank strengthened customer asset allocation, refined customer management, and accelerated the transformation of retail customer wealth management. As of the end of June 2020, the number of private wealth management and private banking customers increased by 736 compared with the beginning of the year, representing an increase of 50% year-on-year. Wealth management and private banking business developed rapidly.

4. Agency Business

With the deepening of the transformation of networks, the number of professional staff such as wealth management customer managers have gradually increased, and the agency business has developed with diversified and multiple products. The sales volume of products like non-monetary funds and insurance paid by installments increased significantly. The balance of non-monetary funds, comprising mainly of bond funds, increased by 39% from the beginning of the year. The sales volume of insurance paid by installments increased by 173.82% over the same period last year. Agency sales of Huaneng Trust products to meet the needs of customers with high risk tolerance recorded a initial scale of RMB220 million. The Bank successfully launched and implemented the first corporate bank family trust business in Chongqing.

(II) Small and Micro Enterprises Businesses

The Bank was committed to strengthening the application on financial technology innovation. Also, combing with the advantage of networks and personnel, the Bank continuously innovated small and micro financial service model, kept optimising the loan process for small and micro businesses, improved service efficiency and continuously promoted the deep integration and development of “online+offline” business. As of 30 June 2020, the number of inclusive small and micro enterprise loans¹ of the Bank amounted to 128,104, representing an increase of 4,448 over the beginning of the year. The outstanding loan balance amounted to RMB73,049 million, representing an increase of RMB7,854 million or 12.05% as compared to the beginning of the year, in addition to 3.52 percentage points higher than the average loan growth rate of the Bank; the interest rate of newly issued inclusive small and micro enterprise loans was maintained within a reasonable range, non-performing ratio was controlled at a low level, and the regulatory goal of “two increases and two controls”² was achieved at the end of the half year. The Bank was awarded “2019 Outstanding Bank for Small and Micro Enterprises Financial Services” by CBIRC Chongqing Office and was rated as excellent in the “Small and Micro Enterprise Credit” in the 2019 credit policy orientation effect evaluation by the Chongqing Business Management Department of PBOC.

¹ Inclusive small and micro enterprise loans refer to small and micro enterprises loans, individual business owners, and small and micro enterprise owners business loans with total individual credit amount below RMB10 million (inclusive).

² “Two increases” refers the growth rate of inclusive small and micro enterprise loans is not less than the growth rate of various loans as compared with that to the beginning of the year, and the number of enterprises with loan balances is not less than the level at the beginning of the year; “two controls” means that the Bank reasonably controls the loan and asset quality and comprehensive cost of loans of small and micro enterprises.

1. Online and Offline Operations Drove “Volume Increment and Coverage Expansion”

The Bank actively expanded the credit information collection channels for small and micro enterprises, continued to strengthen the innovation of small and micro financial products and businesses, relied on newly launched big data-based “Shuikuai Loan (税快贷)” product, and developed the “self-service contract and self-service mortgage of personal business loans” function so that borrowers can sign loan contracts and handle mortgage registrations through mobile banking or micro-banking of the Bank. The Bank performed iterative calculations on the functions of self-service withdrawal and self-service renewal of personal operating loans, and increased the business coverage to 97%; it optimized the “Express Property Loan (房快贷)” and “Express Bill Discounting (票快贴)” model and effectively ramped up the promotion thereof. At the same time, in combination with the Bank’s abundant offline small and micro financial products, the Bank continued to strengthen the cooperation between the Bank and the government and between the Bank and national financing guarantee fund to provide financing services for small and micro enterprises and individual industrial and commercial households throughout the growth cycle, and to continuously expand the coverage of small and micro financial services.

2. Focused on Inclusive Finance and Fulfilled “Responsibility and Commitment”

The Bank conscientiously implemented the central government’s policies and planning of the “six stabilities” and “six guarantees”, solidly performed small and micro financial services, and separately implemented inclusive small and micro credit plans to help stabilize enterprises and ensure employment. Firstly, after outbreak of the pandemic, the Bank included companies in the list of key support companies for pandemic prevention and control and those related to materials for pandemic prevention and control and living in the scope of priority support customers for credit investment, and proactively coordinated with them and made good use of special pandemic prevention reloan funds to meet their reasonable financing needs. Secondly, since the resumption of work and production, the Bank made good use of the Central Bank’s re-loans in support of agriculture and micro and small enterprises, re-discounted funds, inclusive small and micro enterprise credit loans and deferral support tools to provide low-cost fund support to small and micro enterprises, individual businesses, and small and micro business owners, expand the benefit coverage of the policy, and vigorously alleviate the financing difficulties of small and micro enterprises.

(III) Corporate Business

1. Corporate Deposit and Loan Business

The Bank followed the national “Belt and Road” initiative, assisted the construction of “two highs” and “two places” in Chongqing, and continued to strengthen financial support for major national and local strategic projects and intelligent industry. The Bank actively responded to the national green development strategy and put great effort to develop the green financial business. The Bank continued to strengthen its support for the “benefiting people’s livelihood” areas such as healthcare and education and firmly fulfill its social responsibilities. During the Reporting Period, the Group promoted the corporate business appropriately, prudently, and steadily in accordance with national macro-economic adjustment and control, external regulatory policies, and regional economic operations, and in accordance with the principles of legal compliance and commercial sustainability.

(1) Corporate deposit business

During the Reporting Period, the Bank actively carried out marketing activities in the peak season for corporate deposits. The Bank organized business training themed on deposits and continued to make precise marketing. As of 30 June 2020, the Group's corporate deposits amounted to RMB162,996 million, ranking third in the Chongqing regional local and foreign currency market.

By grasping the promotion and application of online products such as account marketing, payment settlement and accelerated cash management, the deposit structure has been continuously optimised. As of the end of the Reporting Period, the average annualised cost rate of the Group's corporate deposits was 1.27%. The proportion of demand deposits accounted for 79.15% of the Group's corporate deposits. The proportion of demand deposits maintained relatively high.

(2) Corporate loan business

As of 30 June 2020, the Group's corporate loans without discount were RMB270,039 million, ranking third in the Chongqing regional local and foreign currency market; the average annualised yield of the Group's corporate loans without discount was 5.05% and the corporate loan-deposit spread was 3.78%; and the loans of the Group's corporate loans without discount increased by RMB15,279 million, representing an increase of 6% as compared to the end of previous year.

Major strategies

As of 30 June 2020, the Bank supported the construction of the Yangtze River Economic Belt with a loan balance of RMB149,085 million, supported the "Belt and Road" initiative with a loan balance of RMB13,394 million, supported the construction of inland open highland with a loan balance of RMB12,196 million, and supported the construction of Ecological Security Shelter in Upper Yangtze River with a loan balance of RMB6,437 million.

Intelligent upgrade

As of 30 June 2020, the loan balance of the Bank's strategic emerging industries was RMB45,085 million, of which the loan balance of strategic emerging manufacturing industry was RMB10,065 million and the loan balance of strategic emerging service industry was RMB35,020 million.

Green Credit

On 27 February 2020, the Bank announced the adoption of the Equator Principles, becoming the fourth equator bank in China and the first in the Midwest. The Bank improved its green finance organization structure, established department of green finance and formulated green credit development guidelines. By the guide of resource allocation, the Bank formed green credit incentives, and focused on supporting the development of green environmental protection industries represented by waste-to-energy, wastewater treatment and ecological restoration. As at 30 June 2020, the balance of green credit of corporate loans was RMB17.319 billion, representing an increase of RMB1.856 billion from the beginning of the year.

People's Livelihood

As of 30 June 2020, the balance of loans in the people's livelihood area was RMB21,969 million, representing an increase of RMB549 million as compared to the beginning of the year.

The Group adjusted its business structure in a timely manner in accordance with market developments. Corporate loans mainly went to the industries such as manufacturing, water conservancy, environmental and public utility management, leasing and commercial services, wholesale and retail, production and supply of electricity, heat, gas and water, which accounted for 13.55%, 13.05%, 12.27%, 4.10% and 3.63% of the total amount of loans of the Group as of 30 June 2020. The top ten largest loan customers accounted for 5.79% of the Group's loans, representing a decrease of 0.08 percentage points over the end of previous year.

2. Institutional Business

As the first A-share listed corporate bank in Chongqing area, the Bank continued to strengthen the construction of cooperation channel with functional departments of the Chongqing Municipal Government, the financial industry and institutions at different levels. Through businesses such as social security fund issuance, treasury cash management, government bond underwriting, non-tax business collection and pre-sale fund supervision, the Bank maintained close cooperation with 36 municipal agencies, including the Chongqing Municipal Finance Bureau, Human Resources and Social Security Bureau and Housing and Construction Committee. To fulfill the social responsibility of a local bank, the Bank exclusively provided tax authorities with collection services for basic endowment insurance for urban and rural residents and cooperative medical insurance for residents to strengthened financial services in the areas of pension and medical security. In addition, the Bank actively built an "institutional alliance" information platform to share source information, realize the coordination between the headquarters and branches and between departments. It promoted the steady development of the Company's business through product portfolio services.

3. International Business

Affected by the Sino-US trade war and the pandemic, the main indicators of the international business fluctuated significantly. However, the current development situation is gradually recovering. During the Reporting Period, the international settlement amounted to USD2,604 million (including cross-border settlement of RMB1,532 million), representing a year-on-year decrease of 13.43%, foreign exchange settlement amounted to USD887 million, a year-on-year decrease of 23.40%, the on-balance-sheet and off-balance sheet trade financing balance and foreign currency loan balance amounted to USD1,592 million, representing an increase of USD125 million as compared to the beginning of the year. The number of foreign exchange customers of the Bank reached 1,170, representing an increase of 45 customers from the beginning of the year, and 311 of which were active customers, representing a proportion of 6.02% in the market. **Transaction volume of foreign exchange transaction ranked the first among local corporate banks in Chongqing**, of which the transaction volume of foreign currency interbank borrowings was USD3,893 million. The transaction volume of interbank foreign exchange swaps and foreign exchange settlements amounted to USD1,783 million. **The interbank collaboration was continually improved.** The Bank has obtained USD8,900 million from financial institution credit at home and abroad. Derivatives counterparties increased to 27, overseas disbursement counterparties increased to 36 and forfeiting counterparties increased to 37.

In addition, the international business has achieved certain work highlights, including:

Achieving a new breakthrough in cross-border financing – The Bank successfully handled the first “internal guarantee direct loan” business of government platform enterprises under the full-caliber cross-border financing macro-prudential model, and helped a company to raise cross-border RMB funds of RMB295 million.

Making new contributions to the prevention and control of the pandemic – Firstly, it achieved significant results in supporting foreign trade companies to fight the pandemic. The Bank signed a cooperation agreement with the Municipal Commission of Commerce to issue preferential loans to companies on the list of the Commission of Commerce and help companies obtain interest subsidies, issuing loans to 56 companies on the list with a loan balance of nearly RMB1.8 billion, ranking first in Chongqing city. **Secondly, it gave full play to advantages to help foreign trade companies combat the pandemic and resume production.** The Bank opened up a “green channel” in a timely manner to provide foreign trade companies with efficient, preferential and convenient cross-border settlement, and actively supported foreign trade customers to combat the epidemic and resume production by using international business products, providing a total of 11 convenient settlements and 106 trade financing transactions, with an amount exceeding USD400 million.

Launching new export disbursement products – The Bank seized market opportunities to handle export disbursement of USD51 million for a company, successfully conducted the first export disbursement business and further enriching the Bank’s trade financing product portfolio.

Expanding new platform for international business – The Bank built an online smart service platform to actively promote online smart services for international business, support customers in handling international business online, and effectively improve customer experience and satisfaction. As of the end of Reporting Period, 56 international business customers have opened online functions, and the self-service foreign exchange settlement alone has reached USD10 million.

Launched a new cross-border payment service – The Bank fully launched the innovation service for global payment – SWIFT GPI, becoming the first local bank in Chongqing to launch the service. It helped the Bank provide customers with high-quality, fast, transparent, and traceable cross-border financial services, greatly improving customer experience and satisfaction.

Opening up a new path for Singaporean currency clearing – With in-depth furtherance of China-Singapore cooperation, the Bank officially opened a Singaporean currency clearing account with OCBC Singapore and established a new path for Singaporean currency clearing, which has further improved the Bank’s foreign exchange fund settlement efficiency. It will play an active role in business development under the Sino-Singapore Project.

(IV) Financial Market Business

1. Overview of Inter-Bank Business

(1) Continued to enhance market influence of the Bank

During the Reporting Period, the Bank passed the comprehensive assessment of the PBOC and successfully awarded as primary dealer of open market business in 2020. The transaction volume of the Bank’s inter-bank bond market was RMB12 trillion, ranking 23rd in the market, up by 4 places compared with the end of last year. During the Reporting Period, the Bank had been recognized as the “Active Interbank Dealers of X-Repo” (銀行間質押式逆回購匿名點擊業務活躍交易商) and the “Active Institution of X-Lending” (債券借貸意向報價活躍機構).

(2) Placing equal emphasis on epidemic prevention and control and business development

In terms of epidemic prevention and control, the Bank has actively participated in open market business, earnestly transmitted monetary policies, provided timely liquidity support to small and medium-sized banks and non-bank institutions, and endeavored to maintain financial market stability since outbreak of the COVID-19. The Bank successfully issued the first special interbank deposit certificate for epidemic prevention and control in Chongqing with a total amount of RMB300 million, which is to be used to issue loans to enterprises related to epidemic prevention and control in this city; meanwhile, the Bank applied to the PBOC for re-discount funds using its bills discounted, further enriching financing channels for small and medium-sized micro-enterprises and reducing capital costs for the purpose of strengthening support for small and medium-sized micro-enterprises and work and production resumption.

In terms of business development, the Bank has continued to promote the transformation of offline business to online business so as to ensure the normal development of business during the COVID-19. During the Reporting Period, the Bank obtained the qualification for online deposit principal dealer of CFETS, and became one of the 38 principal participating institutions nationwide, expanding the scope of online deposit counterparties and laying a solid foundation for the steady development of online deposit business.

(3) Continued to improve structure of assets and liabilities of the Bank

With respect to asset management, the Bank increased the allocation of standardized assets, such as bonds and funds, at times of high yields by analyzing and judging the macro economy and market environment, taking into account the latest regulatory situation and requirements, so as to maintain stable yields; with respect to liability management, the Bank consolidated good interbank market cooperative relationships, reasonably planned the term of liabilities, and opportunistically absorbed funds through the issuance of interbank certificates of deposit, interbank deposits, repurchase of bills and other businesses, adopting a multi-pronged approach to continuously reduce the cost of liabilities while ensuring the safety of liquidity.

(4) Continued to optimise internal control system of the Bank

The Bank improved its systematic procedures, laying a solid foundation for maintaining business compliance. In order to prevent any risks occurred in the course of business development, the Bank, from front to middle to back offices, continued to strengthen its risk assessment and prevention, following the financial market business approval requirements which focused on both internal and in-line approval.

2. Segment Assets

As of 30 June 2020, the total size of operating assets was RMB618,641 million, of which the financial investments³ amounted to RMB389,674 million; cash and balances with Central Bank amounted to RMB67,593 million; deposits and placements with banks amounted to RMB135,949 million; financial assets held under resale agreements amounted to RMB12,524 million; discounted bills amounted to RMB10,401 million.

³ Financial investments include financial assets measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortised cost, which exclude equity investment.

(1) Distribution of financial investments

As of 30 June 2020, financial assets measured at fair value through profit or loss amounted to RMB27,752 million, accounting for 7.12% of total financial investments. Financial assets at fair value through other comprehensive income amounted to RMB13,463 million, accounting for 3.45%. Financial assets measured at amortised cost amounted to RMB348,459 million, accounting for 89.43%.

(2) Distribution of financial investments by credit rating

(Unit: RMB million, except for percentage)

Credit ranking	30 June 2020	Percentage %	31 December 2019	Percentage %
AAA	63,404.3	16.27	51,378.3	13.64
AA	13,042.6	3.35	12,149.1	3.22
A and below	102.8	0.03	161.9	0.04
Unrated	313,123.8	80.35	313,086.1	83.10
Total	389,673.5	100.00	376,775.4	100.00

In 2020, with the expectation of a macro situation in which more flexible and moderate monetary policy and real economy support will be maintained, the Group determined the bond investment strategy of “risk prevention, appropriate allocation, delicate selection”.

With respect to operation, given the fluctuating 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, to select medium-term bonds with better quality and higher coupon rate at higher interest rate for investments as well as increase in holdings of debt securities issued by policy banks, bonds issued by local government with better liquidity and AAA rating as well as high-rated asset securitization products.

As of 30 June 2020, financial investment with a rating of AA and above increased by RMB12,920 million, or 2.76 percentage points in proportion to total financial investments as compared with the end of the previous year, while unrated financial investments increased by RMB38 million, with a decrease of 2.75 percentage points in proportion to total financial investments, as compared with the end of the previous year. Unrated financial investments 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

(Unit: RMB million, except for percentage)

Maturity	30 June 2020	Percentage %	31 December 2019	Percentage %
Within 3 months (inclusive)	43,959.1	11.28	36,605.3	9.72
3 to 12 months (inclusive)	66,440.3	17.05	90,087.3	23.91
1 to 5 years (inclusive)	147,765.5	37.92	141,656.4	37.60
Over 5 years	131,508.6	33.75	108,426.4	28.77
Total	389,673.5	100.00	376,775.4	100.00

As of 30 June 2020, the Group's financial investments with a remaining maturity of less than 12 months decreased by RMB16,293 million, with a decrease of 5.3 percentage points in proportion to total financial investments, from the end of the previous year. Financial investments with a remaining maturity of 1 to 5 years increased by RMB6,109 million, with an increase of 0.32 percentage points in proportion to total financial investments, from the end of the previous year; financial investments with a remaining maturity of over 5 years increased by RMB23,082 million, or 4.98 percentage points in proportion to total financial investments from the end of the previous year. These are 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 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

As of 30 June 2020, the value of the Group's financial institution bonds amounted to RMB100,021 million which consisted of debt securities issued by policy banks of RMB60,907 million, asset securitization products of RMB28,298 million, commercial banking debts of RMB7,630 million and bonds issued by other financial institutions of RMB3,186 million. The table below sets out the top ten financial bonds in terms of nominal value held by the Group as at 30 June 2020:

(Unit: RMB million, except for interest rate per annum)

Name of debt securities	Nominal value	interest rate per annum (%)	Maturity Date
Debt securities issued by policy banks in 2019	10,000.00	3.48	2029/1/8
Debt securities issued by policy banks in 2019	5,750.00	3.45	2029/9/20
Debt securities issued by policy banks in 2020	5,000.00	3.07	2030/3/10
Debt securities issued by policy banks in 2018	4,240.00	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
Interbank asset securitization products in 2020	2,000.00	3.20	2031/2/26
Debt securities issued by policy banks in 2018	2,000.00	4.04	2028/7/6
Debt securities issued by policy banks in 2017	2,000.00	4.30	2024/8/21
Debt securities issued by policy banks in 2019	2,000.00	3.65	2029/5/21

3. Asset Management Business

The Bank strictly complied with the regulatory requirements, actively responded to pressures and challenges, and steadily promoted the transformation of wealth management business in terms of products, investment, risk control, operations, and systems adhering to the principle of prudent operation. During the Reporting Period, the Bank's wealth management business operated steadily. Its quality of asset allocation was good, risk control was continuously in place, and technological support was further strengthened. The Bank was the first bank among rural commercial banks in China and corporate banks in western region to be approved to establish a wealth management subsidiary.

During the Reporting Period, the wealth management business showed an overall trend of “two stabilities and two increases”. Firstly, the scale of wealth management products was stable. The Bank endeavored to overcome the impact of the pandemic. At the end of the Reporting Period, the existing scale of wealth management products was RMB130.995 billion. Though it was a slight decrease from the beginning of the year, the overall scale remained stable. Secondly, investment in wealth management products remained stable. The Bank adhered to a prudent and conservative investment strategy, focused on fixed-income asset investment and improving credit rating research capabilities to accurately grasp market trends and balance the risks and returns of asset investment. Thirdly, the proportion of net-worth increased. As at the end of the Reporting Period, the scale of net-worth products reached RMB86.415 billion, accounting for over 65%, an increase of 13.33 percentage points from the end of the previous year. The transformation towards net-worth products was actively promoted, and the product structure continued to be optimized. Fourthly, the brand value continued to increase. During the Reporting Period, the Bank continued to provide investors with wealth management products with various maturities and diverse types. To help prevent and control the epidemic, the Bank launched medical staff-themed wealth management products, and issued public “war against epidemic” wealth management products to effectively meet the wealth management needs of customers. As such, the Bank’s advantages as a featured asset management brand gradually emerged.

4. Investment Banking Business

The Bank successfully obtained the qualification of trustee for debt financing instruments of non-financial corporations; led underwriting of 7 bonds, with an aggregate share of RMB2.64 billion, a year-on-year increase of 46.67%; successfully led underwriting of Chongqing’s first batch of epidemic prevention and control bonds to alleviate shortage of funds for the resumption of work and production; newly joined underwriting syndicates for local government bonds of Zhejiang, Hubei, and Xiamen, with the total number of syndicates joined reaching 15 and the local government bonds underwritten by syndicates joined amounting to RMB10.335 billion, a year-on-year increase of 70.43%; successfully completed the Bank’s work on RMB2 billion of special financial bonds for “agriculture, rural areas and farmers” and RMB8 billion of ordinary financial bonds, of which RMB8 billion of ordinary financial bonds set the Bank’s record for the largest single issuance and the lowest coupon rate. At the same time, it established a post-supervision management system, strengthened process standardization and internal risk control, and steadily improved the development level of the investment banking business.

5. Asset Custodial Business

As of the end of the Reporting Period, the asset custodial scale was RMB131,282 million. During the Reporting Period, no material custody risk events occurred.

(V) Financial Technology

1. Following “Empowering the Bank With Talents” To Continuously Expand Financial Technology Talents Team

The Bank extensively recruited financial technology talents through various channels such as internal selection, external introduction, and campus recruitment. In the first half of this year, the Bank introduced more than 20 talents in research and development, risk control, products, and management, etc. At present, the Bank’s financial technology line has nearly 400 technical personnel, accounting for 2.5% of the Bank’s total employees. The Bank has established a number of professional teams to cultivate and reserve a comprehensive talent echelon of “channel + business + data + technology + cooperation” for the entire Bank.

2. Promoting the Establishment of a Financial Technology Platform to Consolidate the Foundation of the Bank’s Development and Transformation

The Bank focused on the establishment and optimization of the four financial technology platforms of face recognition, voice recognition, semantic recognition, and image recognition to continuously access to application scenarios in the Bank. The Bank completed the transformation of more than 300 transactions involving facial recognition, supporting businesses such as ATM withdrawals by face scanning, people and card recognition at counter, cardless banking, etc., as well as scenarios such as smart buildings, VIP non-sensing identification at outlets, and face recognition upon arrival at stores. The daily average call volume of facial recognition was 150,000 times. It is conservatively estimated that, the application of the remote identification verification at counter could save more than 20 manpower per day. Since its launch on 24 December 2019, Smart Collection, which used a combination of voice and semantic capabilities, had a total of 148,000 outbound calls as at the end of June, collecting more than 50 million M1 overdue debts from more than 70,000 customers. At the same time, the Bank is currently actively building and implementing technology platforms such as video banking, smart outbound calls, smart knowledge bases, and RPA.

3. Developing Online Products to Continuously Enrich and Improve Customer Financial Service System

The Bank continuously enriched its online product system through independent innovation and cooperative innovation. During the epidemic, the Bank launched convenient online financial services and effectively used financial means to promote the resumption of production and work. In the first half of the year, the balance of online loans was RMB30.621 billion, a net increase of RMB11.363 billion. The overall business risk was under control. Among independently innovated products, the Bank continuously optimized and iteratively calculated the online loan products with independent risk control such as “Yukuai Loan” (渝快貸), “Express Bill Discounting” (票快貼), and “Express Property Loan” (房快貸). “Shuikuai Loan (稅快貸) (Personal Edition)” has started trial operation. At the same time, during the epidemic, the Bank gave full play to the advantages of contactless service for independently innovated

loans to support the credit needs of enterprises and individuals during the epidemic. The loan balance was RMB12.223 billion, representing an increase of 165%. At the same time, in the first half of the year, the Bank also launched online products and services such as the payment scenario product “Yukuai Bu” (渝快購) installment-payment mall, the online group deposit product “Pinpin Deposit” (拼拼存), online corporate account opening, and cash reservations, among which online corporate account opening has completed appointments for more than 8,000 customers since it went live in March this year.

4. Strengthening operation and management of online channel to effectively improve customer service reception experience

The Bank strengthened the operation and management of online channels such as mobile banking APP and WeChat Bank through 9 major platforms including “Chongqing Rural Commercial Cloud”, smart bank big data platform, unified channel access, smart marketing, smart customer service, and smart risk control. The Bank carried out smart promotion and marketing. Through applications of big data, the Bank refined the “guess what you want” rules and guided customers to handle financial business on their own in a “contactless” manner during the epidemic. The Bank targeted 31 groups of people to place 156 marketing strategies, achieving precise marketing through online channels. The Bank enhanced the safety management of online channel. The Bank adopted intelligent risk prevention and control methods such as the combination of full-process coverage, level-by-level prevention and control and multi-verifications to protect all channel transactions of electronic banking. In the first half of the year, online channels used face recognition 12.8 million times and fingerprint authentication 16.22 million times. The Bank provided intelligent customer service. The Bank continuously improved its online channel service capabilities through customer behavior analysis and customer satisfaction surveys. In the first half of the year, the average monthly visits and consultations of intelligent customer service exceeded 60,000 times, diverting more than 30% of customer calls received by the manual customer service of the customer service center.

5. Continuously protecting intellectual property rights to create a characteristic “patent pool” and “standard library” for rural commercial banks

Based on the independent ownership of “platform structure + key technologies”, the Bank’s financial technology adhered to the innovation and breakthrough of the whole system, exploring ways to achieve major breakthroughs. Focusing on key areas such as AI intelligence and experience improvement, the Bank started its comprehensive intellectual property protection, and established a “patent pool” (專利池) for core areas. Currently, the Bank has 1 invention patent, and 46 appearance and utility model patents have been authorized. In the first half of the year, the Bank submitted a total of 11 applications for invention patents in image recognition and voice recognition. A total of 18 invention patents were under review. At the same time, as the only observer unit in the central and western regions selected into China Financial Standards Technology Committee, the Bank was actively engaged in the construction of financial standardization. In the first half of the year, the Bank completed the formulation of 2 corporate standards and participated in the formulation of 2 group standards. Its experience in standardization construction was highly recognized by the regulatory authorities.

6. Relying on the advantages of mechanisms and policies to continuously promote the innovation and development of financial technology

The Bank formally approved the establishment of a financial technology laboratory in the first half of the year to actively explore cooperation with external companies using the financial technology laboratory as a carrier, and to explore the application of emerging technologies such as 5G, the Internet of Things, blockchain, and multi-party learning, especially in the application scenarios of the lower-tiered rural markets. At the same time, as a participating bank in the two national-level pilot projects for financial innovation application, “Financial Technology Pilot” and “Financial Standard Innovative Application”, the Bank fully relied on the advantage of the policy that Chongqing is a national financial technology innovation supervision pilot to actively carry out the innovation and application of sandbox supervision application projects while continuing to develop innovative applications. Currently, the Bank has a number of projects included into the local regulatory database.

(6) 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 5 branches, 26 first level sub-branches, 99 secondary level sub-branches and their 1,329 distribution outlets, 2 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 services in county area, all of which have led to the rapid growth of financial services in county area.

As of 30 June 2020, the loan balance of the financial business⁴ of the Group in county area amounted to RMB229,871 million, representing an increase of RMB19,973million, or 9.52%, over the end of the previous year. In particular, the corporate loan balance of the financial business in county area amounted to RMB100,944 million which accounted for 34.09% of the corporate loan balance of the Group, representing an increase of RMB9,693 million, or 10.62%, over the end of the previous year. The personal loan balance of the financial business in the county area amounted to RMB128,927 million, representing an increase of RMB10,280 million, or 8.66%, over the end of the previous year, accounting for 72.71% of the personal loan balance of the Group. The deposits balance in county area amounted to RMB509,582 million, representing an increase of RMB42,697 million, or 9.15%, over the end of the previous year.

⁴ 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 9 central districts such as Yuzhong District, Jiangbei District, and Nan’an District. It also includes loans released by 12 village and township banks and Qujing Branch.

The Bank fully implemented strategic deployment of the Party and the State, followed the general keystone of making progress while maintaining stability, adhered to the new development concept, benchmarked against and pursued the target tasks of comprehensively building a moderately prosperous society, strengthened the alignment of financial service measures, and paid close attention to the implementation of measures. Based on the new industries, new business normal and new dominance in county areas, channelling of financial resources was propelled to help ensure that agricultural production and supply are stable, farmers' incomes are increased, and rural areas are harmonious and stable. As of 30 June 2020, the balance of agricultural loans of the Group⁵ amounted to RMB162.403 billion.

1. Reform and Innovation

(1) 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 on a regular basis by Sannong Financial Service Committee of the Board to listen to a report on the work of Sannong financial services and focus on reinforcing the strategic move on Sannong financial services. Financial Service Committee for Sannong and Poverty Alleviation under senior management considered a work plan on 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 in the head office 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.

(2) 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 special assessment scheme and implemented a differentiated incentive policy toward the business of Sannong. 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.

⁵ The agricultural loans refer to loans to farmers, loans to rural enterprises and various organizations, loans to urban enterprises and various organizations directing to activities related to agriculture, forestry, husbandry and fishery industry as well as supporting agriculture and rural development in accordance with the “Special Statistics System of Agricultural Loans” (《涉農貸款專項統計制度》) (Yin Fa [2007] No. 246).

(3) Innovation-driven

With a focus on the improving inclusive financial services, the Bank accelerated innovative product and service models and increased financial supply for “Sannong”. The Bank actively promoted cooperation models such as bank to government and bank to guarantor, continued to promote 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 or service models to meet the diversified financial needs of customers in rural areas. The Bank also revised and improved existing measures and operating procedures of “Sannong” credit loan based on new changes, new characteristics and new demands of rural areas, so as to promote the integration of products and markets.

2. 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. The Bank launched a complete product line from traditional deposit, loan and remittance to new investment and financing, and carry out differentiated and characteristic financial service alignment for different types of individual customer groups to continuously improve customer service experience. At the same time, with a focus on supporting targeted poverty alleviation with finance, the Bank rolled out the “eight actions” for financial poverty alleviation, namely: party-building poverty alleviation action, industrial poverty alleviation action, credit poverty alleviation action, channel poverty alleviation action, consumption poverty alleviation action, employment poverty alleviation action, intellectual alleviation action and alignment poverty alleviation action, to continuously optimize inclusive financial services and contribute to the victory in the battle against poverty with hard work, effective results and high quality.

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 11.2 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 RMB14,495 million as of 30 June 2020. In the first half of 2020, the number of individual pensions withheld by the Bank amounted to 4,400 thousand, totaling RMB1,189 million; the number of individual pensions paid by the Bank as an agent amounted to 24,600 thousand, totaling RMB9,473 million. These services provided the Bank with an extensive customer base and helped stabilize the customer resources and facilitate the development of the Bank’s businesses.

The Bank made greater efforts in the construction of electronic channels in county area and vigorously marketed the Jiangyu Card (江渝卡), the Jiangyu Xiangqing Card (江渝乡情卡), the Farmer's Fortune Card (福农卡), credit card and mobile banking, etc. As of 30 June 2020, the Bank operated 2,972 ATMs, 560 multimedia enquiry machines in county area and established and operated 484 convenient rural financial self-service centers. The number of debit cards and credit cards issued by the Bank in county area also increased by 754.4 thousand and increased by 189.8 thousand over the end of the previous year, respectively, to 18,177.3 thousand and 968.2 thousand, respectively, which accounted for 78.57% of the debit cards issued by the Bank and 77.35% of the credit cards issued by the Bank, respectively. 8,347.5 thousand customers in county area opened for mobile phone banking service, accounting for 79.89% of the number of customers opening for mobile phone banking service of the Bank and representing an increase of 714.9 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.

3. Corporate Banking Business in County Area

During the Reporting Period, we centered 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 actively promoted the grassroot-level settlement account through online and offline distinctive financial services, targeting at agricultural industrialisation leading enterprises, whilst continuing to increase financial support for the country and the local poverty alleviation work.

The Bank had been working on the reform of the rural collective property rights system, earnestly opened corporate settlement accounts for the rural collective economic organization in county area, expediting the facilitation and online process of corporate settlement for the grass root-level collective economic organization. The Bank continued to tighten classified management of corporate customers in county area, energetically intensify marketing efforts and strive to foster core customer groups. As of 30 June 2020, the Bank supported 452 agricultural industrialisation leading enterprises, the outstanding balance of loans amounting to RMB10,270 million, representing an increase of RMB390 million as compared to the end of the previous year.

The Bank placed utmost emphasis on poverty alleviation work and offered financial assistance to the nation and local poverty alleviation action plan, through the following ways: 1. By launching new product Jiangyu anti-poverty loan, the Bank continued to increase its support towards the infrastructure construction projects in underprivileged districts and counties. As of 30 June 2020, the Bank granted Jiangyu anti-poverty loans to 20 customers, adding new input of RMB150 million this year, the outstanding balance of loans amounted to RMB1,450 million, an increase of RMB124 million as compared with the last year. 2. By implementing the deployment requirements of the Central Committee of the CPC and the State Council for stabilizing pork production and ensuring market supply actively, innovating models, and completing the issuance of mortgage loan for live pig in Chongqing City. As of 30 June 2020, the outstanding balance of pledged loan for live pig of the Bank was RMB30 million. 3. Keeping on its support towards the land reclamation work of rural construction lands. As of 30 June 2020, the Bank granted RMB15,840 million credit in accumulate to the reclamation project, the accumulated amount of loans provided by the Bank was RMB10,022 million, the outstanding balance of loans was RMB536 million, assisting 182.2 thousand acres of rural construction land to undergo reclamation.

(VII) Distribution Channels

1. Physical Outlets

Operating outlets are the primary distribution channels of the Bank. As of 30 June 2020, the Bank had 1,771 branches of various kinds, including the headquarter and its business department, 6 branches, 35 first-level sub-branches, 118 second-level sub-branches, 2 community branch outlets and 1,608 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 with 1,459 distribution outlets in the county area of Chongqing and 310 institutions in the city's 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 2020, the Bank intended to relocate 24 existing branches and refurbish 89 existing branches.

2. Self-service Banking

In order to expand the scope of customer services and provide customers with more convenient services, as of 30 June 2020, the Bank established 154 24-hour self-service banking centers and the number of ATMs and self-service inquiry terminals reached to 4,786 (including in Qujing City). The proportion of machine to outlet was 2.70:1, among which the number of ATMs put into use amounted to 4,105 units and self-service inquiry terminals put into use amounted to 681 units. 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 of 30 June 2020, 484 convenient rural financial service centers had been established. 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.

3. Electronic Channels

(1) Telephone banking

During the Reporting Period, the Bank upheld the philosophy of “customer-oriented” and continued to further improve telephone banking service experience, our manual telephone access ratio was 91.59%, VIP access ratio was 98.75% and customer satisfaction towards the telephone service reached 99.81%. To enhance customer experience, the Bank further accelerated the in-depth application of information technologies such as artificial intelligence and mobile Internet. Self-service on smart service platform accounted for 89.14%, representing a year-on-year increase of 24.73%.

(2) Mobile banking

The Bank newly launched the “mobile banking” app 5.0, which simplified the process of customer’s self-registration and took only three steps for a successful registration, bringing more new clients to the Bank. It provided various ways for customer easy login including password, FACE ID/fingerprint, hand gesture and face-scanning; and realized online reservation, card-free cash withdrawal through mobile banking outlet, promoting to process offline business online; realized various smart transfer methods such as audio transfer, bulky transfer, transfer appointment; launched distinctive features like wish deposit, wealth assessment, smart investment advisory, single key bill payment and life calendar, providing necessities of life service for the convenience of customers; and launched “simplified version” of mobile banking, by the enlarged font size and icons, night mode, audio broadcast and instructions, it served the needs of some customers of the Bank who may be elderly or whose eyesight was relatively weaker and greatly enhanced their customer experience.

As of 30 June 2020, the number of mobile banking customers of the Group reached 10,448,800, representing a net increase of 875,300 or 9.14% as compared to the end of the previous year. The transaction volume during the Reporting Period achieved RMB725,177 million, representing a year-on-year increase of 50.70%. The number of the financial transactions was 29,487,700, representing a year-on-year increase of 5.4%. As of 30 June 2020, the number of corporate internet banking customers of the Bank reached 113.3 thousand, representing an increase of 10.3 thousand, or 10.02% over the end of the previous year, the transaction volume reached RMB392,769 million during the Reporting Period. During the Reporting Period, the substitution rate of electronic channels financial transactions of the Bank reached 95.63%, an increase of 1.04 percentage points as compared to the end of the previous year.

(VIII) Principal Controlled and Investee Companies

1. Information on Controlled Subsidiaries

(1) Village and township bank

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 fulfilling the Rural Revitalization Strategy, performing 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 in 12 counties (districts/cities) across 5 provinces, of which the shareholding ratio is not less than 51% for all, with aggregate registered capital amounting to RMB1,662 million, total assets amounting to RMB3,925 million, net assets amounting to RMB1,773 million, the respective outstanding balance of deposits and loans in aggregate amounting to RMB1,690 million and RMB3,015 million, 1.57% non-performing loan ratio, 256.98% allowance to non-performing loans, and net profits amounting to RMB46 million during the first half of the year. The overall business development was stable, the product system was continuously improved, the number of customers was steadily increasing, the sustainable operation capability was continuously enhanced, and the main risk regulatory indicators met regulatory requirements.

(2) Financial leasing company

CQRC Financial Leasing Co., Ltd. is the first bank-affiliated financial leasing company in the central and western region of the country and with a registered capital of RMB2,500 million. It was jointly established by the Bank together with Chongqing Liangjiang Financial Development Co., Ltd. and Chongqing Jieli Wheel Manufacturing Co., Ltd. in December 2014, of which the Bank invested RMB1,700 million, holding 68% of the shares. The scope of business includes financial leasing business, transfer and transfer of finance lease assets, fixed income securities investment business, interbank lending, borrowing from financial institutions, sales and disposals of leased property, brokerage consulting, establishment of project companies in domestic bonded districts to conduct leasing business, etc.

Since 2020, CQRC Financial Leasing Co., Ltd. has further refined its industry, region, risk, information technology and other sub-strategies to accelerate its transformation and upgrade based on “stable” development. Focusing on national strategies such as the Yangtze River Economic Belt, the coordinated development of Beijing-Tianjin-Hebei, and the Guangdong-Hong Kong-Macao Greater Bay Area, the company adhered to the two-prong approach of “rooted in Chongqing” and “going out”, achieving steady growth in scale and efficiency, overall stable asset quality, and sound internal control and compliance management. As of 30 June 2020, total assets were RMB36.422 billion, net assets were RMB3.998 billion, and net profit was RMB237 million during the Reporting Period.

(3) Wealth Management Subsidiary

CQRC Wealth Management Co., Ltd. (hereinafter referred to as “CQRC Wealth Management”) is a wholly-owned subsidiary of the Bank with a registered capital of RMB2 billion. It was established on 28 June 2020. It is the first wealth management subsidiary of rural commercial banks in China and corporate banks in western China. CQRC Wealth Management is primarily engaged in public offering of wealth management products to the general public, investment and management of properties entrusted by investors; private placement of wealth management products to qualified investors, investment and management of properties entrusted by investors; wealth management advisory and consulting services; and other businesses approved by the banking supervisory authorities of the State Council.

CQRC Wealth Management adheres to the business philosophy of maintaining integrity, pursuing innovation, and serving the real economy. With a market-oriented and customer-centric approach, it provides customers with high-quality and efficient financial services through professional operation, refined management and international vision, aiming to be an asset management company that gathers wealth and pursues excellence. It adheres to the “five strives” business policy: striving to build a featured product system, striving to build a three-dimensional sales system, striving to improve professional investment capabilities, striving to build a market-oriented incentive mechanism, and striving to establish a full-coverage risk control mechanism to promote the high-quality development of CQRC Wealth Management’s business.

2. Principal Investee Companies

Chongqing Xiaomi Consumer Finance Company, established on 29 May 2020, is the 26th nationwide licensed consumer finance company approved by the CBIRC. The company has a registered capital of RMB1.5 billion. The Bank became its second largest shareholder with a capital contribution of RMB450 million and shareholding percentage of 30%. Adhering to the corporate vision of “good finance, good life” (好金融·好生活), Chongqing Xiaomi Consumer Finance Company provides the premium, convenient technology-based consumer financial services in the era of “5G+AIoT” new-generation super Internet with the online and offline channels and scenarios of “Internet + new retail”.

IV. RISK MANAGEMENT

During the Reporting Period, facing the impact of the COVID-19, the Bank adhered to the philosophy of “prudent operation and steady development”, and with risks under control, resolutely implemented the policies of governments and regulatory agencies at all levels to ensure the steady development of the Bank while strengthening support for the real economy. During the Reporting Period, the Bank further optimized key risk management policies, updated the Group’s risk preference and implemented them. As a result, asset quality remained stable, internal controls were generally effective and various risks were under control. The Group had adequate provisions for asset impairment, maintained capital adequacy ratios at all levels at a high level with abundant liquidity and strong risk-compensating ability, and the level of risk management was appropriate to the scale and complexity of business.

(1) Risk Management Structure

The Group’s risk management structure consists of the Board of Directors, the Board of Supervisors, senior management and related special committees authorized by it, the headquarter’s risk management department, other relevant functional departments, the audit department and various operating agencies (including subsidiaries). The Board of Directors assumed the ultimate responsibility for comprehensive risk management and set up a risk management committee to carry out responsibilities related to comprehensive risk management with the Board’s authorization. The senior management assumed the responsibilities for implementing comprehensive risk management, implementing Board resolutions, and set up risk management committees to make collective decisions on risk management related matters. The Board of Supervisors assumed the responsibilities for overseeing overall risk management, supervising and inspecting the due diligence performance of the Board of Directors and senior management in respect of risk management and supervising their rectification.

The headquarter’s risk management department took the lead in the daily management of comprehensive risks, and was responsible for leading the implementation of comprehensive risk management system and timely reporting to the senior management on the Group’s comprehensive risks and various major risks. Each department of the headquarter assumed direct responsibility for the risk management of the line and the department, and managed various risks including credit risk, market risk, liquidity risk, and operational risk in accordance with the division of responsibilities. The audit department of the headquarter is responsible for performing internal audits on relevant performance. Each branch (business department of the headquarter) is responsible for the daily management of comprehensive risks of the branch. Under the framework of the Bank’s overall risk appetite and risk management policies, each subsidiary institution has established a comprehensive risk management system that is appropriate to the nature, scale and complexity of its business.

(2) Credit Risk Management

In order to actively respond to the more complex and changeable internal and external environment against the backdrop of the COVID-19, the Group integrated the prevention and control of credit risks, stabilization of asset quality and improvement of management level into the whole process of credit risk management, adjusted policies in a flexible and moderate manner, optimized mechanisms and processes, kept a close eye on risks in key areas, and took multiple measures to strengthen asset quality management and control simultaneously. During the Reporting Period, the Group's credit risk was under control and its asset quality remained stable.

Firstly, the Bank implemented the regulatory policies in a timely manner. The Bank moderately adjusted management policies to support “anti-epidemic” and real economic recovery in accordance with the spirit of the documents issued at all levels to deal with the COVID-19. For industries, enterprises and individuals greatly affected by the epidemic, the Bank has not blindly withdrawn loans, suspended loans or postponed loans. According to the principle of “one enterprise, one policy”, the Bank implemented risk mitigation measures such as renewal, extension and term adjustment to ensure that loans could be extended as much as possible. For the list of customers with due loans, the Bank dynamically maintained and connected them in advance, and helped those who were greatly effected by the epidemic resolve the problems on their own initiative. The Bank adhered to the judgment of substantial risks and did not lower the risk categories of clients due to epidemic alone, and at the same time fully exposed risk customers. Secondly, the Bank strengthened credit management. The Bank continuously optimized the management mechanism and process. In order to meet the needs of internal and external management, the Bank timely revised the credit risk management systems such as collateral access, post-loan management and unified credit, optimized the credit process and further improved the applicability of the system. The Bank formulated the guidelines for the direction of investment in annual credit loans, and determined the focus in credit loans by industry and line so as to guide the optimization of credit structure. Thirdly, the Bank optimized the management of approval authorization. For customers affected by the epidemic, the Bank has taken risk mitigation measures such as deferred repayment of principal and interest and makes appropriate adjustments to the approval authority of business institutions to improve business handling efficiency. Fourthly, the Bank strengthened the disposal of non-performing loans. While making prudent impairment provisions, the Bank has stepped up the write-off of non-performing assets to achieve a smooth transition in asset quality. Fifthly, the Bank kept a close eye on risks in key areas. The Bank continuously strengthened the monitoring and differential control of loans in key areas such as large-sum loans, loan concentration and different territory loan, and financing guarantee loans. Sixthly, the Bank constantly strengthened the technical support for risk measurement. The Bank innovatively carried out tests on the special pressure of credit risk under the epidemic in order to quantify the Bank's ability to deal with sudden extreme risk events. The Bank resolutely conducted risk assessment of models and rules for innovative products, increased the frequency of monitoring and analysis, and effectively controlled the asset quality of innovative products.

(3) 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 market risks faced by the Group mainly include interest rate risk and exchange rate risk. The purpose of market risk management is to control potential market risk losses to the extent that the Group can bear and maximize risk-adjusted returns through monitoring and other measures.

The Group manages its interest rate risk and exchange rate risk in accordance with the regulatory requirements of the Group and with reference to the relevant provisions in the “New Basel Capital Accord”. The Group has also formulated a management system for market risk through regulations on authorisation, credit extension and limit of risks, and measures such as monitoring and reporting.

In the first half of 2020, the Group continued to improve its proactive market risk management capabilities and steadily advanced various management tasks. Firstly, the Group further optimized the market risk management system, revised the Measures for the Administration of Division of Transaction Account Books and Bank Account Books and operating procedures, and consolidated the management foundation; Secondly, the Group formulated a full-year market risk limit plan in accordance with the business plan, dynamically adjusted the market risk limits, actively studied and responded to market fluctuations, and continuously monitored and alerted the risks properly according to the business plan; Thirdly, the Group reasonably adjusted its stress test scenarios in light of the current macro policies and economic situation, assessed the impact on capital under different stress scenarios, improved its forward-looking analysis of market risk and continuously improved its refined management level of market risk.

1. 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 economic value in varied interest rate scenarios.

The COVID-19 outbreak in early 2020 caused a significant increase in economic downward pressure and sluggish internal and external demand. To cope with the impact of the epidemic, the PBOC adhered to a prudent monetary policy, comprehensively used and innovated a variety of monetary policy tools, guided financial institutions to increase their support to the real economy, especially for small and micro enterprises and private enterprises, to help resume work and production.

The overall liquidity of the banking system remained reasonably abundant in the first half of 2020, with maturities of shibor and interest-rate bonds showing relatively low yields compared with the beginning of the year. With the effective control of domestic epidemic and gradual recovery of economy, the space for further downward of market interest rate is relatively limited, and the risk of interest rate going up in excess of expectation may exist in the second half of the year. The Group kept a close eye on the changes in macro monetary policies and domestic and foreign economic situation. By applying the FTP internal fund transfer pricing system properly, the Group further improved the management of interest rate pricing and actively implement LPR interest rate pricing mechanism, with a view to improving the proactiveness of risk management and ensuring the sustained growth in the revenue and market value of the Group.

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

(Expressed in RMB million)	As at 30 June 2020						Non-interest bearing	Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years			
Interest rate gap	(192,718.4)	(224.3)	123,236.7	331.1	131,075.2	24,633.7	86,334.0	

(Expressed in RMB million)	As at 31 December 2019						Non-interest bearing	Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years			
Interest rate gap	35,948.8	(73,582.1)	7,446.6	(11,039.1)	102,233.9	23,728.4	84,736.5	

As at the end of June 2020, the Group's accumulated gaps of interest rate for all maturities amounted to RMB86.334 billion, representing an increase of RMB1.598 billion over the end of the previous year.

2. Interest rate sensitivity analysis

The following table illustrates the interest rate sensitivity analysis of the Group on the assumption that the overall interest rate in the market moves in parallel and not considering any risk management actions the management may take to mitigate interest rate risk:

RMB million

Change in basis points	The Group 30 June 2020		The Group 31 December 2019	
	Impact on net profit	Impact on other comprehensive income	Impact on net profit	Impact on other comprehensive income
Increase in 100 basis points	759.2	99.4	1,552.9	49.3
Decrease in 100 basis points	(759.2)	(99.4)	(1,552.9)	(49.3)

3. Exchange Rate Risk Analysis

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

In the first half of 2020, due to the rapid spread of the epidemic throughout the world and the complex and changeable international economic situation, the two-way fluctuation of foreign exchange rate intensified significantly. In the first half of the year, the fluctuation range of USD/RMB exchange rate was between 6.86 and 7.13. With the effective control of the epidemic in our country and the gradual recovery of the economy, the trend of RMB exchange rate shifting from a weak to a strong one began to emerge in June. The resumption of work and production in China will be carried out in an orderly manner. The long-term economic development trend will remain unchanged. The value of RMB is expected to rise steadily in the second half of 2020. However, the epidemic abroad is still severe, and the trend of the exchange rate of foreign currency against RMB is uncertain. The Group will continuously pay attention to global economic situation, strengthen the study and judgment on the trend of foreign exchange rate and reasonably allocate local and foreign currency assets. The Group strengthened its management capability of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilization of foreign exchange capital reasonably. It also actively explored the usage of financial instruments for exchange rate to hedge against exchange rate risk.

As at the end of June 2020, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

(Expressed in RMB million)	As at 30 June 2020					Total
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent		
Net position	84,642.6	1,080.6	113.2	497.6		86,334.0

(Expressed in RMB million)	As at 31 December 2019					Total
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent		
Net position	80,558.3	4,016.7	37.7	123.8		84,736.5

4. Exchange rate sensitivity analysis

The following table illustrates the exchange rate sensitivity analysis of the Group on the assumption that the RMB exchange rate against USD in the market moves and not considering any risk management actions the management may take to mitigate exchange rate risk:

RMB million

Exchange rate changes	As at 30 June 2020 Impact on net profit	31 December 2019 As at Impact on net profit
5% appreciation	(40.5)	(150.6)
5% depreciation	40.5	150.6

(4) 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 maintain stable operation with overall security, to protect the interests of depositors, and 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 are responsible for establishing policies and strategies relating to the Group's overall management of liquidity risk. The Assets and Liabilities Management Department, the Financial Accounting Department, the Capital Operation Department, the Asset Management Department and other related departments cooperated with each other to form an organizational structure of liquidity risk management with division of work and cooperation, clear responsibilities and efficient operation.

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

In the first half of 2020, the Group insisted on the business ideology of prudence and compliance, continuously optimized the structure of assets and liabilities, formulated and implemented the liquidity risk appetite and limit management and control plan for 2020, and use this as a guide to continue to conduct forward-looking liquidity risk index management, deployed and dynamically adjusted liquidity risk management strategies in advance, and promoted liquidity risk indicators continue to meet standards. The Group enhanced daytime liquidity risk management, and further optimized liquidity risk management information system to facilitate the refined management. The Bank has formulated the Implementing Rules for Management and Control of Liquidity Risk Limits to continuously improve its liquidity risk management capability and strengthen its forward-looking control objectives.

1. Liquidity risk analysis

In the first half of 2020, in line with the prudent monetary policy, the PBOC make an overall adjustment and control in a more flexible and moderate manner, comprehensively used and innovated a variety of monetary policy tools to ensure a reasonable abundance of liquidity, the growth rate of M2 and social financing scale was significantly higher than that of the same period last year, and the counter-cyclical adjustment effect was obvious. In the first half of 2020, the PBOC implemented 1 comprehensive RRR cut and 2 targeted RRR cuts respectively, releasing approximately RMB1.75 trillion of long-term funds and injecting RMB1.7 trillion of short-term liquidity after the Spring Festival to reasonably grasp the intensity and rhythm of open market operations, meet the liquidity needs of the banking system at specific points in time, maintain the smooth operation of the financial market and maintain reasonable and abundant liquidity in the banking system. The Group strictly complied with the liquidity quota management mechanism and maintained a satisfactory liquidity. In the first half of 2020, all the key indicators reflecting the liquidity status of the Group met the supervision requirements.

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. As at the end of June 2020, the liquidity gap analysis of the Group is as follows:

Management Discussion and Analysis

Undiscounted contractual cash flows categorised by contractual maturities:

(Expressed in RMB million, unless otherwise stated)	30 June 2020							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	56,775.2	(251,283.7)	2,174.4	3,088.3	(5,872.3)	114,979.8	392,343.1	312,204.8

(Expressed in RMB million, unless otherwise stated)	31 December 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	66,995.4	(248,227.3)	(3,682.3)	(70,618.6)	58,675.9	117,008.4	344,722.9	264,874.4

Note: Please refer to “Notes to the Consolidated Financial Statements: 47. Financial Risk Management (4) Liquidity Risk”.

The Group measured and disclosed its liquidity ratio, liquidity coverage ratio and net stable funding ratio in accordance with the relevant requirements of Methods for Liquidity Risk Management in Commercial Banks (《商業銀行流動性風險管理辦法》) issued by the CBIRC.

As at the end of June 2020, the liquidity ratio of the Group is as follows:

		30 June 2020	31 December 2019	31 December 2018
Liquidity ratio(%)	Renminbi	51.72	57.12	51.71
	Foreign Currency	32.36	29.94	33.00

As at the end of June 2020, the net stable funding ratio of the Group is as follows:

(Expressed in RMB million, unless otherwise stated)	30 June 2020	31 December 2019	31 December 2018
Available stable funding	760,762.35	702,686.16	647,256.55
Required stable funding	692,996.77	649,207.14	570,865.91
Net stable funding ratio (%)	109.78	108.24	113.38

As at the end of June 2020, the liquidity coverage ratio of the Group is as follows:

(Expressed in RMB million, unless otherwise stated)	30 June 2020	31 December 2019	31 December 2018
Qualified and high-quality liquid assets	108,833.35	116,334.42	104,594.62
Net cash outflows in future 30 days	39,221.49	51,525.93	50,367.21
Liquidity coverage (%)	277.48	225.78	207.66

The qualified and high-quality liquid assets mean various assets which can be cashed quickly in the financial market through sale or mortgage (pledge) without loss or with minimal loss in the pressure scenarios set by the liquidity coverage ratio.

The net cash outflow in future 30 days means the balance between the expected total cash outflow and the expected total cash inflow in the future 30 days in the pressure scenarios set by the liquidity coverage ratio. The expected total cash outflow is the sum of the products of the balance of the relevant liabilities and off-balance-sheet items and its expected churn rate or extraction rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow is the sum of the products of the balance of the relevant on and off-balance-sheet contractual receivables and its expected churn rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow which can be included shall not exceed 75% of the expected total cash outflow.

(5) Operational Risk Management

Operational risk refers to the risk of loss due to imperfections or errors in internal procedures, personnel and technological information systems, or external events.

During the Reporting Period, the Bank continued to improve its operational risk management system, taking a multi-pronged approach to enhance the effectiveness of operational risk management. Firstly, the Bank solidly carried out the operational risk loss data collection and key risk indicators monitoring; Secondly, the Bank systematically carried out post-assessment revisions, updated and improved risk control measures and strengthened the foundation of internal controls; Thirdly, the Bank strengthened its business continuity management, timely sorted out and updated important business contingency plans to guard against the risk of business interruption, formulated annual business continuity drill plans and carried them out on schedule; Fourthly, the Bank strengthened its outsourcing risk management, and organizations at all levels carried out outsourcing case risk investigations to identify and rectify existing risks.

(6) Reputation Risk

Reputation risk refers to the risk of negative evaluation of the Bank by stakeholders due to the Bank's operations, management and other actions or external events.

During the Reporting Period, the Bank established a sound reputation risk management mechanism, actively and effectively prevented reputation risk and responded to negative public opinion events, and actively maintained the Bank's good market image to achieve the overall objective of reputation risk management.

(7) Information Technology Risks

Information technology risks refer to operational, legal, and reputational risks arising from the use of information technology during commercial operation of banks due to natural factors, human factors, technical loopholes, and management defects.

During the Reporting Period, the Bank's information technology risk management system was continuously strengthened. The risk monitoring and identification, analysis and assessment, reporting and handling mechanisms were implemented in a standardized manner, and all information technology activities are carried out safely and soundly. Firstly, the Bank increased risk monitoring and analysis coverage, deepened risk monitoring and analysis, updated and optimized the system of information technology risk monitoring indicator system, made timely adjustments to monitoring indicators, clarified responsibilities for collecting and reporting indicators and regularly analyzed and reported risk status; Secondly, the Bank strengthened information security management by promoting an online document data security management system to enable effective control of the Bank's sensitive data and user terminals and prevent the risk of leakage; Thirdly, the Bank conducted a number of risk inspections and assessments to identify and control risks and, in compliance with regulatory requirements, carried out information technology outsourcing risk assessments, initiated special customer data risk assessments and implemented annual information technology outsourcing risk management assessments; Fourthly, the Bank improved its information technology system and successively developed and released a number of system documents related to information technology project management, outsourcing management, risk assessment, etc. to further standardize risk management and control mechanisms in relevant areas.

(8) Anti-Money Laundering Risks

During the Reporting Period, the Bank followed the philosophy of risk orientation, continuously improved the money laundering risk management system, enhanced implementation of measures, and effectively prevented money laundering risk.

During the Reporting Period, the Bank promoted system streamlining to improve the anti-money laundering internal control system; carried out special management of customer information to improve data quality; made full use of risk assessment results to strengthen problem-based rectification; launched an anti-money laundering system upgrade project to improve intensive management of anti-money laundering; implemented off-site inspections for anti-money laundering to ensure the implementation of the anti-money laundering system; held anti-money laundering work exchange meetings to formulate anti-money laundering work opinions and promote the implementation of unified money laundering risk management strategies; actively performed anti-money laundering obligations and organized publicity and training to create a good anti-money laundering cultural atmosphere; strengthened communication with regulatory agencies to continuously improve the quality of anti-money laundering work.

(9) Implementation of the Basel Capital Accord

The Group further promoted implementation of the new capital accord in accordance with the requirements of the regulatory authorities. During the Reporting Period, the Group firstly 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. Secondly, the Group continuously carried out internal rating system monitoring and verification, analyzed and reported retailing and non-retailing internal rating analysis 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. Thirdly, it continuously optimized 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. Fourthly, it continuously optimized various systems such as rating system management and the operational procedures for non-retailing internal ratings to promote the standardized and efficient use of the results of the construction of new capital accord. Fifthly, it continuously optimized the key risk data in the data collection and unified thematic models, laying a solid foundation for achieving unified and accurate analysis and utilization of risk data to implement comprehensive risk management. The risk data collection-based risk-weighted asset (RWA) system, the liquidity risk system and the impairment measurement system under the New Financial Instruments Standards was in stable operation.

(10) Internal Audit

The Group has established a sound internal audit system according to laws and regulations. The Articles of Association clearly stipulated that the Board was responsible for ensuring that internal audit had sufficient independence. Internal audit department was responsible and reported to the Board. The internal audit departments were respectively set up at headquarter and branch offices, and the subsidiaries had internal audit departments or were equipped with internal audit personnel. Internal audit personnel accounted for 2% of the total number of employees, which was twice the regulatory requirements.

The Group paid attention to the innovation of internal audit in information technology, mechanism and process, team building and other aspects to improve the quality and efficiency of internal audit. Firstly, the Bank emphasized information technology innovation, using big data technology to develop audit models to achieve accurate and efficient audits with round-the-clock, organization-wide and all-data supervision. Secondly, the Bank stressed the innovation of mechanism and process. It formulated menu-type working papers, compiled audit manuals, implemented standardized audit processes and five-level audit quality control. Thirdly, the Bank carried out team innovation, dual management of audit lines, dual reporting, overall coordination and deployment and consolidation of manpower. The Bank promoted the professionalization of auditors, more than a hundred people had obtained qualifications such as internationally certified internal auditors, certified public accountants, and titles of senior and middle-ranking, achieving excellent team quality.

During the Reporting Period, the Group's internal audit adhered to the goals of serving the organization, strengthened audit supervision, focused on rectification, and performed various audit items such as operation management audit, consolidation audit, and special audit. In the face of epidemic prevention and control, it turned crisis into opportunity to further promote the innovation of internal audit work. In response to internal and external requirements, it took initiative and dedicatedly fulfilled its duties to further improve the level of audit supervision and promote the Bank's high-quality development.

(11) Large Risk Exposures

Pursuant to the requirements of the Administrative Measures for Large Risk Exposures of Commercial Banks (《商業銀行大額風險暴露管理辦法》) issued by the CBIRC, the Bank established a management mechanism for large risk exposures and included the mechanism into the comprehensive risk management system of the Group. The system measured and monitored the status and changes of large risk exposures, which effectively controlled customer concentration risk. As of the end of the Reporting Period, the Bank's indicators of large risk exposures were better than the regulatory requirements.

(12) Related Party Transactions

During the Reporting Period, in accordance with the requirements for listing of A shares, the Bank continued to improve the Bank's management of related party transactions: **Firstly**, the Bank revised the Administrative Measures for the Related Party Transactions (《關聯交易管理辦法》) and fully complied with the regulations of CBIRC, Shanghai Stock Exchange, Hong Kong Stock Exchange, and relevant accounting standards. Based on its actual needs on related party transaction management in recent years, the Bank revised the related party transaction management system in terms of related party identification standards, list collection and updates, review and approval authority and procedures, and information disclosure. The measures have been considered and approved by the Board and are being implemented, providing system guarantee for the compliance management of related party transactions of the Bank. **Secondly**, the Bank strengthened the management of the list of related parties. The Bank regularly collected information from related parties and conducted dynamic management and timely update of the list. It promptly and effectively conveyed communicated with shareholders, directors, supervisors and senior management and other persons about the importance and principles of related party transaction management, laying a solid foundation for related party transaction management. **Thirdly**, the Bank strictly reviewed related-party transactions. The Bank reviewed and approved all related party transactions in accordance with regulatory requirements and the Bank's management system, actively promoted the coordinated reporting of credit to related party group, carried out classification review and hierarchical approval of related-party transactions, controlled the substantial risks and compliance risks of related party transactions, and improved the Bank's related party transaction management efficiency.

1. Related party transactions during the ordinary course of business

During the Reporting Period, the Bank conducted related party transactions by strictly following the relevant regulations of local and overseas regulatory authorities and the Administrative Measures for the Related Party Transactions (《關聯交易管理辦法》) of the Bank, the related party transactions were priced fairly and in line with the overall interests of the Bank and shareholders.

- (1) Pursuant to the relevant provisions of the CBIRC, during the Reporting Period, there were 12 proposals on significant related party transactions approved by the Board of Directors, 8 of which were credit-related and 4 of which were non-credit-related. The related party transactions were entered into with Chongqing Yufu Assets Management Group Co., Ltd. (重慶渝富資產經營管理集團有限公司) and its related companies, Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and its related companies, Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司) and its related companies, Loncin Holdings Limited (隆鑫控股有限公司) and CQRC Financial Leasing Co., Ltd.(渝農商金融租賃有限責任公司).

Management Discussion and Analysis

- ① At the end of the Reporting Period, the balance of credit-related significant related party transactions that occurred during the Reporting Period was RMB20,901 million, as follows:

Unit: RMB million

No.	Name of related party	Transaction type	Credit balance	Percentage of net capital
1	The related companies of Chongqing Yufu Assets Management Group Co., Ltd. (重慶渝富資產經營管理集團有限公司) ⁶	Credit	8,726.0	8.01%
2	CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)	Credit	4,400.0	4.04%
3	Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司) and its related companies ⁷	Credit	3,378.8	3.10%
4	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Credit	2,893.3	2.66%
5	Loncin Holdings Limited (隆鑫控股有限公司)	Credit	996.9	0.92%
6	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and its related companies	Credit	506.2	0.46%
7	West Air Co., Ltd. (西部航空有限責任公司)	Credit	500.0	0.46%
8	Dazu Rock Carving Movie & TV Culture Co., Ltd. (大足石刻影視文化有限責任公司)	Credit	231.2	0.21%

- ② At the end of the Reporting Period, the balance of the non-credit significant related party transactions of the Bank that occurred during the Reporting Period was RMB6 million, as follows:

Unit: RMB million

No.	Name of related party	Transaction type	Transaction amount	Business type
1	Chongqing Hengyi Travel Development Co., Ltd. (重慶恒義旅遊發展有限公司)	Non-credit	4.2	Charge service fee
2	Chongqing Caxin Infrastructure Investment Group Co., Ltd. (重慶財信基礎設施投資集團有限公司)	Non-credit	1.9	Charge service fee
3	CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司) ⁸	Non-credit	0.0	Charge service fee

⁶ Under the credit granted to Chongqing Yufu Assets Management Group Co., Ltd. (重慶渝富資產經營管理集團有限公司) and its related companies, including West Air Co., Ltd. (西部航空有限責任公司). Duplicates have been excluded from the calculation of the balance of major related transactions of credit grants. Chongqing Yufu Assets Management Group Company Limited changed its Chinese name from 重慶渝富資產經營管理集團有限公司 to 重慶渝富資本運營集團有限公司 on 13 July 2020.

⁷ Under the credit granted to Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司) and its related companies, including Dazu Rock Carving Movie & TV Culture Co., Ltd. (大足石刻影視文化有限責任公司). Duplicates have been excluded from the calculation of the balance of major related transactions of credit grants.

⁸ During the Reporting Period, the Bank had two major related party transactions with CQRC Financial Leasing Co., Ltd., for both of which service fees were charged. The project is in the process of being established after the related party transaction was approved, and no transaction amount has been generated.

- (2) During the Reporting Period, the balance of the Bank's loans to related natural persons under the relevant regulations of the Shanghai Stock Exchange was RMB76 million. Major related transactions that occurred between the Bank and related parties under the relevant regulations of the Shanghai Stock Exchange are as follows:

The 30th meeting of the fourth session of the Board and the 2019 Annual General Meeting of the Bank considered and approved the "Resolution in Relation to the Related Party Transaction Regarding to Group Credit Limits of Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)" on 26 March 2020 and 20 May 2020, respectively, agreeing to grant Chongqing Casin Group Co., Ltd. and its related parties a comprehensive group credit limit of RMB9,978.8 million, with a credit period of 1 year. For details, please refer to the "Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd." (Announcement No.: 2020-011) published by the Bank on the website of the Shanghai Stock Exchange on 27 March 2020. As at 30 June 2020, the balance of significant related party transactions that occurred between Chongqing Casin Group Co., Ltd. and its affiliates during the Reporting Period was RMB3.379 billion.

The 30th meeting of the fourth session of the Board and the 2019 Annual General Meeting of the Bank considered and approved the "Resolution in relation to the Related Party Transaction Regarding to Credit Limits of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)" on 26 March 2020 and 20 May 2020, respectively, agreeing to grant Chongqing City Construction Investment (Group) Company Limited credit limit of RMB7,000 million, with a credit period of 1 year. For details, please refer to the "Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd." (Announcement No.: 2020-011) published by the Bank on the website of the Shanghai Stock Exchange on 27 March 2020. As at 30 June 2020, the balance of related party transactions of Chongqing City Construction Investment (Group) Company Limited that occurred during the Reporting Period was RMB2.893 billion.

The 32nd meeting of the fourth session of the Board and the 2020 first extraordinary general meeting of the Bank considered and approved the “Resolution in relation to the Related Transaction with Loncin Holding Co., Ltd. (隆鑫控股有限公司)” on 24 April 2020 and 29 June 2020, respectively, agreeing to adjust the terms of 5 loans to Loncin Holding Co., Ltd. to 2021, with a total amount of RMB996.857 million. For details, please refer to the “Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd.” disclosed by the Bank on the website of Shanghai Stock Exchange on 25 April 2020. As at 30 June 2020, the balance of this related transaction with Loncin Holdings Co., Ltd. was RMB997 million.

2. Related party transaction in connection with purchase or sale of assets or equity interests

During the Reporting Period, the Bank was not involved in related party transaction in connection with purchase or sale of assets or equity interest.

3. Related party transaction in connection with joint external investment

During the Reporting Period, the Bank was not involved in related party transaction in connection with joint external investment.

4. Claims, Debt Transactions with Related Parties

During the Reporting Period, the Bank was not involved in claims or debt transactions of a non-operating nature with related parties.

V. Capital Management

The Group implemented comprehensive capital management, including the formulation of capital management policies, capital planning, capital adequacy ratio management plans, capital measurement, internal capital adequacy assessment, capital allocation and capital assessment management. The goal of the Group’s capital management is to mainly accumulate internal capital, with external capital as supplement, to effectively balance capital supply and demand, to strengthen capital restrictions and guidance to the business, so as to maintain a capital level that is consistently higher than regulatory requirements, and to reserve a certain room for margin and buffer as security.

In 2020, the Group continued to promote the refinement of capital management, rationally arrange risk-weighted asset plans, optimize business structure, improve capital utilization efficiency, maintain internal growth of capital, expand external capital supplement channels, and constantly enhance the service capability for real economy. The capital indicators throughout the year were good, providing a strong guarantee for the Group’s stable business development and strategic implementation.

(I) Capital Adequacy Ratio

The Group calculates the core tier 1 capital adequacy ratios, tier 1 capital adequacy ratios, and capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the CBIRC and relevant provisions, 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. The calculation range of capital adequacy ratio includes all branches of the Bank, its subsidiary village banks, financial leasing companies and wealth management subsidiaries.

As at 30 June 2020, the Group's capital adequacy ratio was 14.77%, representing a decrease of 0.11 percentage point from the end of the previous year; the core tier 1 capital adequacy ratio and the tier 1 capital adequacy ratio were 12.36% and 12.38%, respectively, representing a decrease of 0.06 and 0.06 percentage point respectively from the end of the previous year. The slight decrease in the Group's capital adequacy ratio from the beginning of the year was mainly due to the lower growth rate of net capital compared to the growth rate of risk-weighted assets as a result of the implementation of the prior year's shareholders' bonus in the second quarter, which fully offset the core tier 1 capital.

The following table sets forth the relevant capital adequacy ratio of the Group and the Bank at the dates indicated.

Calculation results of capital adequacy ratio of the Group and the Bank

(Expressed in RMB million, unless otherwise stated)	30 June 2020		31 December 2019	
	The Group	The Bank	The Group	The Bank
Core tier 1 capital, net	91,125.4	84,100.2	88,559.0	83,772.1
Net tier 1 capital	91,252.8	84,100.2	88,680.0	83,772.1
Net capital	108,919.5	101,087.9	106,070.5	100,534.8
Risk-weighted assets	737,317.5	701,084.5	712,885.7	678,740.2
Include: Credit risk				
weighted assets	681,355.6	647,000.5	661,053.9	628,786.3
Market risk				
weighted assets	8,085.1	8,085.1	3,955.0	3,955.0
Operational risk				
weighted assets	47,876.8	45,998.9	47,876.8	45,998.9
Core tier 1 capital adequacy ratio (%)	12.36	12.00	12.42	12.34
Tier 1 capital adequacy ratio (%)	12.38	12.00	12.44	12.34
Capital adequacy ratio (%)	14.77	14.42	14.88	14.81

Capital Adequacy Ratio

(Expressed in RMB million, unless otherwise stated)	30 June 2020	31 December 2019
Core tier 1 capital	91,709.3	89,120.9
Portion of paid-in capital that may be included	11,357.0	11,357.0
Portion of capital reserve that may be included	20,541.5	20,572.0
Surplus reserve and general risk reserve	25,212.4	23,918.9
Unappropriated profit	33,642.7	32,365.6
Non-controlling interests	955.7	907.4
Core tier 1 capital deductible items	(583.9)	(561.9)
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	(143.8)	(121.8)
Core tier 1 capital, net	91,125.4	88,559.0
Other tier 1 capital	127.4	121.0
Non-controlling interests	127.4	121.0
Net tier 1 capital	91,252.8	88,680.0
Tier 2 capital	17,668.7	17,390.5
Tier 2 capital instruments and related premium that may be included	9,000.0	9,000.0
Excessive loan loss allowances	8411.8	8,161.2
Non-controlling interests	254.9	229.3
Net capital	108,919.5	106,070.5
Total risk-weighted assets	737,317.5	712,885.7
Core tier 1 capital adequacy ratio (%)	12.36	12.42
Tier 1 capital adequacy ratio (%)	12.38	12.44
Capital adequacy ratio (%)	14.77	14.88

The following table shows the credit risk exposures of the Group as measured by weighting method on the dates indicated.

(Expressed in RMB million, unless otherwise stated)	30 June 2020		31 December 2019	
	Risk exposure	Unmitigated risk exposure	Risk exposure	Unmitigated risk exposure
On balance sheet credit risk	1,057,707.5	1,018,480.9	1,023,361.6	999,099.9
Off balance sheet credit risk	21,429.3	16,386.8	19,313.6	15,751.7
Counterparty credit risk	22,663.8	22,663.8	24,825.9	24,825.9
Total	<u>1,101,800.6</u>	<u>1,057,531.5</u>	<u>1,067,501.1</u>	<u>1,039,677.5</u>

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 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 – capital supervision” column on the website of the Bank (<http://www.cqrcb.com>).

(2) Leverage Ratio

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)》).

As at 30 June 2020, the Group’s leverage ratio was 8.34%, representing a decrease of 0.11 percentage point from the end of the previous year, mainly because the growth rate of tier 1 capital, net was lower than the growth rate of on-balance sheet and off-balance sheet assets.

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 as at the date indicated:

(Expressed in RMB million, unless otherwise stated)	30 June 2020
Consolidated total assets	1,073,078.1
Consolidated adjustments	–
Customer assets adjustments	–
Derivatives adjustment	98.2
Securities financing transactions adjustments	–
Off balance sheet item adjustments	21,519.5
Other adjustments	(583.9)
Balance of assets on and off-balance sheet after adjustments	1,094,111.6

Management Discussion and Analysis

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 as at the date indicated:

(Expressed in RMB million, unless otherwise stated)	30 June 2020
Assets on the balance sheet (excluding derivatives and securities financing transactions)	1,060,485.3
Less: tier 1 capital deduction	(583.9)
Balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	1,059,901.4
Replacement cost of various types of derivatives (net of qualified margins)	69.2
Potential risk exposure in various derivatives	98.2
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	–
Balance of derivatives assets	167.4
Balance of accounting assets for securities financing transactions	12,523.6
Less: the balance of securities financing transactions assets which can be deducted	–
Counterparty credit risk exposure to securities financing transactions	–
Balance of securities financing transactions assets formed due to securities financing transactions by proxy	–
Balance of securities financing transactions assets	12,523.6
Balance of items off balance sheet	38,750.6
Less: balance of items off balance sheet reduced due to credit conversion	(17,231.4)
Balance of items off balance sheet after adjustments	21,519.2
Tier 1 capital, net	91,252.8
Balance of assets on and off-balance sheet after adjustments	1,094,111.6
Leverage ratio (%)	8.34

VI. Consumer Rights Protection

In the first half of 2020, the Bank always practiced the development philosophy of “people-centered”, upheld to the concept of finance for the people, adhered to problem orientation, promoted the continuous improvement of mechanism and system guarantees, system support and service capabilities, strengthened accountability, and helped with epidemic prevention and control to earnestly fulfill its responsibility for protecting consumer rights.

Consolidating the foundation to help create new momentum. The Bank integrated the protection of financial consumers' rights and interests into corporate governance, corporate culture construction, and business development strategies. The Board and the Consumer Rights Protection Committee regularly conducted overall planning and provided guidance on consumer protection work. Senior management and the working leading group of the consumer rights protection regularly supervised and implemented consumer rights protection measures. The Bank gave full play to the active role of the consumer protection functional departments in business product and service design, agreement formulation, product approval and admission, marketing and promotion, and after-sales evaluation, and launched the "Consumer Rights Protection Work Promotion Year" activity throughout its jurisdiction to ensure that consumer rights protection work was properly executed and effectively implemented. The Bank issued a total of 19 issues of various complaint reminder cases and information exchanges; completed more than 240 consumer protection reviews on product admission, marketing materials and internal control systems; received a total of 1,571 consumer complaints, with the total number of complaints decreasing by 38.07% year-on-year. 1,537 complaints were handled, with the completion rate of complaints and customer satisfaction reaching 97.84% and 99.81%, respectively.

Empowered by technology to reach to a new level. The Bank initiated the "dual-recording video" smart quality inspection by introducing AI, smart voice recognition and other technologies to achieve the double improvement of quality inspection efficiency and process standardization; upgraded the function of the complaint tracking system to realize online collection of customer complaints case database and online early warning of hot complaints; comprehensively implemented the systemization of complaint management, consumer protection review, and consumer protection inspection to achieve online and process-based daily management; fully implemented the complaint classification standards to achieve the deployment of the interface docking between complaint information and the supervision system and supported the new supervision statistics requirements; continued to promote the digitization of the product information inquiry platform to achieve an digitization rate of more than 60% for the product information inquiry in all outlets of the Bank.

Implementing measures to help prevent and control the epidemic. The Bank fully implemented the important instructions of the Party Central Committee, the State Council and various ministries and commissions on strengthening the protection of consumer rights during the prevention and control of the COVID-19 epidemic, and issued the "Notice on Properly Protecting Consumers' Rights and Interests During the Epidemic". Starting from complaints management, information disclosure, and industry self-discipline, it strengthened policy coordination and bank-wide synergy to handle 39 epidemic-related complaints and 787 relevant inquiries. It gave full play to the channel functions of business outlets, WeChat official accounts, poster screens, and publicity panels to promote service information online and publicize outlet business information, guiding consumers to conduct financial services online and ensuring the smooth operation of basic financial services. It pushed 35 issues of various WeChat pictures and articles and 4 promotional videos. It flexibly adjusted the repayment arrangements of personal credits such as housing mortgages and credit cards for medical and quarantined personnel and prevention and control personnel affected by the epidemic, and reasonably adjusted and delayed repayment period and submission of overdue credit records.

Taking the initiative to facilitate financial services. Relying on the “Jiangyu Consumer Protection Micro-Classroom” promotional brand, and on the basis of regular publicity activities such as “3.15”, “Keep Money Safe”, and “Financial Knowledge Walkathon”, the Bank launched the “Demining Action” special publicity activity to deliver financial knowledge to campuses, rural areas and the gathering places of migrant workers, pushing more than 30 WeChat images, articles and short videos containing various financial publicity knowledge and sending more than 180,000 short messages with 600,000 recipients. The Bank built a multi-channel and multi-model financial service network such as physical outlets, self-service machines, rural “convenient financial self-service centers”, mobile banking service vehicles, and online electronic platforms, set up a total of 1,013 ATMs, 3,119 CRS, 689 inquiry machines, and 484 rural convenience financial self-service terminals. The number of mobile banking users exceeded 10 million. In conjunction with the evaluation of “top thousand”, “top hundred” and “star” outlets, the Bank set up “courtesy counters”, “green channels”, “complaint reception areas” and “happy homes” which were equipped with reading glasses, caring seats, children’s entertainment facilities, gentle ramps, handrails, guardrails and other convenient facilities. The Bank launched anti-counterfeiting and fraud prevention seminars, small bankers and other public welfare activities to enhance the financial service experience of special customer groups. The Bank also launched financial products such as “commercial wealth deposits” (商富存), “Express Property Loan” and “Yukuai Car Life” (渝快車生活) to truly meet the financial needs of consumers and help consumers maintain and increase the value of their assets.

VII. OUTLOOK

(I) Macro environment and Industry Outlook

From the beginning of this year, in the face of the severe challenges of the COVID-19 outbreak and a complex and volatile domestic and international environment, the global economic growth has continued to slow down. Thanks to the effective prevention and control of the epidemic and the orderly resumption of work and production, China’s economy gradually recovered from the impact of the COVID-19, the domestic epidemic prevention and control has entered into the normalization stage, with a good recovery momentum in all sectors and a marked recovery of the overall economy. In the second half of 2020, China will endeavor to implement the “Six Stabilities” and “Six Guarantees”, complete the final work of Thirteenth Five- Year Plan, build a well-off society in all-around manner, and achieve the first centennial goal.

For banking industry, they will actively carry out the “Six Stabilities” measures, fully implement the “Six Guarantees” measures, and resolutely win the war of prevention and control of the epidemic. Meanwhile, they will further implement regulatory requirements, effectively promote cost reductions and benefits surrendering, and step up efforts in leveraging finance to serve real economy. Banking industry shall strengthen the research, development and application of financial technology and promote the innovation integration of new technologies (such as blockchains, big data and AI intelligence etc.) with financial products, and continuously improve the level of financial services. In the meanwhile, in order to achieve a new round of high quality and sustainable development, it should strengthen risk management, improve corporate governance system and firmly hold the line against systemic financial risks.

(II) Strategy Planning

In 2020, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, not only Chongqing Rural Commercial Bank will closely follow the changes in policies and comply with the improved standards and requirements, the Bank will also focus on the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, so that we can unwaveringly enter the new trillion journey.

For anchoring the Bank with retail, we keep seeing retail as a fundamental element of development and continuation. The Bank has been cultivating in county areas and serving the public for years, and our outlets cover the entire Chongqing. Rooted and based in the retail market, we gain unsurpassed resources and advantages, that we remain a close distance with customers and have thorough understanding of and instant response to the changes in the market demands, which facilitate our provision of quality “customer-oriented” financial service. In the future, we will further exercise our strength which is our huge customer base, with the aim of achieving anchoring banks with retail through establishing banks with customers and creating an enormous, customer-centered retail system. Furthermore, the Bank will greatly enhance its assessment and guidance, earnestly spot the needs of customers, help develop customers’ habits and provide differentiated services to customers by category, by tier and by channel. Blending customers’ needs into our products and services, we turn low viscosity customers to loyal, from inactive to active.

For propelling the Bank with technology, we keep seeing technology as a booster for innovation and driver for growth. We exert utmost efforts to create good conditions for innovation and increase our investment in financial technology, under the innovation in financial technology, our operation as well as management can be facilitated in one go. Utilizing technical methods such as more intelligent and efficient counter services and platform-based application scenarios, we streamline services towards retail and small and micro customers. The Bank digs into existing customers and attracts new customers by advanced technology. In addition, we have been increasing the usage of big data, by professional processing of and exploring into the customers’ data and transaction data accumulated for years, the Bank can therefore achieve “added-values” after “processing”.

For empowering the Bank with talents, we keep seeing talents as our core resources and future hope. Through increasing our effort in recruitment, introduction and training, offering incentives and enforcing disciplines, letting young and professional talents to experience and be responsible in multiple positions, we fully utilize the advantages of talents and establish a good atmosphere in personnel selection and appointment. In addition, we continue our market-oriented reform and seek ways to promote professional managers system which focuses on maximizing staff efficiency and performance, so as to cultivate a group of real talents and real professionals, securing human resources for the transformation of rural commercial bank.

Changes in Share Capital and Particulars of Shareholders

I. Changes in Share Capital of Ordinary Shares

(I) Movement in Ordinary Shares

1. Movement in Ordinary Shares

Unit: share, %

	Before this movement		Increase/(decrease)(+/-) in this movement					After this movement	
	Number of shares	Percentage	Issuance of new shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
I. Shares with selling restrictions	7,743,394,491	68.18				(256,730,532)	(256,730,532)	7,486,663,959	65.92
1. State-owned shares									
2. Shares held by state-owned legal persons	2,819,731,591	24.83				(7,869,132)	(7,869,132)	2,811,862,459	24.76
3. Shares held by other domestic investors	4,923,561,882	43.35				(248,760,382)	(248,760,382)	4,674,801,500	41.16
Among which: shares held by domestic non-state-owned legal persons	3,633,059,845	31.99				(369,884,513)	(369,884,513)	3,263,175,332	28.73
Shares held by domestic natural persons	1,290,502,037	11.36				121,124,131	121,124,131	1,411,626,168	12.43
4. Shares held by foreign investors	101,018	0.00				(101,018)	(101,018)	0	0.00
Among which: shares held by foreign legal persons	101,018	0.00				(101,018)	(101,018)	0	0.00
Shares held by foreign natural persons									
II. Tradable shares without selling restrictions	3,613,605,509	31.82				256,730,532	256,730,532	3,870,336,041	34.08
1. RMB-denominated ordinary shares	1,100,269,468	9.69				256,730,532	256,730,532	1,357,000,000	11.95
2. Domestic listed foreign shares									
3. Overseas listed foreign share	2,513,336,041	22.13						2,513,336,041	22.13
4. Others									
III. Total ordinary shares	<u>11,357,000,000</u>	<u>100.00</u>						<u>11,357,000,000</u>	<u>100.00</u>

Note:

“Shares with selling restrictions” is set out after this movement, the “shares held by domestic non-state-owned legal persons” of which include the shares in the “specified account for securities held by unidentified person” of the Bank.

Changes in Share Capital and Particulars of Shareholders

2. *Explanation of changes in ordinary shares*

During the Reporting Period, the number of shares with selling restrictions of the Bank decreased by 256,730,532 Shares, which was due to the lawful releasing of offline-allotted shares with selling restrictions under the Bank's initial public offering of A shares and the listing and trading thereof from 30 April 2020 upon the expiration of the 6-month lock-up period. During the Reporting Period, there was no change in the Company's total share capital.

(II) Changes in restricted shares

During the Reporting Period, the number of shares with selling restrictions of the Bank decreased by 256,730,532 Shares and the number of shares without selling restrictions of the Bank increased by 256,730,532 Shares, which was due to the lawful releasing of offline-allotted shares with selling restrictions under the Bank's initial public offering of A shares and the listing and trading thereof from 30 April 2020 upon the expiration of the 6-month lock-up period. During the Reporting Period, there were no new shares with selling restrictions. As at the end of the Reporting Period, the number of shares with selling restrictions was 7,486,663,959 Shares.

II. Particulars of Shareholders

(I) Total number of shareholders

As at the end of the Reporting Period, the total number of shareholders of the Bank was 303,597 holders. Of which, 302,319 was the shareholders of A shares and 1,278 was the shareholders of H shares. As of 31 July 2020 (i.e. the end of the previous month on the publication date of the Bank's A-share interim report), the total number of shareholders of the Bank was 292,747 holders. Of which, 291,477 was the shareholders of A shares and 1,270 was the shareholders of H shares.

Changes in Share Capital and Particulars of Shareholders

(II) Top ten shareholders and top ten shareholders holding tradable shares (or shareholders without selling restrictions) as of the end of the Reporting Period

1. Particulars of Shareholdings of the Top Ten Shareholders

Unit: Share, %

Name of Shareholder (Full name)	Increase/ (Decrease) during the Reporting Period	Number of shares held at the end of the period	Percentage	Number of shares held with selling restrictions	Pledged or frozen		Nature of shareholder
					Condition of shares	Number of shares	
Hong Kong Securities Clearing Company Nominees Limited	0	2,513,336,041	22.13	0	-	-	Overseas legal person
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	0	988,000,000	8.70	988,000,000	-	-	State-owned legal person
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	0	797,087,430	7.02	797,087,430	-	-	State-owned legal person
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	0	589,084,181	5.19	589,084,181	-	-	State-owned legal person
Loncin Holding Co., Ltd. (隆鑫控股有限公司)	0	570,000,000	5.02	570,000,000	Pledged/ Judicial freezing	570,000,000	Domestic non-state-owned legal person
CHONGQING CASIN GROUP CO., LTD. (重慶財信企業集團有限公司)	0	443,100,000	3.90	443,100,000	Pledged	221,500,000	Domestic non-state-owned legal person
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限公司)	0	300,000,000	2.64	300,000,000	Pledged	248,900,000	Domestic non-state-owned legal person
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	0	200,000,000	1.76	200,000,000	-	-	Domestic non-state-owned legal person
Jiangsu Huaxi Group Corporation Limited (江蘇華西集團有限公司)	0	150,000,000	1.32	150,000,000	Pledged	125,000,000	Domestic non-state-owned legal person
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	0	150,000,000	1.32	150,000,000	Pledged	74,900,000	Domestic non-state-owned legal person

Changes in Share Capital and Particulars of Shareholders

Notes:

- (1) The number of shares held by Hong Kong Securities Clearing Company Nominees Limited refers to the total number of shares in the shareholders of H shares' account of the Bank in the trading system represented by Hong Kong Securities Clearing Company Nominees Limited.
- (2) Chongqing Yufu Assets Management Group Company Limited changed its Chinese name from 重慶渝富資產經營管理集團有限公司 to 重慶渝富資本運營集團有限公司 on 13 July 2020.

2. Particulars of Shareholdings of the Top Ten Shareholders without Selling Restrictions

Unit: share

Name of shareholder	Number of tradable shares held without selling restrictions	Type and number of shares Type	Number
Hong Kong Securities Clearing Company Nominees Limited	2,513,336,041	Overseas listed foreign shares	2,513,336,041
Hong Kong Securities Clearing Company Limited	13,478,146	RMB-denominated ordinary shares	13,478,146
Wang Guoqing	5,981,400	RMB-denominated ordinary shares	5,981,400
Li Xiaomin	5,602,700	RMB-denominated ordinary shares	5,602,700
Wang Huafeng	4,617,800	RMB-denominated ordinary shares	4,617,800
Zhao Chunlai	4,489,500	RMB-denominated ordinary shares	4,489,500
China Merchants Securities Co., Ltd.- Tianhong CSI Bank Index Initiated Securities Investment Fund (天弘中證銀行指數型發起式證券投資基金)	3,323,000	RMB-denominated ordinary shares	3,323,000
Industrial and Commercial Bank of China – Huatai Bairui CSI 300 Trading Index Securities Investment Open-ended Fund (華泰柏瑞滬深300交易型開放式指數證券投資基金)	2,534,200	RMB-denominated ordinary shares	2,534,200
Jin Xingwang (金興旺)	2,483,300	RMB-denominated ordinary shares	2,483,300
Wang Xiufang (王秀芳)	2,477,400	RMB-denominated ordinary shares	2,477,400
Statement on the connected relations and concerted actions between the shareholders above	Not aware of connected relations or concerted actions existing between the shareholders above		

Changes in Share Capital and Particulars of Shareholders

3. Number of Shares Held By and Selling Restriction of the Top Ten Shareholders with Selling Restrictions

No.	Name of shareholder with selling restrictions	Details of approved tradable shares with selling restrictions			Selling restrictions
		Number of shares held with selling restrictions	Time available for trading	Additional number of approved tradable shares	
1	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	988,000,000	April 2023	0	42 months from the date of the Bank's listing
2	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	797,087,430	April 2023	0	42 months from the date of the Bank's listing
3	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	589,084,181	April 2023	0	42 months from the date of the Bank's listing
4	Loncin Holding Co., Ltd. (隆鑫控股有限公司)	570,000,000	April 2023	0	42 months from the date of the Bank's listing
5	Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	443,100,000	October 2020	0	12 months from the date of the Bank's listing
6	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	300,000,000	October 2020	0	12 months from the date of the Bank's listing
7	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	200,000,000	October 2020	0	12 months from the date of the Bank's listing
8	Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司)	150,000,000	October 2020	0	12 months from the date of the Bank's listing
9	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	150,000,000	October 2020	0	12 months from the date of the Bank's listing
10	Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司)	125,000,000	October 2020	0	12 months from the date of the Bank's listing

Statement on the connected relations and concerted actions between the shareholders above

Chongqing River & Holiday Hotel Management Co., Ltd. (重慶兩江假日酒店管理有限公司) and Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司), 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 2,000,000 and 10,000,000 A shares of the Bank respectively, jointly hold 1 billion A shares of the Bank, accounting for 8.81% of the total share capital collectively.

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 A shares of the Bank, jointly holds 827,087,430 A shares of the Bank, accounting for 7.28% of the total share capital collectively.

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 A shares of the Bank, jointly holds 443,210,700 A shares of the Bank, accounting for 3.90% of the total share capital collectively.

(III) Explanation of the absence of controlling shareholders and actual controllers of the Company

The shareholding structure of the Bank is diversified, as of the end of the Reporting Period, the percentage of shareholding of the largest shareholder was 8.70%, and there are no controlling shareholders holding more than 50% of the shares. For major shareholders holding more than 5% of the shares, their respective shares do not exceed 10% of the total share capital, and their total shareholding does not exceed 50%. As the voting rights enjoyed by the shares held by them are not sufficient to make a material impact on resolutions approved at general meetings, there is no controlling shareholder. The Bank does not have any person who can actually control the Bank through investment relations, agreements or other arrangements, although not being a shareholder of the Bank, so the Bank has no actual controller.

(IV) Particulars of Major Shareholders

1. Major shareholders holding more than 5% of the shares

As of 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 Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and Loncin Holding 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 8.70%, 7.02%, 5.19% and 5.02% 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 of the Bank holding 5% or more of total share capital of the Bank, nor were there any other employees or natural persons other than employees holding 5% or more of shares of the Bank.

- (1) Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (it changed its Chinese name as重慶渝富資本運營集團有限公司 on 13 July 2020,), which was established on 27 February 2004, currently has a registered capital of RMB10 billion. It is a solely state-owned comprehensive assets operation and management company organised under the approval of Chongqing Municipal Government and is under supervision of Chongqing State-owned Assets Supervision and Administration Commission as a municipal state-owned key enterprise.
- (2) Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), which was established on February 1993, currently has a registered capital of RMB20 billion. It is a solely state-owned enterprise with its business covering city infrastructure constructions as its major business, and real estates, financial equity, intelligent traffic, health & pension, exhibition economy, general aviation and other industries, positioning itself as a “general contractor, general construction agent and general operator” of major infrastructure projects.

Changes in Share Capital and Particulars of Shareholders

- (3) Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) (formerly known as “Chongqing Transport and Travel Investment Group Company Limited” (重慶交通旅遊投資集團有限公司)) was established on 6 December 2002. It currently has a registered capital of RMB3,786,917,353 and is a large solely state-owned enterprise established with the fund from Chongqing Municipal Government and is engaged in the construction of secondary roads in Chongqing and the development and management of tourism resources in Chongqing. In 2019, its 100% equity is transferred to Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) and is directly managed by the Municipal Finance Bureau. It clearly defined its strategic position as a company specializing in assets operation and management.
- (4) Loncin Holding Co., Ltd. (隆鑫控股有限公司) is a key private enterprise in Chongqing city. It was established on 22 January 2003 and currently has a registered capital of RMB1 billion. It has been listed among “Top 500 Chinese Enterprises”. It is an industry-based investment holding group.

2. Other major shareholders under regulations

At the end of the Reporting Period, 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 3.90%, 2.64%, 1.76% and 1.32% of total share capital of the Bank respectively, and are also major shareholders of the Bank.

- (1) Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), which was established in 1997, currently has a registered capital of RMB1.116 billion. It is a group company relating to diversified industries and investment. Its major investment sectors include: construction and operation of infrastructure, environmental protection, real estate development and provision of investment services. It is a group that won “Enterprise with AAA Corporate Credit Rating”, “Top 500 Service Industry Enterprises in China” and “Outstanding Private Enterprise in Chongqing”.
- (2) 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 current registered capital of RMB0.1 billion. It is engaged in real estate development and sale of commodity housing; residential leasing; interior decoration; real estate consultation; technology consultation, technical service, etc.

Changes in Share Capital and Particulars of Shareholders

- (3) Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司) (formerly known as “Xiamen Lailerfu Trading Co., Ltd.” (廈門來爾富貿易有限公司)) was established in May 2001 with a current registered capital of RMB0.1 billion, and is engaged in non-securities equity investment and advising on equity investment.
- (4) 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 RMB0.1 billion. The company successively received the titles of “Reliable and Credible Enterprise in Chongqing” and “Property Developer with AAA Credit Rating in Chongqing” and other awards.

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 Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	The Finance Bureau of Chongqing City	Nil	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)
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:

- 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.
- For definitions of controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiary of major Shareholders of the Bank, please refer to the relevant requirements under Provisional Regulation Governing Equity Interest of Commercial Banks by the CBIRC (the former “CBRC”).

Changes in Share Capital and Particulars of Shareholders

(V) Substantial Interests and Short Positions

As at the end of the Reporting Period, to the knowledge of the Bank, the following individuals (other than the directors, supervisors and chief executives) had an interest and short position in the shares of the Bank which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank under Section 336 of the SFO were as follows:

A Shares

Unit: share, %

Name of shareholder	Capacity	Number of A shares held	% of the total share capital of issued A shares 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	11.17	8.70
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	9.01	7.02
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Beneficial Owner	589,084,181	6.66	5.19
Loncin Holding Co., Ltd. (隆鑫控股有限公司)	Beneficial Owner	570,000,000	6.45	5.02
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	Beneficial Owner	443,100,000	5.01	3.90
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	3.39	2.64
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	2.26	1.76
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	Beneficial Owner	150,000,000	1.70	1.32

Changes in Share Capital and Particulars of Shareholders

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held ⁽³⁾	% of issued H share of the Bank	% of the total share capital of the Bank
BlackRock, Inc. ⁽¹⁾	Interest of controlled corporations	155,598,809 (L)	6.19	1.37
		2,019,000 (S)	0.08	0.02
BlackRock Global Funds	Beneficial Owner	132,885,000 (L)	5.29	1.17
Citigroup Inc.	Interest of controlled corporations/ approved lending agent	175,585,432 (L)	6.98	1.55
		8,870,800 (S)	0.35	0.08
	Approved lending agent	164,969,779 (P)	6.56	1.45
		227,140,000 (L)	9.04	2.00
Guo Guangchang ⁽²⁾	Interest of controlled corporations	227,140,000 (L)	9.04	2.00
Fosun International Holdings Ltd. ⁽²⁾	Interest of controlled corporations	227,140,000 (L)	9.04	2.00
Fosun Holdings Limited ⁽²⁾	Interest of controlled corporations	227,140,000 (L)	9.04	2.00
Fosun International Limited ⁽²⁾	Interest of controlled corporations	227,140,000 (L)	9.04	2.00

Notes:

- (1) According to BlackRock, Inc.'s Notice of Disclosure of Corporate Major Shareholders' Interests filed on 2 July 2020, BlackRock, Inc. is deemed to hold a long position of 155,598,809 H shares and a short position of 2,019,000 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.
- (2) Guo Guangchang holds 85.29% equity interests in Fosun International Holdings Ltd. Fosun International Holdings Ltd. holds 100% equity interests in Fosun Holdings Limited. Fosun Holdings Limited holds 71.09% 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 various corporations controlled by them. Guo Guangchang holds jointly a long position in 227,140,000 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

Changes in Share Capital and Particulars of Shareholders

(VI) Directors', Supervisors' and the Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

As of the end of the Reporting Period, the interests or short positions of the directors, supervisors and the chief executive of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Bank and 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:

A shares

Unit: share, %

Name	Position	Capacity	Number of A shares held	% of the total share capital of issued A shares of the Bank	% of the total share capital of the Bank
Directors					
Liu Jianzhong	Secretary to the Party Committee, Chairman, Executive Director	Beneficial Owner	15,000	0.00017	0.00013
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	Beneficial Owner	15,000	0.00017	0.00013
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director	Beneficial Owner	10,300	0.00012	0.00009
Luo Yuxing	Non-executive Director	Beneficial Owner	10,000	0.00011	0.00009
Wen Honghai	Non-executive Director	Beneficial Owner	10,000	0.00011	0.00009
Supervisors					
Zuo Ruilan	Shareholder Representative Supervisor	Beneficial Owner	11,900	0.00013	0.00010
Zhu Yuzhou	Employee Representative Supervisor	Beneficial Owner	37,600	0.00043	0.00033

Other than as disclosed above, none of the directors, supervisors or 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 at the end of the Reporting Period.

(VII) Issue, Purchase, Sale and Redemption of Securities

On 9 January 2020, the Bank issued special financial bonds for agriculture, rural areas and farmers (the bond referred to as “20 Chongqing Rural Commercial Agriculture, Rural Areas and farmers Bonds”, bond code: 2021001) of Chongqing Rural Commercial Bank Co., Ltd. for 2020 through book-building process and filing. The bonds are a 3-year fixed-rate variety, and its final issuance scale is RMB2 billion and the coupon rate is 3.2%.

On 12 March 2020, the Bank issued financial bonds (the bond referred to as “20 Chongqing Rural Commercial Bonds”, bond code: 2021008) of Chongqing Rural Commercial Bank Co., Ltd. for 2020 through book-building process and filing. The bonds are a 3-year fixed-rate variety, and its final issuance scale is RMB8 billion and the coupon rate is 2.89%.

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

Information on Directors, Supervisors, Senior Management, Employee and Institutes

I. Information on Directors, Supervisors and Senior Management

Existing Directors

Name	Position	Gender	Age	Term of office
Liu Jianzhong	Secretary to the Party Committee, Chairman of the Board of Directors, Executive Director	Male	57	June 2008 –
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	Male	48	August 2014 –
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director	Male	45	December 2018 –
Zhang Peng	Non-executive Director	Male	45	August 2019 –
Luo Yuxing	Non-executive Director	Male	57	January 2018 –
Wen Honghai	Non-executive Director	Male	54	June 2008 –
Yuan Zengting	Independent Non-executive Director	Male	44	November 2014 –
Cao Guohua	Independent Non-executive Director	Male	53	November 2014 –
Song Qinghua	Independent Non-executive Director	Male	54	September 2017 –
Zhang Qiaoyun	Independent Non-executive Director	Male	57	December 2018 –
Lee Ming Hau	Independent Non-executive Director	Male	43	June 2019 –

Outgoing Directors

Name	Position	Gender	Age	Term of office
Chen Xiaoyan	Non-executive Director	Female	48	November 2015 – June 2020

Existing Supervisors

Name	Position	Gender	Age	Term of office
Zeng Jianwu	Shareholder Representative Supervisor	Male	45	June 2008 –
Zuo Ruilan	Shareholder Representative Supervisor	Female	44	June 2008 –
Wang Hong	External Supervisor	Male	53	October 2014 –
Hu Shuchun	External Supervisor	Male	51	October 2014 –
Pan Like	External Supervisor	Male	46	October 2014 –
Zheng Yi	Employee Representative Supervisor	Male	54	November 2011 –
Zhu Yuzhou	Employee Representative Supervisor	Male	55	November 2011 –
Le Xiaoming	Employee Representative Supervisor	Male	43	June 2019 –

Information on Directors, Supervisors, Senior Management, Employee and Institutes

Senior Management

Name	Position	Gender	Age	Term of office ⁸
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	Male	48	December 2013 –
Wang Min	Member of the Party Committee, Vice President	Male	56	July 2015 –
Dong Lu	Member of the Party Committee, Vice President	Female	44	May 2011 –
Shu Jing	Member of the Party Committee, Vice President	Female	48	October 2015 –
Zhang Peizong	Member of the Party Committee, Vice President Executive Director Secretary to the Party Committee and Chairman of the Board of Directors of CQRC Financial Leasing Co., Ltd.	Male	45	September 2016 –
Gao Song	Member of the Party Committee, Vice President	Male	41	September 2016 –

Outgoing Senior Management

Name	Position	Gender	Age	Term of office
Liu Jiangqiao	Member of the Party Committee, Vice President Secretary to the Board	Male	49	October 2015 – June 2020 September 2016 – June 2020

II. Changes in Directors, Supervisors and Senior Management

On 23 June 2020, we received a letter of resignation from Ms. Chen Xiaoyan, a non-executive director of the Bank, who voluntarily resigned as a non-executive director and member of the Related Party Transaction Control Committee and Risk Management Committee. The Bank announced on 23 June 2020 that Ms. Chen Xiaoyan ceased to serve as a non-executive director of the Bank and a member of relevant special committees of the Board.

Due to work reallocation, Mr. Liu Jiangqiao ceased to serve as a member of the Party Committee of the Bank from 22 May 2020, ceased to serve as the vice president of the Bank from 4 June 2020, and resigned as secretary to the Board of the Bank in June.

Mr. Zhang Peizong will concurrently serve as secretary to the Party Committee and Chairman of CQRC Financial Leasing Co., Ltd. from May 2020, and serve as secretary to the Board of the Bank from 17 June.

⁸ Notes: The term of office shown in this table was the time appointed or nominated by superior departments.

III. Particulars of shareholdings of Directors, Supervisors and Senior Management

Shareholdings of Existing Directors, Supervisors and Senior Management

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/ (Decrease) in the number of shares during the Reporting Period	Reasons for Increase/ (Decrease)
Directors					
Liu Jianzhong	Secretary to the Party Committee, Chairman of the Board of Directors, Executive Director	0	15,000	15,000	Share price stabilization measures for 2019
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	0	15,000	15,000	Share price stabilization measures for 2019
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director	0	10,300	10,300	Share price stabilization measures for 2019
Luo Yuxing	Non-executive Director	10,000	10,000	0	-
Wen Honghai	Non-executive Director	10,000	10,000	0	-
Supervisors					
Zuo Ruilan	Shareholder Representative Supervisor	11,900	11,900	0	-
Zhu Yuzhou	Employee Representative Supervisor	37,600	37,600	0	-
Senior Management					
Wang Min	Member of the Party Committee, Vice President	0	10,000	10,000	Share price stabilization measures for 2019
Dong Lu	Member of the Party Committee, Vice President	0	10,000	10,000	Share price stabilization measures for 2019
Shu Jing	Member of the Party Committee, Vice President	300	10,300	10,000	Share price stabilization measures for 2019
Gao Song	Member of the Party Committee, Vice President	100	10,100	10,000	Share price stabilization measures for 2019

Information on Directors, Supervisors, Senior Management, Employee and Institutes

Shareholdings of Outgoing Directors , Supervisors and Senior Management

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/ Decrease in the number of shares during the Reporting Period	Reasons for Increase/Decrease
Directors					
Chen Xiaoyan	Non-executive Director	1,500	1,500	0	-
Senior Management					
Liu Jiangqiao	Member of the Party Committee, Vice President, Secretary to the Board	0	10,000	10,000	Share price stabilization measures for 2019

IV. Basic Information of Employees and Institutions

(I). Employees

As of 30 June 2020, the Bank had 15,277 regular employees, 11,319 of whom held bachelor's degree or above, representing 74.09% of all the Bank's regular employees. In addition, the Bank had 432 dispatch workers, 610 internally retired employees and 6,292 retired employees.

Number of regular employees of the Bank	15,277
Position Structure	
Management	2,928
Business Personnel	8,911
Risk Control	996
General Management	1,269
Supporting	1,173
Age Structure	
Below 30	2,744
31-40	6,659
41-50	3,810
Above 51	2,064
Academic Background Structure	
Master's degree or above	777
Bachelor's degree	10,542
College's degree or below	3,958

(II) Overview of Human Resources Management

In the first half of 2020, the Bank adhered to the strategy of “anchoring the Bank with retail, propelling the Bank with technology, and empowering the Bank with talents”, closely followed the work guideline of “strengthening management, controlling risks, and stabilizing development”, and actively explored new mechanisms and measures for bank-wide human resources recruitment, training, allocation, incentives and constraints under the new landscape and new vision. As a result, the staff structure was continuously optimized, the vitality of the team was significantly enhanced, and the effectiveness of talents was constantly improved.

Optimizing organizational structure. To facilitate the “four structural adjustments” of assets, liabilities, income, and management personnel, the Bank established the Asset and Liability Management Department, renamed the Planning and Finance Department to the Financial and Accounting Department, renamed the Operation Management Center to the Operation Management Department, and canceled the Discipline Inspection and Supervision Department as well as the Accounting and Settlement Department, so as to further optimize department adjustments, streamline department settings, and actively build career platforms to create conditions for talent gathering and development.

Optimizing the team structure. The Bank insisted on strategic talent identification, open talent introduction, market-based talent selection and systematic talent cultivation. The Bank actively participated in the comprehensive reform under the “Double Hundred Action” and adhered to multi-throng measures such as branch and sub-branch level evaluation, rank and position evaluation, and competition for posts and two-way selection, so as to allow moving up and down, in and out, as well as scaling-up or downsizing. The Bank actively participated in Chongqing “Talent Program”, increased the introduction of professionals from financial innovation, IT, financial markets, credit cards, and so on, and built up the ecology of talent development which satisfies people near and far.

Optimizing the training system. The Bank fulfilled the requirements of ensuring good education and training under the normalized situation of epidemic prevention and control, used the online live broadcast platform and the Bank’s M-learning to carry out training on marketing model innovation and service innovation, customer relationship maintenance and expansion, network team building, compliance operation, risk prevention and control amidst the epidemic, and participated in a series of training such as “Public Welfare Activity – Online Live Broadcast of High-end Dialogue between Entrepreneurs” and “Series Live Broadcast of Public Welfare Lectures”.

(III) The distribution of Branches

Name	address	Number of Outlet	Number of staff
The headquarter and its business department	No. 36 Jinshamen Road, Jiangbei District, Chongqing City	2	1,388
Yuzhong Branch	No. 142 Xinhua Road, Yuzhong District, Chongqing City	8	148
Dadukou Branch	1-3, 1-4-1-1, Block 1, 1-4-1-2, 1-4-2-2, Block 1,11 Tianchenhuafu, Chunhui Road Street, Dadukou District, Chongqing City	14	178
Jiangbei Branch	1-1, No. 10, Yanghe Road East, Jiangbei District, Chongqing City	29	307
Shapingba Branch	Annex 37, 38, 39, No. 118 Xiaoyanggong Bridge, Shapingba District, Chongqing City	36	343
Jiulongpo Branch	Annex 1, No. 2 Xijiao Road, Yang Jia Ping, Jiulongpo District, Chongqing City	52	438
Nan'an Branch	No. 24 Jiangnan Avenue, Nanping, Nan'an District, Chongqing City	30	362
Beibei Branch	No. 20 Beixia West Road, Beibei District, Chongqing City	27	269
Yubei Branch	1-1, Block 1, No. 91 Shuanglong Avenue, Shuanglonghu Street, Yubei District, Chongqing City	38	320
Liangjiang Branch	No. 21, 23, 25 Jintong Road, New North Zone, Chongqing City	18	235
Ba'nan Branch	No. 145 Longzhou Avenue, Ba'nan District, Chongqing City	56	398
Wansheng Branch	No. 36 Wandong North Road, Wansheng District, Chongqing City	13	124
Fuling Branch	Block 1, Hongfu Building No. 55 Xinghua Middle Road, Fuling District, Chongqing City	77	506
Changshou Branch	No. 13 Xiangyang Road, Fengcheng Street Office, Changshou District, Chongqing City	49	358
Jiangjin Branch	Block E, Jinhui Garden, Binjiang West Road, Jijiang Street Office, Jiangjin District, Chongqing City	83	533
Hechuan Branch	No. 2 Jiuchang Road, Hechuan District, Chongqing City	93	635
Yongchuan Branch	No. 399, Honghe Middle Road, Yongchuan District, Chongqing City	56	415
Nanchuan Branch	No. 24 Jinfo Avenue, Nanchuan District, Chongqing City	40	302
Qijiang Branch	No. 34 Jiulong Avenue, Wenlong Street, Qijiang District, Chongqing City	43	353
Tongnan Branch	No. 4, Xingtong Avenue, Guilin Street Office, Tongnan County, Chongqing City	40	295
Tongliang Branch	No. 102 Zhongxing Road, Bachuan Street, Tongliang County, Chongqing City	50	369
Dazu Branch	Annex 2 No.390 Wuxing Avenue, Tangxiang Street Office, Dazu County, Chongqing City	39	306
Rongchang Branch	No. 106 Haitang Avenue, Changzhou Street Office, Rongchang District, Chongqing City	36	300
Bishan Branch	No. 4 Bitong Road, Bicheng Street Office, Bishan District, Chongqing City	40	338
Wanzhou Branch	No. 91 Taibai Road, Wanzhou District, Chongqing City	96	697
Liangping Branch	No. 1, Block 26, Minghao Commercial Area, Liangshan Town, Liangping County, Chongqing City	46	379
Chengkou Branch	No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City	25	168
Fengdu Branch	No. 187 2nd Shangye Road, Sanhe Town, Fengdu County, Chongqing City	47	341
Dianjiang Branch	No. 371 Renmin East Road, Guixi Town, Dianjiang County, Chongqing City	48	327
Zhong County Branch	No. 49 Ba Wang Road, Zhongzhou Town, Zhong County, Chongqing City	60	427

Information on Directors, Supervisors, Senior Management, Employee and Institutes

Name	address	Number of Outlet	Number of staff
Kai County Branch	(Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kai County, Chongqing City	64	500
Yunyang Branch	No. 1335 Yunjiang Avenue, Qinglong Road, Yunyang County, Chongqing City	69	480
Fengjie Branch	No. 32 Gongping Lane, Yufujie Road, Fengjie County, Chongqing City	46	361
Wushan Branch	No. 258 Guangdong Middle Road, Wushan County, Chongqing City	31	262
Wuxi Branch	Unit 1-1, No.7 Yanghe Garden, No.25, Binhe Zhilu, Boyang Street, Wuxi County, Chongqing City	38	308
Qianjiang Branch	No. 217 Jiefang Road, Chengdong Street, Qianjiang District, Chongqing City	34	282
Wulong Branch	No. 36 Furong Middle Road, Furong Street, Wulong County, Chongqing City	35	291
Shizhu Branch	No. 41 Xinkai Road, Nanbin Town, Shizhu Tujia Autonomous County, Chongqing City	32	232
Xiushan Branch	Shizi Street, Yuxiu Avenue, Zhonghe Town, Xiushan Tujia and Miao Autonomous County, Chongqing City	36	262
Youyang Branch	No. 5, Taohuayuan Middle Road, Taohuayuan Town, Youyang Tujia and Miao Autonomous County, Chongqing City	46	319
Pengshui Branch	Annex 4, No.2 Shizui Street, Hanjia Street, Pengshui Miao and Tujia Autonomous County, Chongqing City	47	329
Qujing Branch	Block 2 and 3, "Renhe Garden, Yunding Town Center" Dahua Bridge, Qilin West Road, Qilin District, Qujing City	2	58
Expatriate			34
Total		1,771	15,277

I. Corporate Governance

During the Reporting Period, in strictly compliance with relevant laws and regulations including the Company Law of the People's Republic of China and the Commercial Bank Law of the People's Republic of China as well as the Listing Rules of Shanghai and Hong Kong, and taking into its actual situation, the Bank continuously improved the corporate governance structure to enhance corporate governance standards.

For the six months ended 30 June 2020, the Bank has always abided by and complied with the code provisions under the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules. At the same time, the Bank also complied with most of the recommended best practices contained in the aforementioned Code.

II. Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by directors, supervisors and relevant employees, a code not lower 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 for the six months ended 30 June 2020.

III. Amendments to the Articles of Association

The 2019 annual general meeting held by the Bank on 20 May 2020 considered and approved (among others) the resolution on proposal to amend the Articles of Association. The Bank received the Notice of Acceptance of Administrative Licensing Matters for Financial Institutions in the Banking Industry (Yu Yin Bao Jian Xu Shou [2020] No. 119) on 11 June 2020. The draft amendments to the Articles of Association are subject to the approval by the China Banking Regulatory Authority.

The changes to the Articles of Association are mainly amendments to certain articles of the Articles of Association in accordance with the laws, regulations and regulatory documents including the Reply of the State Council on the Adjustment of the Notice Period of Convening the General Meeting and Other Matters Applicable to the Overseas Listed Companies (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) (Guo Han (2019) No. 97), the Guidance for the Articles of Association of Listed Companies (《上市公司章程指引》) (Zheng Jian Hui Gong Gao (2019) No. 10) issued by the CSRC, the Opinions on Strengthening the Construction of the General Counsel System of Municipal State-owned Enterprises (《關於加強市屬國有企業總法律顧問制度建設的意見》) (Yu Guo Zi (2019) No. 221) and the Guidelines on the Articles of Association of Chongqing Municipal State-owned Enterprises (《重慶市市屬國有企業章程指引》) (Yu Guo Zi Dang Fa (2019) No. 11) issued by municipal State-owned Assets Supervision and Administration Commission (重慶市國有資產監督管理委員會), taking into consideration the actual situation of the Bank. The proposed amendments to the Articles of Association involve 30 articles, with a total of 1 article added and adjustments made to a total of 29 articles in the original Articles of Association. The number of articles in the amended Articles of Association has increased from 357 articles in the original Articles of Association to 358 articles. The serial numbers of related chapters, articles and cross-references involved are also adjusted accordingly.

Major Events

The changes to the Articles of Association mainly involve: (1) the time for the written notice of convening the general meetings was revised in accordance with the Reply of the State Council on the Adjustment of the Notice Period of Convening the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han (2019) No. 97): 20 days in advance for annual general meetings, and 10 business days or 15 days in advance (whichever is earlier) for extraordinary general meetings; H-share shareholders and shareholders attending the general meeting through the Internet do not need to submit the reply slip; where the number of voting shares of the shareholder representatives attending the meeting does not reach more than 1/2 of the total number of voting shares of the Bank, it is not required to resend the notice and publish the same in newspapers. (2) According to Articles 23-25 of the Guidance for the Articles of Association of Listed Companies issued by the CSRC, relevant requirements on the Bank's repurchase of shares outstanding have been revised. (3) According to Article 107 of the Guidance for the Articles of Association of Listed Companies issued by the CSRC, Article 201 of the original Articles of Association is proposed to be amended by adding relevant requirements that "the independent directors are the majority and act as conveners of the audit committee, nomination committee and remuneration committee, and the convener of the audit committee shall possess accounting or related financial management expertise. The Board is responsible for the formulation of the working rules and procedures of each special committee to regulate the operation of the special committees." (4) According to relevant provisions of the Guidelines on the Articles of Association of Chongqing Municipal State-owned Enterprises, relevant requirements are added, including the right of proposal of the Party Committee and the municipal SASAC in convening extraordinary Board meetings, management of party organization work funds, the implementation of the leadership system of "Dual Entry and Cross Appointment" by the Bank, and the convening and voting of party committee meetings; relevant content of the Party Committee's participation in decision-making has been revised. (5) Pursuant to the regulatory requirements and the actual situation of the Bank, the regulation that the chairman of the Board of Supervisors of the Bank "shall start to perform its duties after being approved by banking regulatory authorities in China" is deleted from the Articles of Association. (6) According to the Guidelines on Independent Director and External Supervisor System of Joint Stock Commercial Banks 《股份制商業銀行獨立(董事和外部監事制度指引)》 and the Hong Kong Listing Rules, the scope of independent opinions expressed by independent directors to the Board or the general meetings on major events of the Bank and qualifications for independent directors have been revised. The above-mentioned amendments to the Articles of Association were considered and approved by the 2019 Annual General Meeting of the Bank on 20 May 2020, and are subject to the approval by the banking and insurance regulatory authorities in China. For details, please refer to the announcement dated 3 April 2020, and the circular dated 28 April 2020 of the Bank, in relation to (among others) proposed amendments to the Articles of Association.

IV. Details of the General Meetings

During the Reporting Period, the Bank held two general meetings, being the 2019 general meeting and the 2020 first Extraordinary General Meeting of the Bank. Details are as follows:

(1) the 2019 general meeting

On 20 May 2020, the Bank held the 2019 general meeting. At the 2019 general meeting, 14 resolutions mainly regarding 2019 work report of the Board of Directors, the 2019 work report of the Board of Supervisors, the 2019 annual financial final proposal, the 2019 profit distribution plan, the 2020 financial budget, the 2019 annual report and the appointment of the external auditors for 2020 and determination of their remuneration were considered and approved. The report of the independent non-executive directors of the Bank for 2019, the report of the Sannong financial services by the Bank in 2019 and the report of the related transactions of the Bank for 2019 were heard at the general meeting. The general meeting was held in compliance with relevant legal procedures. 4 directors of the Bank, namely executive directors Mr. Liu Jianzhong and Mr. Xie Wenhui, non-executive director Mr. Zhang Peng, independent non-executive director Mr. Cao Guohua, attended the general meeting in person.

(2) the 2020 first Extraordinary General Meeting

On 29 June 2020, the Bank held the 2020 first Extraordinary General Meeting. At the 2020 first Extraordinary General Meeting, 2 resolutions mainly regarding the consideration of related party transactions of Loncin Holdings Limited and the issuance of undated capital bonds by Chongqing Rural Commercial Bank were considered and approved. The Extraordinary General Meeting was held in compliance with relevant legal procedures. 5 directors of the Bank, namely executive director Mr. Liu Jianzhong, Mr. Xie Wenhui and Mr. Zhang Peizong, non-executive director Mr. Luo Yuxing, independent non-executive director Mr. Cao Guohua, attended the Extraordinary General Meeting in person.

Major Events

During the Reporting Period, the Bank convened 2 general meetings. The attendance of the directors at the meeting are set out below:

Directors	Attendance required	Actual attendance	Attendance by proxy	Attendance rate
Liu Jianzhong	2	2	—	100%
Xie Wenhui	2	2	—	100%
Zhang Peizong	2	1	—	50%
Zhang Peng	2	1	—	50%
Chen Xiaoyan	1	0	—	0%
Luo Yuxing	2	1	—	50%
Wen Honghai	2	0	—	0%
Yuan Zengting	2	0	—	0%
Cao Guohua	2	2	—	100%
Song Qinghua	2	0	—	0%
Zhang Qiaoyun	2	0	—	0%
Lee Ming Hau	2	0	—	0%

- Notes:
1. The Bank received a resignation letter from Ms. Chen Xiaoyan on 23 June 2020 in respect of her voluntary resignation from the positions of the non-executive director and members of relevant special committees of Chongqing Rural Commercial Bank. In 23 June, the Bank made an announcement disclosing that Ms. Chen Xiaoyan ceased to serve as the non-executive director and members of relevant special committees of the Bank.
 2. As at the end of the Reporting Period, there were 11 members of the Board of the Bank, among them, 5 directors were ordinarily resident in the areas outside Chongqing. The details are as follows: the ordinary place of residence of Mr. Wen Honghai and Mr. Yuan Zengting is Beijing; the ordinary place of residence of Mr. Song Qinghua is Wuhan, Hubei; the ordinary place of residence of Mr. Lee Ming Hau is Hong Kong, PRC and the ordinary place of residence of Mr. Zhang Qiaoyun is Chengdu, Sichuan. They didn't attend the general meeting due to the need for epidemic prevention and control.

V. Implementation of Dividends Distribution

According to the resolution passed at the 2019 Annual General Meeting of the Bank held on 20 May 2020, a cash dividend of RMB0.23 per Share (tax inclusive) for 2019 will be distributed to all shareholders with a total of RMB2,612,110,000.00 (tax inclusive) distributed, based on the total share capital of 11,357,000,000 Shares. Specifically: cash dividend of RMB2,034,042,710.57 (tax inclusive) will be distributed for A Shares on 19 June 2020; cash dividend of RMB578,067,289.43 (tax inclusive) will be distributed for H shares in HK dollar for H Shares on 13 July 2020.

The Bank did not declare any interim dividends for 2020.

VI. Performances of Undertakings

In accordance with relevant laws and regulations, the Bank's undertakings contained in the Prospectus for Initial Public Offering disclosed on 20 September 2019 and the Announcement on the Listing of the Shares under Initial Public Offering disclosed on 28 October 2019 were faithfully performed.

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Rural Commercial Bank Co., Ltd.	<p>1. The Bank shall, within 5 trading days after the competent department such as the CSRC or a people's court has made a final determination thereon or a ruling thereon has become effective, initiate the procedures for share repurchase to repurchase all the new A Shares of the Bank under the public offering for any false representation, misleading statement or material omission contained in the prospectus of the Bank which will have a material and substantial effect on the judgment of ability of the Bank to satisfy the conditions of offering under law. Details of the share repurchase scheme will be subject to consideration of the internal and external review and approval of the Bank under applicable laws, regulations, regulatory documents and the Articles of Association. The repurchase price shall not be lower than the issue price thereof plus interest on such shares for such periods from issue to such repurchase at the prevailing bank demand deposit interest rate. In case of any activities such as profit distribution, capitalisation of capital reserves, secondary offering, allotment after the issuance and listing, such repurchase shall cover all the new A Shares and their derivative shares under the public offering, and the above share issue price shall be adjusted for such ex-rights and ex-dividends activities.</p> <p>2. The Bank will compensate the investors fully and promptly for any losses in securities trading suffered by them due to any false representation, misleading statement or material omission in the prospectus of the Bank in accordance with law based on the final determination or the effective ruling made by a competent department such as the CSRC or a people's court.</p> <p>The Bank shall be liable in accordance with relevant laws, regulations, regulatory documents and the requirements of the regulatory authorities if it fails to perform the above undertakings.</p> <p>For the performance of each public undertakings made in this offering and listing, the Bank will make the following undertakings:</p> <p>1. The Bank will strictly fulfill relevant obligations and responsibilities according to the undertakings made by it in connection with the initial public offering and listing of domestic RMB ordinary shares (A shares).</p> <p>2. If the Bank fails to fulfill relevant obligations and responsibilities according to the public undertakings made by it, it hereby undertakes to take the following disciplinary measures:</p> <p>(1) The Bank will make public explanations for its failure in fulfilling such undertakings on the media designated by the CSRC.</p> <p>(2) The Bank will make compensation for the losses suffered by public investors arising from their transactions made in reliance upon the undertakings made by the Bank in such manner and amount as confirmed by securities regulatory authorities or judicial bodies.</p> <p>(3) Where the undertakings made by the Bank set out specific restrictive measures, the Bank will implement such restrictive measures.</p>	20 September 2019 – permanent	Yes

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
Undertakings in relation to the initial public offer	Limited sales of shares	Zuo Ruilan and Zhu Yuzhou, supervisors who hold shares of the Bank	Zuo Ruilan and Zhu Yuzhou, supervisors who hold shares of the Bank, undertake: "The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 1 year from the stock listing date under this offering. During my term of office in Chongqing Rural Commercial Bank, I will not transfer exceed 25% of the total number of shares of Chongqing Rural Commercial Bank that I hold through concentrated bidding, block trade and share transfer by agreement every year, excluding the shareholdings change caused by judicial enforcement, inheritance, legacy and legal property division. If I resign as the supervisor of Chongqing Rural Commercial Bank, I shall not transfer any shares of Chongqing Rural Commercial Bank that I hold within half a year after the termination of my appointment."	29 October 2019 – half a year after the termination of their appointments	Yes
Undertakings in relation to the initial public offer	Limited sales of shares	149 out of 150 individuals of the Bank who hold more than 50,000 internal employee shares of the Bank	149 out of 150 individuals of the Bank who hold more than 50,000 internal employee shares of the Bank undertake: "The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 3 years from the listing date of the A shares of Chongqing Rural Commercial Bank. After the lapse of the above 3-year lock-up period, the shares of Chongqing Rural Commercial Bank sold by me in each year shall not exceed 15% of my total shareholdings of the Bank in Chongqing Rural Commercial Bank Co., Ltd.. The total number of shares of the Chongqing Rural Commercial Bank transferred by me from the lapse of the above 3-year lock-up period to 5-year shall not exceed 50% of my total shareholdings in Chongqing Rural Commercial Bank." 1 resigned employee of the Bank did not sign these letters of commitment due to personal reasons.	29 October 2019 – 29 October 2027	Yes

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
Undertakings in relation to the initial public offer	Limited sales of shares	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), Loncin Holding Co., Ltd. (隆鑫控股有限公司)	<p>Within 36 months from the listing of the shares issued by Chongqing Rural Commercial Bank, the Company shall not transfer or entrust others to manage the domestic shares issued by Chongqing Rural Commercial Bank directly and/or indirectly held by the Company before the initial public offering of A shares, and the part of those shares held by the Company will not be repurchased by Chongqing Rural Commercial Bank.</p> <p>Shareholders' intention to hold shares and undertakings in relation to reducing their holdings:</p> <ol style="list-style-type: none"> 1. Within 6 months from the listing date of shares issued by Chongqing Rural Commercial Bank, if the closing price of A shares of Chongqing Rural Commercial Bank is lower than the issue price for 20 consecutive trading days, or the closing price is lower than the issue price as at the end of the 6-month period upon the listing (if the day is not a trading day, it will be the first trading day after that day), the lock-up period of the shares of Chongqing Rural Commercial Bank held by it will be automatically extended for another 6 months on the basis of the lock-up period (hereinafter referred to as "the above lock-up period") described in "II. Restrictions on the stock circulation and shareholders' voluntary lock-up undertaking to the shares held by them" under this section. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend. 2. Within 2 years after the expiry of the above lock-up period (including the extended lock-up period), if it reduces its holdings in Chongqing Rural Commercial Bank's A shares which have directly or indirectly held by it before this issuance of Chongqing Rural Commercial Bank (excluding A shares newly purchased from the public market after this issuance of Chongqing Rural Commercial Bank), the reduction price shall not be lower than the issue price of the issuance. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend. 3. After the expiry of the lock-up period (including the extended lock-up period) of the shares of Chongqing Rural Commercial Bank held by it, when it reduces its holdings of Chongqing Rural Commercial Bank's A shares, it will notify Chongqing Rural Commercial Bank in writing of the intention to reduce its holdings and the amount of its proposed reduction and Chongqing Rural Commercial Bank shall perform the announcement obligation (if required) in accordance with the rules in force at that time. After 3 trading days from the date of the announcement of Chongqing Rural Commercial Bank, it can reduce its holdings of Chongqing Rural Commercial Bank's A shares. 	29 October 2019 – 29 April 2025	Yes

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	<p>There are no false representation, misleading statement or material omission contained in the prospectus of Chongqing Rural Commercial Bank and are jointly and severally liable for its truthfulness, accuracy, completeness.</p> <p>In the event that there are any false representation, misleading statement or material omission in the prospectus for the A-share issuance and listing of Chongqing Rural Commercial Bank, which will result in material or substantial impact on assessing whether Chongqing Rural Commercial Bank satisfies the issuance conditions as required by laws, the Company will procure Chongqing Rural Commercial Bank to repurchase all the new shares under the initial public offering and all shares derived therefrom (if the Company has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the listing of the shares.)</p> <p>The Company will compensate the investors in accordance with law for any losses in securities trading suffered by them due to any false representation, misleading statement or material omission in the prospectus for this issuance and listing of Chongqing Rural Commercial Bank.</p> <p>The Company guarantees the performance of the above undertakings with the dividends that shall be enjoyed in the profit distribution plan of Chongqing Rural Commercial Bank in the year of A-share listing and subsequent years, and after the relevant obligations in the above undertakings of the Company occur and before the performance, the Company shall not transfer the then shares of Chongqing Rural Commercial Bank held by it.</p>	29 October 2019 – permanent	Yes

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
Undertakings in relation to the initial public offer	Others	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), 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), 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), Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司), Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司), Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司), Panhua Group Co., Ltd. (攀華集團有限公司), Chongqing Guanghua Holding (Group) Co., Ltd. (重慶光華控股(集團)有限公司), Chongqing Jinyuan Times Shopping Mall Co., Ltd. (重慶金源時代購物廣場有限公司)	The Company will comply with Several Provisions on the Reduction of Shares Held by the Shareholders, Directors, Supervisors, and Senior Executives of the Listed Company (《上市公司股東、董監高減持股份的若干規定》) issued by the CSRC, and relevant requirements under the Rules Governing the Listing of Stocks (《股票上市規則》) and the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies (《上海證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》) issued by the Shanghai Stock Exchange.	29 October 2019 – permanent	Yes

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking	Whether Strictly performed in a timely manner
Undertakings in relation to the initial public offer	Others	Chongqing Rural Commercial Bank, directors of the Bank (excluding independent directors and directors who are not receiving remuneration from the Bank) and senior management of the Bank	If, within three years after the listing of initial public offering of A Shares of the Bank, the closing prices of A Shares of the Bank remain lower than its latest audited net asset value per share for 20 consecutive trading days which is not attributable to any event of force majeure, subject to the relevant laws, regulations and regulatory documents regarding the increase in shares or repurchase requirements, the Bank and relevant entities will adopt measures, including share repurchase of the Bank and shareholding increment to the directors of the Bank (excluding independent directors and directors who are not receiving remuneration from the Bank) and senior management of the Bank, to stabilise the stock price.	29 October 2019 – 29 October 2022	Yes
Undertakings in relation to the initial public offer	Resolution of horizontal competition	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	<ol style="list-style-type: none"> The existing main business of the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) does not involve commercial banking business, and has no horizontal competition with Chongqing Rural Commercial Bank. During the period of the Company as a substantial shareholder of Chongqing Rural Commercial Bank, the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) will not, directly or indirectly, engage in business activities that compete with or may compete with the main business of Chongqing Rural Commercial Bank in any way. The Company will supervise its subsidiaries in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking. 	20 September 2019 – permanent	Yes

For undertakings 3-5, please refer to “VII. Undertakings of Bank’s largest shareholder for avoiding horizontal competition” in the “Prospectus” of the Bank.

VII. Appointment and Removal of Accounting Firms

As considered and approved by the 2019 Annual General Meeting of the Bank, the Bank re-appointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as external auditors of the Bank for 2020 which will be responsible for providing relevant services pursuant to PRC and international auditing standards, respectively. The term of the appointment is one year. For details, please refer to documents of the 2019 Annual General Meeting of the Bank and relevant resolution announcements.

VIII. Matters Relating to Insolvency or Restructuring

During the Reporting Period, the Bank had no matters relating to insolvency or restructuring.

IX. 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 Group.

As of the end of the Reporting Period, pending legal proceedings in which the Group was a defendant or a third party involved an amount of RMB33.55 million. In the view of the Bank, these will not have any material effect on the Bank's operating activities.

X. Penalties Imposed on the Bank and Directors, Supervisors and Senior Management of the Bank

During the Reporting Period, none of the Bank, its directors, supervisors, senior management members was imposed with mandatory measures by judiciary or disciplinary authorities, handed over to the judiciary or charged with criminal liabilities, investigated by the CSRC, subjected to administrative punishment, prohibited from securities market, deemed an inappropriate person by the CSRC, severely punished by environmental protection, safety regulation, tax and other administrative authorities, or publicly reprimanded by securities exchanges.

XI. Integrity

During the Reporting Period, the Bank did not exist the situations either of refusing the execution of court orders nor unsettling significant due debts.

XII. Equity Incentive Plan, Employee Stock Ownership Plan or Other Employee Incentives

During the Reporting Period, the Bank had no equity incentive plan, employee stock ownership plan or other employee incentives.

XIII. Material Related Party Transactions

During the Reporting Period, the loan balance of material related party transactions with related parties amounted to RMB11.338 billion (excluding accrued interest), accounting for 2.40% of the total loan of the Bank (excluding accrued interest). During the Reporting Period, for details of material related party transactions of the Bank, please refer to the section headed "IV. Risk Management (12) Related Party Transactions" under "Chapter IV Management Discussion and Analysis" of this report. 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.

XIV. Material Contracts and Their Performance

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

XV. Targeted Poverty Alleviation

Centering on the theme of “Targeted Financial Poverty Alleviation”, to formulate and issue the guide opinion on poverty alleviation and to implement the “eight actions” for poverty alleviation, the Bank established the financial poverty alleviation strategy of “supporting industries, controlling risks, focusing on assistance, and promoting alignment”, constantly consolidating Party-building poverty alleviation action, industrial poverty alleviation action, credit poverty alleviation action, channel poverty alleviation action, consumption poverty alleviation action, employment poverty alleviation action, intellectual alleviation action and alignment poverty alleviation action, and enhancing 20 measures for financial poverty alleviation, so as to continuously optimize inclusive financial services and contribute to the victory in the battle against poverty with hard work, effective results and high quality.

XVI. Environmental Information

The Bank attached great importance to the development of green credit, implemented the state’s strategy of building a green financial system, closely followed national policies to introduce supporting systems, and promoted the green transformation of the Bank’s business development through various measures such as priority support, green channels, cost reduction, and enhanced assessment.

The Bank attached great importance to the development of environmental protection, vigorously promoted the paperless business process at the counter and adopted the digital management of business vouchers and receipts to effectively reduce the use of paper vouchers, saving approximately 22.8 million sheets of paper during the Reporting Period.

XVII. Acquisition and Disposal of Assets and Merger of Enterprises

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

XVIII. Misappropriation of the Funds by Controlling Shareholder or Other Related Parties

During the Reporting Period, the Bank had no misappropriation of the Bank’s funds by controlling shareholders or other related parties for non-operating purposes.

XIX. Review

The interim condensed consolidated financial information for the six months ended 30 June 2020 prepared by the Bank in accordance with International Financial Reporting Standards has been reviewed by PricewaterhouseCoopers, which has issued unqualified review report.

The unaudited interim report of the Bank for the six months ended 30 June 2020 has been reviewed by the audit committee of the Board of Directors and the Board of Directors.

The Report is prepared in Chinese and English respectively. In case of any ambiguity in the understanding of the Chinese and English versions of the Report, 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 130 to 235, 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 2020 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.

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, 26 August 2020

Interim Condensed Consolidated Income Statement

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Interest income	6	22,693,601	22,152,387
Interest expense	6	(10,677,217)	(10,666,665)
Net interest income		12,016,384	11,485,722
Fee and commission income	7	1,492,909	1,371,711
Fee and commission expenses	7	(48,976)	(44,190)
Net fee and commission income		1,443,933	1,327,521
Net trading gain	8	396,475	319,888
Share of profits of associates		(2,721)	–
Other operating income, net	9	29,530	59,293
Net gain on derecognition of financial assets measured at fair value through other comprehensive income		38,401	–
Net gain on derecognition of financial assets measured at amortised cost		982	77,751
Operating income		13,922,984	13,270,175
Operating expenses	10	(3,809,483)	(2,995,301)
Credit impairment losses	11	(3,713,661)	(3,239,461)
Profit before tax		6,399,840	7,035,413
Income tax expenses	12	(1,134,706)	(1,194,837)
Profit for the period		5,265,134	5,840,576
Attributable to:			
Shareholders of the Bank		5,182,706	5,751,430
Non-controlling interests		82,428	89,146
		5,265,134	5,840,576
Earnings per share (Expressed in Renminbi (“RMB”) Yuan per share)			
– Basic/Diluted	13	0.46	0.58

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

Interim Condensed Consolidated Statement of Comprehensive Income

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit for the period	<u>5,265,134</u>	<u>5,840,576</u>
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gains on defined benefit plans	52	37
Net (losses)/gains on financial assets measured at fair value through other comprehensive income-equity instruments	<u>(82,078)</u>	<u>18,521</u>
Items that may be reclassified subsequently to profit or loss:		
Net gains/(losses) on financial assets measured at fair value through other comprehensive income-debt instruments	59,531	(5,273)
Credit impairment losses of financial assets measured at fair value through other comprehensive income-debt instruments	<u>(7,954)</u>	<u>(20,106)</u>
Other comprehensive income for the period (net of tax)	<u>(30,449)</u>	<u>(6,821)</u>
Total comprehensive income for the period	<u>5,234,685</u>	<u>5,833,755</u>
Total comprehensive income attributable to:		
Shareholders of the Bank	5,152,257	5,744,609
Non-controlling interests	<u>82,428</u>	<u>89,146</u>
Total comprehensive income for the period	<u>5,234,685</u>	<u>5,833,755</u>

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

Interim Condensed Consolidated Statement of Financial Position

As At 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	30 June 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Cash and balances with central bank	15	67,592,531	77,413,594
Deposits with banks and other financial institutions	16	22,400,114	15,625,365
Placements with banks and other financial institutions	17	113,548,931	130,375,760
Derivative financial assets	18	69,220	92,263
Financial assets held under resale agreements	19	12,523,558	–
Loans and advances to customers	20	450,964,601	416,340,781
Financial investments	21		
Financial assets measured at fair value through profit or loss		27,751,507	23,677,991
Financial assets measured at fair value through other comprehensive income		13,931,083	7,256,842
Financial assets measured at amortised cost		348,459,307	346,418,416
Investment in associates	22	447,279	–
Property and equipment	23	4,703,463	4,973,884
Right-of-use assets		188,543	177,216
Goodwill	24	440,129	440,129
Deferred tax assets	33	6,354,482	5,914,297
Other assets	25	3,703,354	1,523,697
Total assets		1,073,078,102	1,030,230,235
LIABILITIES			
Borrowings from central bank	26	38,712,589	31,217,989
Deposits from banks and other financial institutions	27	11,562,322	9,493,063
Placements from banks and other financial institutions	28	25,094,680	26,075,629
Derivative financial liabilities	18	73,731	59,616
Financial assets sold under repurchase agreements	29	35,283,050	15,086,128
Deposits from customers	30	724,272,199	673,401,819
Accrued staff costs	31	4,091,327	4,467,413
Income tax payable		880,015	1,032,318
Lease liabilities		175,195	163,963
Debt securities issued	32	133,863,206	171,330,067
Other liabilities	34	6,645,173	8,099,903
Total liabilities		980,653,487	940,427,908

Interim Condensed Consolidated Statement of Financial Position (Continued)

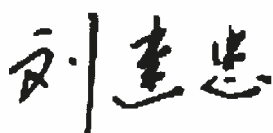
As At 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	30 June 2020 (Unaudited)	31 December 2019 (Audited)
EQUITY			
Share capital	35	11,357,000	11,357,000
Capital reserve	36	21,014,618	21,014,618
Investment revaluation reserve	37	(137,059)	(106,558)
Actuarial changes reserve		(336,017)	(336,069)
Surplus reserve	38	11,283,588	11,283,588
General reserve	39	13,928,795	12,635,296
Retained earnings		<u>33,642,725</u>	<u>32,365,628</u>
Equity attributable to shareholders of the Bank		90,753,650	88,213,503
Non-controlling interests		<u>1,670,965</u>	<u>1,588,824</u>
Total equity		<u>92,424,615</u>	<u>89,802,327</u>
Total equity and liabilities		<u>1,073,078,102</u>	<u>1,030,230,235</u>

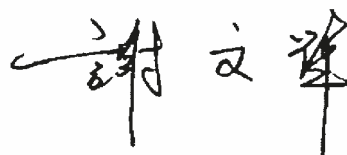
The accompanying notes form an integral part of these interim condensed consolidated financial statements.

The condensed consolidated financial information on pages 130 to 235 were approved and authorised for issue by the Board of Directors on 26 August 2020 and were signed on its behalf by:



LIU JIANZHONG

CHAIRMAN



XIE WENHUI

EXECUTIVE DIRECTOR AND PRESIDENT

Interim Condensed Consolidated Statement of Changes in Equity

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	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			
As at 1 January 2020		11,357,000	21,014,618	(106,558)	(336,069)	11,283,588	12,635,296	32,365,628	88,213,503	1,588,824	89,802,327
Profit for the period		-	-	-	-	-	-	5,182,706	5,182,706	82,428	5,265,134
Other comprehensive income		-	-	(30,501)	52	-	-	-	(30,449)	-	(30,449)
Total comprehensive income for the period		-	-	(30,501)	52	-	-	5,182,706	5,152,257	82,428	5,234,685
Appropriation to general reserve	39	-	-	-	-	-	1,293,499	(1,293,499)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(2,612,110)	(2,612,110)	(287)	(2,612,397)
As at 30 June 2020 (Unaudited)		11,357,000	21,014,618	(137,059)	(336,017)	11,283,588	13,928,795	33,642,725	90,753,650	1,670,965	92,424,615
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	39	-	-	-	-	-	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

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

Interim Condensed Consolidated Statement of Cash Flows

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Operating activities		
Profit before tax	6,399,840	7,035,413
Adjustments for:		
Depreciation and amortisation	438,614	389,456
Credit impairment losses	3,713,661	3,239,461
Interest income arising from investment securities	(7,411,639)	(6,816,290)
Interest expense arising from debt securities issued	2,294,228	2,788,764
Net gain on disposal of investment securities	(387,367)	(77,751)
Net loss on investment in associates	2,721	–
Dividends income from investment securities	–	(2,915)
Net gain on disposal of property, equipment and other assets	(4,744)	(3,057)
Fair value (gain)/loss	(13,123)	65,077
Exchange gain	(20,262)	(30,723)
Operating cash flows before movements in working capital	<u>5,011,929</u>	<u>6,587,435</u>
Decrease in balances with central bank, deposits with banks and other financial institutions	2,718,444	4,306,152
Decrease/(Increase) in placements with banks and other financial institutions	14,575,419	(8,429,453)
Increase in financial assets held for trading purposes	(1,623,890)	(856)
Increase in loans and advances to customers	(37,504,012)	(33,599,219)
Increase in financial assets sold under repurchase agreements	20,203,878	7,783,550
Increase/(Decrease) in borrowings from central bank	7,359,260	(4,829,396)
Decrease in placements from banks and other financial institutions	(942,401)	(779,133)
Increase in deposits from customers, deposits from banks and other financial institutions	52,802,170	62,522,452
Decrease in other operating assets	342,739	7,479
Decrease in other operating liabilities	<u>(3,012,056)</u>	<u>(591,975)</u>
Cash from operating activities	59,931,480	32,977,036
Income tax paid	<u>(1,717,045)</u>	<u>(1,940,746)</u>
Net cash from operating activities	<u>58,214,435</u>	<u>31,036,290</u>

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Investing activities			
Cash received from disposal and redemption of investment securities		98,377,400	73,294,580
Interest income received from investment securities		8,289,422	6,950,535
Cash received from disposal of property, equipment and other assets		14,787	5,185
Dividends income from investment securities		–	2,915
Cash paid for purchase of investment securities		(112,083,949)	(103,439,074)
Cash paid for purchase of property, equipment and other assets		<u>(133,595)</u>	<u>(201,489)</u>
Net cash used in investing activities		<u>(5,535,935)</u>	<u>(23,387,348)</u>
Financing activities			
Debt securities issued		96,586,114	106,112,686
Redemption of bonds issued		(135,910,000)	(105,870,000)
Dividends paid to shareholders of the Bank		(2,026,933)	(1,979,211)
Dividends paid to shareholders of non-controlling interests		(287)	(40,000)
Interest paid on debt securities issued		(437,203)	(2,788,764)
Cash paid in other financing activities		<u>(47,729)</u>	<u>(32,764)</u>
Net cash used in financing activities		<u>(41,836,038)</u>	<u>(4,598,053)</u>
Net increase in cash and cash equivalents			
Cash and cash equivalents as at 1 January		20,533,230	34,637,437
Effect of foreign exchange rate changes		<u>17,925</u>	<u>1,600</u>
Cash and cash equivalents as at 30 June	41	<u><u>31,393,617</u></u>	<u><u>37,689,926</u></u>
Net cash from operating activities include:			
Interest received		15,818,225	15,091,288
Interest paid		<u>(8,132,823)</u>	<u>(7,771,508)</u>
Net interest received from operating activities		<u><u>7,685,402</u></u>	<u><u>7,319,780</u></u>

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

Notes to the Interim Condensed Consolidated Financial Information

For The Six Months Ended 30 June 2020

(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 and the Shanghai Stock Exchange on 16 December 2010 and 29 October 2019, respectively.

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.

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 2019. 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 2019.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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.

The accounting policies and methods of computation used in preparing the condensed consolidated financial information for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

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

			Effective for annual periods beginning on or after
(1)	IFRS 17	Insurance Contracts	1 January 2023
(2)	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.

The Group expects the adoption of the above standards and amendments to have no significant impact on the Group's consolidated financial statements. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2019.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2019.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

5. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES

(1) Investment in subsidiaries

As at 30 June 2020, 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
CQRC Wealth Management Co., Ltd.	28/06/2020	Chongqing	2,000	100.00	100.00	Financial Management

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

5. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(1) Investment in subsidiaries (Continued)

CQRC Wealth Management Co., Ltd. was established on 28 June 2020, with a registered capital of RMB2,000 million. The Bank holds 100% of its equity. The main business scope includes providing general public with wealth management products, carrying out investment and management of properties entrusted investors, financial advising and consulting services.

In addition to the above matters, the proportion of equity holding and proportion of voting rights in the board of directors remained the same as above for the six months ended 30 June 2020.

All the 14 subsidiaries above were sponsored to establish by the Bank. As at 30 June 2020 and 31 December 2019, the amount of non-controlling interests of each subsidiary of the Bank was insignificant to the Group and hence not disclosed further.

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

(2) Investment in associates

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
Chongqing Xiaomi Consumer Finance Co., Ltd.	29/05/2020	Chongqing	1,500	30.00	30.00	Consumer Finance

Chongqing Xiaomi Consumer Finance Co., Ltd. was established on 29 May 2020, with a registered capital of RMB1,500 million. The Bank holds 30% of its shares. The main business scope includes issuing personal consumer loans, accepting deposits from domestic shareholders and their domestic subsidiaries, lending to domestic financial institutions, authorised issuance of financial bonds, placements with-banks and other financial institutions, consumer financing advisory and agency services, agency sales of consumer loans related insurance products investment in fixed income securities and other business as approved by CBIRC.

(3) The Group also consolidated structured entities as disclosed in Note 44 Structured Entities.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET INTEREST INCOME

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Interest income		
Loans and advances to customers	12,095,368	10,767,867
Including: Corporate loans and advances	6,496,387	6,029,955
Personal loans and advances	5,296,176	4,375,306
Discounted bills	302,805	362,606
Financial investments	7,411,639	6,816,290
Including: Financial assets measured at amortised cost	7,231,512	6,760,469
Financial assets measured at fair value through other comprehensive income (FVOCI)	180,127	55,821
Placements with banks and other financial institutions	2,234,667	3,161,591
Balances with central bank	477,738	558,601
Financial assets held under resale agreements	242,845	299,866
Deposits with banks and other financial institutions	231,344	548,172
Subtotal	<u>22,693,601</u>	<u>22,152,387</u>
Interest expense		
Deposits from customers	(6,966,624)	(6,214,195)
Debt securities issued	(2,294,228)	(2,788,764)
Borrowings from central bank	(543,316)	(389,308)
Placements from banks and other financial institutions	(445,443)	(613,997)
Financial assets sold under repurchase agreements	(319,845)	(274,300)
Deposits from banks and other financial institutions	(104,453)	(382,828)
Others	(3,308)	(3,273)
Subtotal	<u>(10,677,217)</u>	<u>(10,666,665)</u>
Net interest income	<u>12,016,384</u>	<u>11,485,722</u>
Included in interest income		
Interest income on listed investments	6,237,206	5,517,058
Interest income on unlisted investments	<u>1,174,433</u>	<u>1,299,232</u>
Total	<u>7,411,639</u>	<u>6,816,290</u>

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

7. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Fee and commission income		
Wealth management fees	937,790	791,903
Agency and fiduciary service fees	175,503	265,660
Bank card fees	135,197	122,862
Settlement and clearing fees	68,153	69,582
Others	176,266	121,704
Subtotal	1,492,909	1,371,711
Fee and commission expense		
Bank card fees	(20,899)	(18,215)
Settlement and clearing fees	(15,033)	(12,440)
Other service fees	(13,044)	(13,535)
Subtotal	(48,976)	(44,190)
Total	1,443,933	1,327,521

8. NET TRADING GAIN

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Net gain on financial assets measured at fair value through profit or loss	405,123	323,323
Net loss on derivatives	(8,648)	(3,435)
Total	396,475	319,888

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

9. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Government grants	21,112	13,961
Exchange gain	20,262	30,723
Rental income	4,990	4,176
Net gain on disposal of property, equipment and other assets	4,744	3,057
Penalty and compensation income	4,236	3,838
Donation	(22,300)	(3,103)
Others, net	(3,514)	6,641
Total	<u>29,530</u>	<u>59,293</u>

10. OPERATING EXPENSES

	NOTE	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Staff costs	(1)	2,457,964	1,768,028
General operating and administrative expenses		613,893	577,319
Depreciation and amortisation		438,614	389,456
Tax and surcharges		136,498	113,243
Others		162,514	147,255
Total		<u>3,809,483</u>	<u>2,995,301</u>

(1) Staff costs

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Salaries, bonuses and allowances	1,832,135	1,803,833
Social insurance	189,580	403,775
Housing funds	162,776	161,654
Enterprise annuity	87,210	–
Labour union fees and staff education expenses	63,110	62,103
Staff welfare	61,235	73,403
Supplementary retirement benefits (i)	46,630	(742,580)
Early retirement benefits	15,288	5,840
Total	<u>2,457,964</u>	<u>1,768,028</u>

(i) Details are disclosed in Note 31.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

11. CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Loans and advances to customers	3,299,640	1,882,435
Financial investments:		
Financial assets measured at amortised cost	585,173	1,001,875
Financial assets measured at fair value through other compressive income	(450)	(48,009)
Placements with banks and other financial institutions	(66,756)	280,676
Financial assets held under resale agreements	10,039	(2,734)
Deposits with banks and other financial institutions	6,944	88,330
Loan commitments	(121,006)	34,033
Others	77	2,855
Total	3,713,661	3,239,461

12. INCOME TAX EXPENSE

(1) Income tax expense

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	1,564,742	1,857,395
Deferred tax (Note 33)	(430,036)	(662,558)
Total	1,134,706	1,194,837

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2020 and 30 June 2019 can be reconciled to the profit before tax per the interim condensed consolidated statement of income as follows:

	NOTE	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Profit before tax		6,399,840	7,035,413
Tax calculated at applicable statutory tax rate of 25%		1,599,960	1,758,853
Difference of income tax calculated at subsidiaries' applicable statutory tax rate of 15%		(27,098)	(28,107)
Tax effect of expenses not deductible for tax purpose	(i)	18,296	15,751
Tax effect of non-taxable income and tax reduction	(ii)	(455,845)	(359,965)
Tax effect of large-amount supplemental medical insurance policy change	(iii)	–	(195,265)
Others		(607)	3,570
Income tax expense		<u>1,134,706</u>	<u>1,194,837</u>

- (i) Non-deductible expenses mainly include staff costs and entertainment expenses in excess of deduction allowed under the relevant PRC tax regulations.
- (ii) 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.
- (iii) The amount of the large-amount supplemental medical insurance 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 Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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	
	2020 (Unaudited)	2019 (Unaudited)
Earnings:		
Profit for the period attributable to shareholders of the Bank	5,182,706	5,751,430
Numbers of shares:		
Weighted average number of shares in issue (<i>thousand</i>)	11,357,000	10,000,000
Basic and diluted earnings per share (<i>RMB Yuan</i>)	0.46	0.58

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	
	2020 (Unaudited)	2019 (Unaudited)
Dividends recognised as distribution during the period		
Year 2019 – RMB23 cents per share	2,612,110	–
Year 2018 – RMB20 cents per share	–	2,000,000

A dividend of RMB23 cents per share (tax inclusive) in respect of the year ended 31 December 2019 with a total of RMB2,612 million has been proposed by the Board of Directors on 26 March 2020 and was approved by the shareholders in the 2019 annual general meeting on 20 May 2020.

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.

The Bank does not propose interim dividend for year 2020.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

15. CASH AND BALANCES WITH CENTRAL BANK

	NOTE	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Cash		3,131,113	3,185,322
Mandatory reserve deposits with central bank	(1)	52,349,750	62,788,556
Surplus reserve deposits with central bank	(2)	10,676,616	9,751,213
Other deposits with central bank	(3)	<u>1,435,052</u>	<u>1,688,503</u>
Total		<u><u>67,592,531</u></u>	<u><u>77,413,594</u></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 2020, mandatory reserve deposits with the PBOC were calculated at 7.5% (31 December 2019: 9.5%) of eligible RMB deposits for the Bank, while for the subsidiaries at 6% or 5% (31 December 2019: 7.5%, 6.5% or 6%); and 5% for foreign currency deposits from customers (31 December 2019: 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 Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Deposits with:		
Domestic banks and other financial institutions	22,038,922	15,180,913
Overseas banks	<u>456,050</u>	<u>532,366</u>
Gross amount	<u>22,494,972</u>	<u>15,713,279</u>
Expected credit losses allowances (ECL allowances)	(94,858)	(87,914)
– Stage 1	(11,461)	(5,056)
– Stage 3	<u>(83,397)</u>	<u>(82,858)</u>
Carrying amount	<u><u>22,400,114</u></u>	<u><u>15,625,365</u></u>

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Placements with:		
Other domestic financial institutions	112,178,660	107,506,403
Domestic banks	<u>1,750,097</u>	<u>23,315,939</u>
Gross amount	<u>113,928,757</u>	<u>130,822,342</u>
ECL allowances	(379,826)	(446,582)
– Stage 1	(48,932)	(73,418)
– Stage 3	<u>(330,894)</u>	<u>(373,164)</u>
Carrying amount	<u><u>113,548,931</u></u>	<u><u>130,375,760</u></u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 30 June 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Contract/ Nominal amount	Fair Value		Contract/ Nominal amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency forward	2,636,777	58,326	(52,879)	3,209,133	59,948	(49,362)
Foreign exchange swap	791,670	2,278	(16,518)	3,633,258	16,776	(7,645)
Interest swap	9,159,982	4,334	(4,334)	9,043,972	2,609	(2,609)
Others	870,000	4,282	–	870,000	12,930	–
Total	13,458,429	69,220	(73,731)	16,756,363	92,263	(59,616)

19. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Analysed by collateral type:		
– Debt securities	12,533,597	–
ECL allowances		
– Stage 1	(10,039)	–
Carrying amount	12,523,558	–

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2020 (Unaudited)	As at 31 December 2019 (Audited)
Gross loans and advances measured at amortised cost	447,360,557	416,998,187
Less: ECL allowances	<u>(22,496,705)</u>	<u>(20,744,107)</u>
Carrying amount of loans and advances measured at amortised cost (i)	<u>424,863,852</u>	<u>396,254,080</u>
Carrying amount of loans and advances measured at fair value through other comprehensive income	<u>26,100,749</u>	<u>20,086,701</u>
Net loans and advances to customers	<u><u>450,964,601</u></u>	<u><u>416,340,781</u></u>

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Gross loans and advances to customers measured at amortised cost	447,360,557	416,998,187
Less: ECL allowances		
– stage 1	(10,150,732)	(8,544,976)
– stage 2	(5,822,194)	(5,205,721)
– stage 3	<u>(6,523,779)</u>	<u>(6,993,410)</u>
Carrying amount of loans and advances measured at amortised cost	<u><u>424,863,852</u></u>	<u><u>396,254,080</u></u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	228,141,507	18,443,261	8,175,637	254,760,405
Transfer:				
Transfer from stage 1 to stage 2	(5,892,659)	5,892,659	–	–
Transfer from stage 1 to stage 3	(292,553)	–	292,553	–
Transfer from stage 2 to stage 1	3,640,722	(3,640,722)	–	–
Transfer from stage 2 to stage 3	–	(304,413)	304,413	–
Transfer from stage 3 to stage 2	–	4,006	(4,006)	–
New financial assets originated or purchased	75,205,990	–	–	75,205,990
Derecognition or settlement	(55,961,662)	(2,700,219)	(113,907)	(58,775,788)
Write-offs and others	–	–	(1,464,358)	(1,464,358)
Others	79,348	227,066	6,348	312,762
As at 30 June 2020	<u>244,920,693</u>	<u>17,921,638</u>	<u>7,196,680</u>	<u>270,039,011</u>

Personal loans and advances	For the six months ended 30 June 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	159,794,055	1,290,309	1,153,418	162,237,782
Transfer:				
Transfer from stage 1 to stage 2	(1,403,292)	1,403,292	–	–
Transfer from stage 1 to stage 3	(453,796)	–	453,796	–
Transfer from stage 2 to stage 1	150,667	(150,667)	–	–
Transfer from stage 2 to stage 3	–	(309,427)	309,427	–
Transfer from stage 3 to stage 1	45,102	–	(45,102)	–
Transfer from stage 3 to stage 2	–	19,692	(19,692)	–
New financial assets originated or purchased	61,384,045	–	–	61,384,045
Derecognition or settlement	(45,246,795)	(452,896)	(181,679)	(45,881,370)
Write-offs and others	–	–	(412,593)	(412,593)
Others	(4,627)	(208)	(1,483)	(6,318)
As at 30 June 2020	<u>174,265,359</u>	<u>1,800,095</u>	<u>1,256,092</u>	<u>177,321,546</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2019 (Audited)			
	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	(12,470,734)	12,470,734	–	–
Transfer from stage 1 to stage 3	(1,817,680)	–	1,817,680	–
Transfer from stage 2 to stage 1	15,914,572	(15,914,572)	–	–
Transfer from stage 2 to stage 3	–	(881,808)	881,808	–
New financial assets originated or purchased	139,005,726	–	–	139,005,726
Derecognition or settlement	(98,260,517)	(11,864,256)	(916,180)	(111,040,953)
Write-offs and others	–	–	(1,129,252)	(1,129,252)
Others	(18,293)	240,602	15,529	237,838
As at 31 December 2019	<u>228,141,507</u>	<u>18,443,261</u>	<u>8,175,637</u>	<u>254,760,405</u>

Personal loans and advances	For the year ended 31 December 2019 (Audited)			
	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	(1,158,861)	1,158,861	–	–
Transfer from stage 1 to stage 3	(842,027)	–	842,027	–
Transfer from stage 2 to stage 1	188,005	(188,005)	–	–
Transfer from stage 2 to stage 3	–	(275,993)	275,993	–
Transfer from stage 3 to stage 1	52,287	–	(52,287)	–
Transfer from stage 3 to stage 2	–	17,010	(17,010)	–
New financial assets originated or purchased	93,313,266	–	–	93,313,266
Derecognition or settlement	(62,298,343)	(807,462)	(389,844)	(63,495,649)
Write-offs and others	–	–	(814,185)	(814,185)
Others	(19,616)	(411)	(1,579)	(21,606)
As at 31 December 2019	<u>159,794,055</u>	<u>1,290,309</u>	<u>1,153,418</u>	<u>162,237,782</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances measured at amortised cost	419,186,052	19,721,733	8,452,772	447,360,557
Less: ECL allowances	(10,150,732)	(5,822,194)	(6,523,779)	(22,496,705)
Carrying amount of loans and advances measured at amortised cost	<u>409,035,320</u>	<u>13,899,539</u>	<u>1,928,993</u>	<u>424,863,852</u>
Carrying amount of loans and advances measured at FVOCI	<u>26,098,765</u>	<u>984</u>	<u>1,000</u>	<u>26,100,749</u>
Expected credit loss of loans and advances measured at FVOCI	<u>(9,363)</u>	<u>(1)</u>	<u>(1,000)</u>	<u>(10,364)</u>
	As at 31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances measured at amortised cost	387,935,562	19,733,570	9,329,055	416,998,187
Less: ECL allowances	(8,544,976)	(5,205,721)	(6,993,410)	(20,744,107)
Carrying amount of loans and advances measured at amortised cost	<u>379,390,586</u>	<u>14,527,849</u>	<u>2,335,645</u>	<u>396,254,080</u>
Carrying amount of loans and advances measured at FVOCI	<u>20,073,282</u>	<u>1,469</u>	<u>11,950</u>	<u>20,086,701</u>
Expected credit loss of loans and advances measured at FVOCI	<u>(8,568)</u>	<u>(1)</u>	<u>(11,950)</u>	<u>(20,519)</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	4,804,086	4,817,852	6,062,858	15,684,796
Transfer:				
Transfer from stage 1 to stage 2	(347,233)	347,233	–	–
Transfer from stage 1 to stage 3	(78,552)	–	78,552	–
Transfer from stage 2 to stage 1	1,236,056	(1,236,056)	–	–
Transfer from stage 2 to stage 3	–	(40,873)	40,873	–
Transfer from stage 3 to stage 2	–	3,224	(3,224)	–
ECL changes arisen from stage transfer	(1,008,859)	607,168	345,747	(55,944)
New financial assets originated or purchased	1,919,951	–	–	1,919,951
Derecognition or settlement	(803,373)	(211,327)	(65,893)	(1,080,593)
Remeasurement	31,759	949,902	513,673	1,495,334
Write-offs and others	–	–	(1,464,358)	(1,464,358)
As at 30 June 2020	<u>5,753,835</u>	<u>5,237,123</u>	<u>5,508,228</u>	<u>16,499,186</u>

Personal loans and advances	For the six months ended 30 June 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	3,740,890	387,869	930,552	5,059,311
Transfer:				
Transfer from stage 1 to stage 2	(140,722)	140,722	–	–
Transfer from stage 1 to stage 3	(57,669)	–	57,669	–
Transfer from stage 2 to stage 1	52,507	(52,507)	–	–
Transfer from stage 2 to stage 3	–	(118,381)	118,381	–
Transfer from stage 3 to stage 1	34,264	–	(34,264)	–
Transfer from stage 3 to stage 2	–	14,775	(14,775)	–
ECL changes arisen from stage transfer	(82,019)	305,132	398,426	621,539
New financial assets originated or purchased	1,790,166	–	–	1,790,166
Derecognition or settlement	(984,086)	(93,911)	(84,098)	(1,162,095)
Remeasurement	43,566	1,372	56,253	101,191
Write-offs and others	–	–	(412,593)	(412,593)
As at 30 June 2020	<u>4,396,897</u>	<u>585,071</u>	<u>1,015,551</u>	<u>5,997,519</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2019 (Audited)			
	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	(1,136,299)	1,136,299	–	–
Transfer from stage 1 to stage 3	(440,394)	–	440,394	–
Transfer from stage 2 to stage 1	2,397,252	(2,397,252)	–	–
Transfer from stage 2 to stage 3	–	(252,565)	252,565	–
ECL changes arisen from stage transfer	(2,144,890)	2,003,626	1,331,448	1,190,184
New financial assets originated or purchased	4,138,636	–	–	4,138,636
Derecognition or settlement	(1,317,689)	(669,470)	(305,046)	(2,292,205)
Remeasurement	(245,427)	212,756	733,600	700,929
Write-offs and others	–	–	(1,129,252)	(1,129,252)
As at 31 December 2019	<u>4,804,086</u>	<u>4,817,852</u>	<u>6,062,858</u>	<u>15,684,796</u>

Personal loans and advances	For the year ended 31 December 2019 (Audited)			
	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	(177,803)	177,803	–	–
Transfer from stage 1 to stage 3	(157,235)	–	157,235	–
Transfer from stage 2 to stage 1	65,007	(65,007)	–	–
Transfer from stage 2 to stage 3	–	(74,681)	74,681	–
Transfer from stage 3 to stage 1	40,087	–	(40,087)	–
Transfer from stage 3 to stage 2	–	12,437	(12,437)	–
ECL changes arisen from stage transfer	(100,223)	142,154	635,425	677,356
New financial assets originated or purchased	2,562,008	–	–	2,562,008
Derecognition or settlement	(1,162,498)	(140,793)	(184,916)	(1,488,207)
Remeasurement	(1,023)	6,648	83,713	89,338
Write-offs and others	–	–	(814,185)	(814,185)
As at 31 December 2019	<u>3,740,890</u>	<u>387,869</u>	<u>930,552</u>	<u>5,059,311</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS

(1) By measurement

	NOTE	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Financial assets measured at fair value through profit or loss (FVPL)	(a)	27,751,507	23,677,991
Financial assets measured at amortised cost	(b)	348,459,307	346,418,416
Financial assets measured at FVOCI	(c)	13,931,083	7,256,842
– Debt instruments		13,462,686	6,679,007
– Equity instruments		468,397	577,835
Total		<u>390,141,897</u>	<u>377,353,249</u>

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

By nature

	NOTE	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Debt securities	(i)	7,006,213	4,960,266
Investment in wealth management products		6,995,620	13,209,685
Funds		<u>13,749,674</u>	<u>5,508,040</u>
Total		<u>27,751,507</u>	<u>23,677,991</u>
Analysed as:			
Listed outside Hong Kong		7,006,213	4,960,266
Unlisted		<u>20,745,294</u>	<u>18,717,725</u>
Total		<u>27,751,507</u>	<u>23,677,991</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2020 (Unaudited)	As at 31 December 2019 (Audited)
Debt securities issued by:		
Public sector and quasi-governments	1,687,202	105,451
Financial institutions	4,776,040	4,356,761
Interbank deposit certificates	<u>542,971</u>	<u>498,054</u>
Total	<u><u>7,006,213</u></u>	<u><u>4,960,266</u></u>

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2020 (Unaudited)	As at 31 December 2019 (Audited)
Government bonds	113,063,045	97,418,718
Public sector and quasi-government bonds	49,822,337	50,521,058
Financial institution bonds	33,119,328	29,134,241
Corporate bonds	55,423,528	61,420,899
Interbank deposit certificates	58,674,771	69,022,311
Trust plans	12,939,383	21,043,307
Debt financing plans	<u>29,398,744</u>	<u>21,254,538</u>
Gross balances	<u>352,441,136</u>	<u>349,815,072</u>
ECL Allowances		
– Stage 1	(1,179,817)	(1,101,930)
– Stage 2	<u>(2,802,012)</u>	<u>(2,294,726)</u>
Net balances	<u>348,459,307</u>	<u>346,418,416</u>
Analysed as:		
Listed outside Hong Kong	309,903,549	307,310,004
Unlisted	<u>38,555,758</u>	<u>39,108,412</u>
Total	<u>348,459,307</u>	<u>346,418,416</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2020 (Unaudited)	As at 31 December 2019 (Audited)
Debt instruments:			
Public sector and quasi- government bonds		13,055,270	6,309,267
Corporate bonds		110,249	369,740
Financial institution bonds		297,167	–
Subtotal		<u>13,462,686</u>	<u>6,679,007</u>
Equity instruments:			
Banks and other financial institutions		37,386	42,687
Other corporations		431,011	535,148
Subtotal		<u>468,397</u>	<u>577,835</u>
Total		<u>13,931,083</u>	<u>7,256,842</u>
Analysed as:			
Listed outside Hong Kong	(i)	13,893,697	7,214,155
Listed in Hong Kong		29,386	34,687
Unlisted		8,000	8,000
Total		<u>13,931,083</u>	<u>7,256,842</u>

- (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 Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	344,308,777	5,506,295	–	349,815,072
Transfer:				
Transfer from stage 2 to stage 1	146,661	(146,661)	–	–
New financial assets originated or purchased	80,307,454	–	–	80,307,454
Derecognition or settlement	(77,059,504)	–	–	(77,059,504)
Others	(722,031)	100,145	–	(621,886)
As at 30 June 2020	<u>346,981,357</u>	<u>5,459,779</u>	<u>–</u>	<u>352,441,136</u>
	As at 31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	289,234,500	2,511,844	–	291,746,344
Transfer:				
Transfer from stage 1 to stage 2	(5,166,821)	5,166,821	–	–
Transfer from stage 2 to stage 1	802,745	(802,745)	–	–
New financial assets originated or purchased	164,516,638	–	–	164,516,638
Derecognition or settlement	(106,428,732)	(1,480,068)	–	(107,908,800)
Others	1,350,447	110,443	–	1,460,890
As at 31 December 2019	<u>344,308,777</u>	<u>5,506,295</u>	<u>–</u>	<u>349,815,072</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

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

Debt instruments measured at fair value through other comprehensive income

	As at 30 June 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	6,679,007	–	–	6,679,007
New financial assets originated or purchased	7,879,996	–	–	7,879,996
Derecognition or settlement	(1,212,694)	–	–	(1,212,694)
Others	116,377	–	–	116,377
As at 30 June 2020	<u>13,462,686</u>	<u>–</u>	<u>–</u>	<u>13,462,686</u>

	As at 31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	7,043,931	52,808	–	7,096,739
New financial assets originated or purchased	6,210,397	–	–	6,210,397
Derecognition or settlement	(6,664,866)	(52,808)	–	(6,717,674)
Others	89,545	–	–	89,545
As at 31 December 2019	<u>6,679,007</u>	<u>–</u>	<u>–</u>	<u>6,679,007</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(3) Analysed by assessment method of ECL allowances

	As at 30 June 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	346,981,357	5,459,779	–	352,441,136
Less: ECL allowances	(1,179,817)	(2,802,012)	–	(3,981,829)
Carrying amount of financial assets measured at amortised cost	<u>345,801,540</u>	<u>2,657,767</u>	<u>–</u>	<u>348,459,307</u>
Carrying amount of financial assets measured at FVOCI	<u>13,462,686</u>	<u>–</u>	<u>–</u>	<u>13,462,686</u>
Carrying amount of financial investments which recognised ECL	<u>359,264,226</u>	<u>2,657,767</u>	<u>–</u>	<u>361,921,993</u>
ECL allowances of financial assets measured at FVOCI	<u>(328)</u>	<u>–</u>	<u>–</u>	<u>(328)</u>
	As at 31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	344,308,777	5,506,295	–	349,815,072
Less: ECL allowances	(1,101,930)	(2,294,726)	–	(3,396,656)
Carrying amount of financial assets measured at amortised cost	<u>343,206,847</u>	<u>3,211,569</u>	<u>–</u>	<u>346,418,416</u>
Carrying amount of financial assets measured at FVOCI	<u>6,679,007</u>	<u>–</u>	<u>–</u>	<u>6,679,007</u>
Carrying amount of financial investments which recognised ECL	<u>349,885,854</u>	<u>3,211,569</u>	<u>–</u>	<u>353,097,423</u>
ECL allowance of financial assets measured at FVOCI	<u>(778)</u>	<u>–</u>	<u>–</u>	<u>(778)</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	1,101,930	2,294,726	–	3,396,656
Transfer:				
From stage 2 to stage 1	2,926	(2,926)	–	–
ECL changes arisen from stage transfer	(2,472)	–	–	(2,472)
New financial assets originated or purchased	365,492	–	–	365,492
Derecognition or settlement	(325,116)	–	–	(325,116)
Remeasurement	37,057	510,212	–	547,269
As at 30 June 2020	<u>1,179,817</u>	<u>2,802,012</u>	<u>–</u>	<u>3,981,829</u>
	As at 31 December 2019 (Audited)			
	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	(557,148)	557,148	–	–
From stage 2 to stage 1	9,489	(9,489)	–	–
ECL changes arisen from stage transfer	(7,412)	1,354,168	–	1,346,756
New financial assets originated or purchased	1,047,606	–	–	1,047,606
Derecognition or settlement	(844,361)	(33,382)	–	(877,743)
Remeasurement	(240,861)	(60,726)	–	(301,587)
As at 31 December 2019	<u>1,101,930</u>	<u>2,294,726</u>	<u>–</u>	<u>3,396,656</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

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

Financial assets measured at fair value through other comprehensive income

	As at 30 June 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	778	–	–	778
New financial assets originated or purchased	72	–	–	72
Derecognition or settlement	(490)	–	–	(490)
Remeasurement	(32)	–	–	(32)
As at 30 June 2020	<u>328</u>	<u>–</u>	<u>–</u>	<u>328</u>

	As at 31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	51,596	557	–	52,153
Transfer:				
Derecognition or settlement	(50,405)	(557)	–	(50,962)
Remeasurement	(413)	–	–	(413)
As at 31 December 2019	<u>778</u>	<u>–</u>	<u>–</u>	<u>778</u>

22. INVESTMENTS IN ASSOCIATES

According to the approval of CBIRC ([2020] No. 80), the Bank established Chongqing Xiaomi Consumer Finance Co., Ltd. holding the share of 30% with a capital contribution of RMB450 million. The proportion of voting rights of the Bank in Chongqing Consumer Finance Co., Ltd. is equal to that of equity holding. Chongqing Consumer Finance Co., Ltd. is registered in Chongqing, the PRC engaging in consumer finance services, with a registered capital of RMB1.5 billion.

Details of the Group's interests in associates are as follow:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Investment cost:		
Non-listed	450,000	–
Proportion of the Group in consolidated income and OCI after deducting profit distribution	<u>(2,721)</u>	<u>–</u>
	<u>447,279</u>	<u>–</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES (Continued)

The financial statement of Chongqing Xiaomi Consumer Finance Co., Ltd. is as follow:

	As at 30 June 2020 (Unaudited)
Total assets	<u>1,510,535</u>
Total liabilities	<u>19,604</u>
Total equity	<u>1,490,931</u>
	Six months ended 30 June 2020 (Unaudited)
Profit before taxes	(9,069)
Profit for the period	<u>(9,069)</u>

The investment income enjoyed by the Group is recognized according to the above financial situation:

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Net assets of associates	1,490,931	—
Shareholding ratio of the Group	<u>30.00%</u>	—
Shares of net assets of the Group in associates	<u>447,279</u>	—

The ability of joint ventures to remit funds to the Group in the form of cash dividends, or to repay loans or prepayments to the Group is not subject to significant restrictions.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

23. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2019	6,682,326	1,240,793	108,505	760,262	402,663	9,194,549
Additions	89,941	138,361	–	60,492	516,683	805,477
Transferred in	354,368	13	–	6,158	(360,539)	–
Transferred to other assets	–	–	–	–	(6,229)	(6,229)
Disposals	(58,564)	(47,731)	(9,836)	(20,992)	–	(137,123)
As at 31 December 2019 (Audited)	7,068,071	1,331,436	98,669	805,920	552,578	9,856,674
Additions	8,680	18,810	–	23,028	81,427	131,945
Transferred in	112,559	25,958	1,493	42,500	(182,510)	–
Transferred to other assets	–	–	–	–	(34,151)	(34,151)
Disposals	(12,937)	(85,133)	(1,349)	(9,849)	–	(109,268)
As at 30 June 2020 (Unaudited)	7,176,373	1,291,071	98,813	861,599	417,344	9,845,200
Accumulated depreciation						
As at 1 January 2019	(2,819,096)	(856,528)	(95,397)	(581,935)	–	(4,352,956)
Charge for the year	(425,124)	(146,851)	(5,256)	(82,698)	–	(659,929)
Disposals	54,237	46,236	9,428	20,194	–	130,095
As at 31 December 2019 (Audited)	(3,189,983)	(957,143)	(91,225)	(644,439)	–	(4,882,790)
Charge for the period	(238,771)	(77,476)	(1,659)	(46,030)	–	(363,936)
Disposals	12,450	81,846	1,307	9,386	–	104,989
As at 30 June 2020 (Unaudited)	(3,416,304)	(952,773)	(91,577)	(681,083)	–	(5,141,737)
Carrying amount						
As at 30 June 2020 (Unaudited)	3,760,069	338,298	7,236	180,516	417,344	4,703,463
As at 31 December 2019 (Audited)	3,878,088	374,293	7,444	161,481	552,578	4,973,884

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 2020, the registration transfer process of certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

24. GOODWILL

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

During the six months ended 30 June 2020, based on assessment performed by the Bank, there is no impairment for the goodwill (31 December 2019: Nil).

25. OTHER ASSETS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Accounts receivable and temporary payments	2,457,777	759,301
Land use rights	390,471	402,523
Intangible assets	143,817	121,802
Foreclosed assets	101,023	101,023
Pre-paid tax	92,442	93,106
Interest receivable	33,178	25,252
Others	<u>484,646</u>	<u>20,690</u>
Total	<u>3,703,354</u>	<u>1,523,697</u>

26. BORROWINGS FROM CENTRAL BANK

As at 30 June 2020, borrowings from central bank mainly contain the mid-term loan facilities from PBOC, of which the carrying amount is RMB26,900 million (31 December 2019: RMB27,500 million).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

27. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Deposits from domestic banks	7,516,747	8,100,393
Deposits from other domestic financial institutions	<u>4,045,575</u>	<u>1,392,670</u>
Total	<u>11,562,322</u>	<u>9,493,063</u>

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

28. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Placements from domestic banks and other financial institutions	23,943,157	25,144,137
Placements from overseas banks	<u>1,151,523</u>	<u>931,492</u>
Total	<u>25,094,680</u>	<u>26,075,629</u>

29. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Analysed by collateral type:		
– Debt securities	26,520,448	11,511,147
– Bills	<u>8,762,602</u>	<u>3,574,981</u>
Total	<u>35,283,050</u>	<u>15,086,128</u>

All repurchase agreements are due within twelve months from inception.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

30. DEPOSITS FROM CUSTOMERS

	NOTE	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Demand deposits			
Corporate customers		129,012,596	125,140,043
Individual customers		121,306,535	116,031,181
Time deposits			
Corporate customers		33,983,552	30,890,737
Individual customers		432,825,509	395,540,467
Pledged deposits	(1)	7,131,369	5,783,150
Others (Including outward remittance and remittance outstanding)		<u>12,638</u>	<u>16,241</u>
Total		<u>724,272,199</u>	<u>673,401,819</u>

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Acceptances	3,317,172	2,947,242
Loans and receivables	1,219,288	1,165,063
Letters of credit	671,615	561,251
Letters of guarantee	76,288	73,055
Others	<u>1,847,006</u>	<u>1,036,539</u>
Total	<u>7,131,369</u>	<u>5,783,150</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

31. ACCRUED STAFF COSTS

	NOTE	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Salaries, bonuses and allowances		1,751,455	2,147,580
Supplementary retirement benefits	(1)	1,903,056	1,907,119
Early retirement benefits	(2)	188,200	196,636
Labor union fees and staff education expenses		248,556	216,018
Enterprise annuity	(3)	60	60
Total		<u>4,091,327</u>	<u>4,467,413</u>

(1) Supplementary retirement benefits

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

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

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

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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

31. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Discount rate		
Discount rate – supplementary retirement benefits	3.50%	3.50%
Discount rate – early retirement benefits	2.50%	3.00%
Annual growth rate of annuity payment	6.00%	6.00%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate		China Insurance Industry Experience Mortality Table 2010- 2013

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Service cost:		
– Current service cost	13,750	2,190
– Past service cost	1,510	(716,420)
New participants during the period	1,510	3,810
Plan amendments (i)	–	(720,230)
Net interest expense	<u>31,370</u>	<u>52,990</u>
Components of supplementary retirement benefit costs recognised in profit or loss	<u>46,630</u>	<u>(661,240)</u>
Remeasurement on the net defined benefit liability	<u>(70)</u>	<u>39,820</u>
Components of supplementary retirement benefit cost recognised in other comprehensive income	<u>(70)</u>	<u>39,820</u>
Total	<u><u>46,560</u></u>	<u><u>(621,420)</u></u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

31. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Defined benefit obligation at beginning of the period/year	1,907,119	2,624,659
Interest cost	31,370	52,990
Loss arising from re-measurement on the defined benefit liability:		
– Actuarial (gain)/loss arising from changes in financial assumptions	(70)	39,820
Current service cost	13,750	2,190
Past service cost	1,510	(716,420)
– New participants during the period	1,510	3,810
– Plan amendments (i)	–	(720,230)
Benefits paid	<u>(50,623)</u>	<u>(96,120)</u>
Defined benefit obligation at end of the period/year	<u>1,903,056</u>	<u>1,907,119</u>

- (i) According to the Notice of Chongqing Municipal People's Government on adjusting the large amount medical insurance payment policy of urban employees to realize the decoupling of retirees' medical insurance benefits and employer's payment (Yufufa [2018] No. 59) and Chongqing Municipal Medical Security Bureau Chongqing Finance Bureau's notice on adjusting the medical insurance policy of urban employees to realize the decoupling of retirees' medical insurance benefits and employer's payment (Yuyibaofa [2018] No. 27), since January 1 2019, the Group will no longer pay large amount of medical insurance fee for retirees, and the large amount of medical insurance fee will no longer be included in the scope of actuarial benefits after resignation of the Group. The above matters involve the reduction of the present value of the defined benefit plan, which will affect the Group's profit or loss amount of RMB781 million in 2019.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

31. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

According to the Notice on speeding up the establishment of enterprise annuity to pay retired employees' out of overall planning expenses (Yuguoazifa [2017] No. 236) issued by Chongqing State-owned Assets Supervision and Administration Commission ("CSASAC"), the Group's management will implement annuity plan at the end of 2019, and reassess to determine the scope of employees included in supplementary retirement benefits. The change of the scope of employees included in the supplementary retirement benefits involves the increase of the present value of the defined benefit plan, which affects the Group's profit and loss amount of RMB61 million in 2019.

(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 2020, the Group incurred RMB15 million (for the six months ended 30 June 2019: reversal of RMB6 million), and paid RMB24 million (for the six months ended 30 June 2019: RMB26 million) in respect of the early retirement benefits plan.

(3) Annuity

According to the laws, regulations and rules, such as the Notice of Chongqing Human Resources and Social Security Bureau, Chongqing Finance Bureau on 'the implementation of the enterprise annuity measures' (Yurenshefa (2018) No. 133), the Opinions of CSASAC on the establishment of enterprise annuity by municipal key state-owned enterprises (Yuguozi [2018] No. 597), the Bank launched enterprise annuity in 2019, which applies to the on-the-job contract employees, the early retired employees and the regular employees of subsidiaries and holding village banks who retire on or after January 1 2019 and voluntarily join the annuity plan.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

32. DEBT SECURITIES ISSUED

	NOTE	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Interbank certificates of deposit issued	(1)	106,682,771	154,156,979
Bonds issued	(2)	<u>27,180,435</u>	<u>17,173,088</u>
Total		<u>133,863,206</u>	<u>171,330,067</u>

(1) As at 30 June 2020 and 31 December 2019, the tenor of the outstanding certificates of deposit issued by the Bank in the China Domestic Internal Bond Market was within 12 months.

(2) As approved by the PBOC and CBIRC, the Bank issued financial bonds of RMB8,000 million on 12 March 2020.

As approved by the PBOC and CBIRC, the Bank issued financial bonds of RMB2,000 million on 9 January 2020.

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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

33. DEFERRED TAXATION

(1) Recognised deferred tax assets and liabilities which have not been offset:

	As at 30 June 2020 (Unaudited)	
	Deferred tax assets/ (liability)	Deductible/ (taxable) temporary differences
Deferred tax assets		
ECL allowances	5,721,065	22,884,260
Accrued and unpaid wages, bonuses and allowances	489,863	1,959,453
Retirement benefits	159,056	636,222
Adjustment of book value of assets and liabilities on the date of establishment	35,594	142,376
Government grants	19,886	79,545
Provision	72,937	291,749
Others	35,707	142,826
	<u>6,534,108</u>	<u>26,136,431</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(40,284)	(161,135)
Changes in fair value of financial instruments	(51,003)	(204,011)
Others	(88,339)	(353,358)
	<u>(179,626)</u>	<u>(718,504)</u>
Net balances	<u>6,354,482</u>	<u>25,417,927</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

33. DEFERRED TAXATION (Continued)

(1) **Recognised deferred tax assets and liabilities which have not been offset:**
(Continued)

	As at 31 December 2019 (Audited)	
	Deferred tax assets/ (liability)	Deductible/ (taxable) temporary differences
Deferred tax assets		
ECL allowances	5,141,016	20,564,067
Accrued and unpaid wages, bonuses and allowances	583,675	2,334,700
Retirement benefits	161,182	644,728
Adjustment of book value of assets and liabilities on the date of establishment	42,128	168,513
Government grants	20,211	80,844
Provision	100,905	403,619
Others	32,739	130,954
	<u>6,081,856</u>	<u>24,327,425</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(40,607)	(162,428)
Changes in fair value of financial instruments	(53,176)	(212,704)
Others	(73,776)	(295,104)
	<u>(167,559)</u>	<u>(670,236)</u>
	<u>5,914,297</u>	<u>23,657,189</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

33. DEFERRED TAXATION (Continued)

(2) 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 2020	<u>5,141,016</u>	<u>161,182</u>	<u>583,675</u>	<u>100,905</u>	<u>(53,176)</u>	<u>20,211</u>	<u>(39,516)</u>	<u>5,914,297</u>
Credit/(Charge) to profit or loss	580,049	(2,108)	(93,812)	(27,968)	(5,343)	(325)	(20,457)	430,036
Credit to other comprehensive income	<u>-</u>	<u>(18)</u>	<u>-</u>	<u>-</u>	<u>7,516</u>	<u>-</u>	<u>2,651</u>	<u>10,149</u>
As at 30 June 2020 (Unaudited)	<u>5,721,065</u>	<u>159,056</u>	<u>489,863</u>	<u>72,937</u>	<u>(51,003)</u>	<u>19,886</u>	<u>(57,322)</u>	<u>6,354,482</u>
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	1,534,119	(4,110)	(104,188)	24,000	(48,098)	(649)	(62,247)	1,338,827
Credit to other comprehensive income	<u>-</u>	<u>9,955</u>	<u>-</u>	<u>-</u>	<u>37,150</u>	<u>-</u>	<u>13,680</u>	<u>60,785</u>
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,725</u>	<u>-</u>	<u>-</u>	<u>1,725</u>
As at 31 December 2019 (Audited)	<u>5,141,016</u>	<u>161,182</u>	<u>583,675</u>	<u>100,905</u>	<u>(53,176)</u>	<u>20,211</u>	<u>(39,516)</u>	<u>5,914,297</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

34. OTHER LIABILITIES

	NOTE	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Other payables	(1)	4,536,039	6,584,792
Deferred income	(2)	709,513	695,708
Dividend payable		633,581	48,405
Tax payables (excluding corporate income tax payable)	(3)	474,291	367,379
Provision	(4)	<u>291,749</u>	<u>403,619</u>
Total		<u>6,645,173</u>	<u>8,099,903</u>

(1) Other payables

	NOTE	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Leasing business related payables		2,601,178	2,531,433
Payables from providing agency services		663,607	2,308,306
Items in process of clearing and settlement		55,215	306,960
Grant payable on behalf of government		46,869	27,857
Long term loans	(i)	37,480	37,480
Others		<u>1,131,690</u>	<u>1,372,756</u>
Total		<u>4,536,039</u>	<u>6,584,792</u>

- (i) The amounts represent special-purpose loans from International Fund for Agriculture Development (“IFAD”) to support the petty loans in the PRC.

As at 30 June 2020 and 31 December 2019, the loans bear a fixed interest rate of 0.75% per annum. At 30 June 2020, the loans have a remaining life of 24 years. The terms are similar to the related loans granted to customers.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

34. OTHER LIABILITIES (Continued)

(2) Deferred income

Deferred income mainly represents deferred financial leasing income and government grants, for which the income will be amortised and recognised over the periods necessary to match them with the related costs.

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Deferred leasing income	545,599	548,502
Government grants	77,656	78,955
Fee and commission	68,075	41,725
Operating leasing	1,794	1,505
Others	<u>16,389</u>	<u>25,021</u>
Total	<u>709,513</u>	<u>695,708</u>

(3) Tax payables (excluding corporate income tax payable)

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Value added tax	384,421	288,721
Urban maintenance and construction tax	24,120	20,333
Individual income tax	47,927	6,227
Others	<u>17,823</u>	<u>52,098</u>
Total	<u>474,291</u>	<u>367,379</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

34. OTHER LIABILITIES (Continued)

(4) Provision

	NOTE	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Expected credit loss provision	(ii)	204,050	325,056
Others		87,699	78,563
		<u>291,749</u>	<u>403,619</u>

- (ii) As at 30 June 2020 and 31 December 2019, the Group's provision for credit impairment losses due to loan commitments and financial guarantee contracts are mainly in Stage 1.

35. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 31 December 2019 (Audited)	11,357,000	11,357,000
As at 30 June 2020 (Unaudited)	<u>11,357,000</u>	<u>11,357,000</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

36. CAPITAL RESERVE

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

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

Capital reserve of the Bank included the premium of RMB910 million from the placement of ordinary shares in 2010, the premium of RMB7,706 million from the initial public offering of overseas listed foreign shares on the Hong Kong Stock. Exchange in 2010, the premium of RMB3,291 million from the placement of ordinary shares in 2017, and the premium of RMB8,531 million from the initial public offering of A shares on the Shanghai Stock Exchange in 2019. The equity premium excluding direct issue costs is included in capital reserve. Direct issue costs mainly include underwriting fees and professional agency service fees.

37. INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax impact	Net-of-tax amount
As at 31 December 2018	68,145	(17,037)	51,108
Fair value gain/(loss) for the year			
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(182,793)	45,698	(137,095)
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(27,428)	6,857	(20,571)
As at 31 December 2019 (Audited)	(142,076)	35,518	(106,558)
As at 1 January 2020	(142,076)	35,518	(106,558)
Fair value gain/(loss) for the period			
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	68,770	(17,193)	51,577
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(109,438)	27,360	(82,078)
As at 30 June 2020 (Unaudited)	(182,744)	45,685	(137,059)

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

38. SURPLUS RESERVE

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

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

For the six months ended 30 June 2020, the Bank does not propose any appropriation to discretionary surplus reserve (For the six months ended 30 June 2019: Nil). It is pursuant to the approval by the shareholders in forthcoming general meeting.

39. GENERAL RESERVE

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

During the six months ended 30 June 2020, the Group transferred RMB1,293 million to general reserve pursuant to the regulatory requirement (during the six months ended 30 June 2019: RMB377 million).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

40. RETAINED EARNINGS

The movements of retained earnings of the Bank are set out below:

	As at 30 June 2020	As at 31 December 2019
At beginning of the period/year	31,891,253	25,832,904
Profit for the period/year	4,992,808	9,366,427
Appropriation to surplus reserve	–	(936,643)
Appropriation to general reserve	(1,293,270)	(376,611)
Dividends recognised as distribution	(2,612,110)	(2,000,000)
Other comprehensive income transferred to retained earnings	–	5,176
	<u>32,978,681</u>	<u>31,891,253</u>
At end of the period/year	<u>32,978,681</u>	<u>31,891,253</u>

41. CASH AND CASH EQUIVALENTS

For the purpose of the interim 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 2020 (Unaudited)	As at 31 December 2019 (Audited)
Cash	3,131,113	3,185,322
Surplus reserve deposits with central bank	10,676,616	9,751,213
Deposits with banks and other financial institutions	4,257,905	5,446,695
Placements with banks and other financial institutions	800,000	2,150,000
Financial assets held under resale agreements	12,527,983	–
	<u>31,393,617</u>	<u>20,533,230</u>
Total	<u>31,393,617</u>	<u>20,533,230</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

42. 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.

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

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

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

Operating segment

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

Corporate banking

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

Personal banking

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

Financial market operations

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

42. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

	For the six months ended 30 June 2020 (Unaudited)					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	6,911,375	5,661,731	10,120,495	22,693,601	–	22,693,601
External interest expense	(1,028,158)	(5,941,070)	(3,707,989)	(10,677,217)	–	(10,677,217)
Inter-segment interest (expense)/income	(1,230,467)	4,961,523	(3,731,056)	–	–	–
Net interest income	4,652,750	4,682,184	2,681,450	12,016,384	–	12,016,384
Fee and commission income	317,453	626,502	548,954	1,492,909	–	1,492,909
Fee and commission expense	(10,901)	(24,135)	(13,940)	(48,976)	–	(48,976)
Net fee and commission income	306,552	602,367	535,014	1,443,933	–	1,443,933
Net trading gain	–	–	396,475	396,475	–	396,475
Share of profits of associates	–	–	–	–	(2,721)	(2,721)
Other operating income, net	1,074	880	21,834	23,788	5,742	29,530
Net gain on derecognition of financial assets measured at fair value through other comprehensive income	–	–	38,401	38,401	–	38,401
Net gains on derecognition of financial assets measured at amortized cost	–	–	982	982	–	982
Operating income	4,960,376	5,285,431	3,674,156	13,919,963	3,021	13,922,984
Operating expenses	(1,293,848)	(1,577,847)	(937,788)	(3,809,483)	–	(3,809,483)
Expected Credit Losses	(2,034,451)	(1,144,258)	(534,952)	(3,713,661)	–	(3,713,661)
Profit before tax	<u>1,632,077</u>	<u>2,563,326</u>	<u>2,201,416</u>	<u>6,396,819</u>	<u>3,021</u>	<u>6,399,840</u>
Income tax expense					(1,134,706)	(1,134,706)
Profit for the period						<u>5,265,134</u>
Depreciation and amortisation included in operating expenses	148,971	181,670	107,973	438,614	–	438,614
Capital expenditure	<u>45,374</u>	<u>55,334</u>	<u>52,887</u>	<u>133,595</u>	<u>–</u>	<u>133,595</u>
	As at 30 June 2020 (Unaudited)					
Segment assets	270,212,288	172,054,978	618,641,174	1,060,908,440	12,169,662	1,073,078,102
Segment liabilities	176,095,058	556,221,668	246,319,884	978,636,610	2,016,877	980,653,487
Supplementary information Credit commitments	<u>16,898,839</u>	<u>20,379,519</u>	<u>–</u>	<u>37,278,358</u>	<u>–</u>	<u>37,278,358</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

42. 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 31 December 2019						
Segment assets	252,054,152	157,547,794	609,112,801	1,018,714,747	11,515,488	1,030,230,235
Segment liabilities	168,999,556	514,091,069	255,087,645	938,178,270	2,249,638	940,427,908
Supplementary information Credit commitments	18,284,599	17,169,136	-	35,453,735	-	35,453,735

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 Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

43. 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 2020 (Unaudited)	As at 31 December 2019 (Audited)
Chongqing Yufu Assets Management Group Co., Ltd. (重富資產經營管理集團有限公司)	8.70	8.70
Chongqing City Investment (Group) Co., Ltd. (重慶市城市建設投資(集團)有限公司)	7.02	7.02
Chongqing Development and Real Estate Management Company (重慶發展置業管理有限公司)	5.19	5.19
Loncin Holding Co., Ltd. (隆鑫控股有限公司)	5.02	5.02
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	3.90	3.90
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	2.64	2.64
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	1.76	1.76
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	1.32	1.32

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; staffs with credit approval authority and their close family members; the enterprises directly or indirectly controlled by staffs with credit approval authority and their close family members or served by staffs with credit approval authority and their close family members as director 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 Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions

For the six months ended 30 June 2020, the Group entered into the following material transactions with related parties

	Interest income		Interest expense	
	For the six months ended 30 June		For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Shareholders of the Bank	204,347	187,219	7,726	10,031
Other related parties	268,768	270,781	201,471	11,094
Total	473,115	458,000	209,197	21,125

Other than interest income, fee and commission income of the Group arising from related party transactions for the six-month ended 30 June 2020 and 2019 was not significant either individually or in aggregate.

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 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
	Shareholders of the Bank	8,489,414	8,300,860	1,649,828
Other related parties	10,685,939	11,015,498	21,630,754	22,330,962
Total	19,175,353	19,316,358	23,280,582	24,534,658

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions (Continued)

	Guarantee provided by related guarantee companies	
	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Other related guarantee companies	10,858,217	8,774,703

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

As at 30 June 2020, in trust investments, the principal balance of RMB1,464 million was invested to related parties of the Bank (31 December 2019: RMB1,499 million); in bond investments, the principal balance of bonds and interbank deposit certificates issued by related parties and purchased by the Bank was RMB2,915 million (31 December 2019: RMB3,557 million); in the financial assets measured at fair value through profit and loss, the wealth management products with a principal balance of RMB300 million were issued by related parties and purchased by the Bank (31 December 2019: RMB300 million).

As at 30 June 2020, the principal balance of the Bank's deposits and placements with related parties was RMB800 million (31 December 2019: RMB400 million).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

43. 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 2020 and the year ended at 31 December 2019, 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 2020, the Bank's deposits with subsidiaries amounted to RMB285 million (31 December 2019: RMB221 million); the Bank's deposits from subsidiaries amounted to RMB2,704 million (31 December 2019: RMB583 million); the Bank's placements with subsidiaries amounted to RMB4,300 million (31 December 2019: RMB4,270 million), debt securities issued by the Bank's subsidiary and purchased by the Bank amounted to RMB100 million (31 December 2019: RMB100 million).

For the six months ended at 30 June 2020, the interest income of the Bank's transactions with subsidiaries amounted to RMB81 million (for the six months ended at 30 June 2019: RMB78 million); the interest expense amounted to RMB8 million (for the six months ended at 30 June 2019: RMB8 million).

Other than the transactions above, outstanding balances with related parties as at 30 June 2020 and 31 December 2019 was not significant either individually or in aggregate.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

43. 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	
	2020 (Unaudited)	2019 (Unaudited)
Basic salaries, bonuses and allowances	1,234	5,067
Contribution to pension schemes	509	460
Others	112	–
Total	1,855	5,527

Basic salaries, bonuses and allowances refer to paid remuneration to directors, supervisors and senior management in the current year approved by the regulatory body in accordance with internal and external regulatory requirements, including the basic annual salary and advance performance salary for the six months ended 30 June 2020 that was issued in accordance with external regulatory requirements.

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 2020. 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 2020, both the loans made to key management personnel and their relatives, and the corresponding interest income are not material.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

44. 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 2020 and 31 December 2019, the outstanding WMPs issued by the Group amounted to RMB130,065 million and RMB132,152 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 2020, the Group’s interest in the non-guaranteed WMP Vehicles included in Fee and Commission Income was RMB918 million (for the six months ended at 30 June 2019: RMB696 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 2020 and the year ended 31 December 2019. The Group is not required to absorb any loss incurred by WMPs before other parties.

During the six months ended 30 June 2020 and the year ended 31 December 2019, 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.

(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 2020 and 31 December 2019, the Group’s maximum exposure to these other unconsolidated structured entities is summarised in the table below.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

44. STRUCTURED ENTITIES (Continued)

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

	As at 30 June 2020 (Unaudited)	
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost
WMPs issued by other banks	6,995,620	–
Asset-backed securities	–	28,538,163
Funds	13,749,674	–
Trust beneficial rights	–	9,942,447
Total	20,745,294	38,480,610

	As at 31 December 2019 (Audited)	
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost
WMPs issued by other banks	13,209,685	–
Asset-backed securities	7,873	24,400,204
Funds	5,508,040	–
Trust beneficial rights	–	18,383,574
Total	18,725,598	42,783,778

The underlying assets of trust beneficial rights and asset-backed securities primarily include trust loans and credit assets, the underlying assets of WMPs issued by other banks and funds primarily includes interbank assets and bonds.

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

(3) Consolidated structured entities

The Group's consolidated structured entities consist principally of WMP Vehicles that issue and distribute WMPs with respect to which the Group has not guaranteed the investors' principal investment and/or return upon maturity of the WMP, regardless of its actual performance during the six months ended 30 June 2020 and the year 2019. There are no unguaranteed WMPs consolidated by the Group at 30 June 2020 (31 December 2019: Nil).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

45. 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 2020 and 31 December 2019, provisions of RMB2.71 million and RMB1.74 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 2020 (Unaudited)	As at 31 December 2019 (Audited)
Contracted but not provided for	<u>494,535</u>	<u>385,708</u>

Credit commitments

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Acceptances	10,135,171	8,289,363
Undrawn credit card limit	20,379,519	17,169,136
Letters of guarantee	3,790,589	7,168,662
Letters of credit issued	<u>2,973,079</u>	<u>2,826,574</u>
Total	<u>37,278,358</u>	<u>35,453,735</u>

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

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

45. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit risk weighted amounts for credit commitments

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Credit commitments	<u>15,503,852</u>	<u>14,893,554</u>

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

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 2020 (Unaudited)	As at 31 December 2019 (Audited)
Bonds	78,864,891	59,438,377
Bills	<u>8,724,387</u>	<u>3,536,920</u>
Total	<u>87,589,278</u>	<u>62,975,297</u>

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 2020 and 31 December 2019.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

46. 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 2020, there are debt securities with carrying amount of RMB30,307 million under these agreements measured at amortised cost (31 December 2019: RMB12,002 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 RMB8,724 million as at 30 June 2020 (31 December 2019: RMB3,537 million). The proceeds from selling such debt securities and bills totalling RMB35,283 million as at 30 June 2020 (31 December 2019: RMB15,086 million) are presented as “financial assets sold under repurchase agreements” (see Note 29).

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

(2) Rediscounted bills

As at 30 June 2020 and 31 December 2019, the carrying amount of the outstanding rediscounted bills of the Group, which qualifies for derecognition, were RMB1,080 million and RMB98 million, respectively.

(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 2020, the unexpired asset-backed securities transferred by the Group to special purpose trust was RMB0 million (31 December 2019: RMB84 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 2020 was RMB0 million (31 December 2019: RMB8 million), with a maximum loss exposure similar to the carrying amount.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

46. TRANSFER OF FINANCIAL ASSETS (Continued)

(4) Transfer of non-performing loans

For the six months ended 30 June 2020, the Group did not dispose non-performing assets (30 June 2019: Nil) by transferring them to third parties. The Group analysed whether to derecognise related credit asset according to the degree of risk and reward retention. After the assessment, the Group 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 2020, the principal balances of debt securities lent to counterparties was RMB10,630 million. (31 December 2019: RMB4,190 million).

47. FINANCIAL RISK MANAGEMENT

(1) Overview

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

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

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(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 interim condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's consolidated financial statement for the year end 31 December 2019.

(3) Credit Risk

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

(i) Loans and advances to customers

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

The Group strictly implements the "Measures for Management of Bad Debt Verification of Financial Enterprises" issued by Ministry of Finance. For those claims that have taken necessary measures and implemented necessary procedures and are still unable to recover, they will be written off after approval if complying with the conditions for the recognition of bad debts. For the six months ended 30 June 2020, the Group wrote off non-performing loans of RMB1,877 million (for the six months ended 30 June 2019: RMB222 million).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

(ii) Due from banks and other financial institutions

The Group adopts a Group-to-Group principle for credit to financial institutions. The Group set credit lines for financial institutions or single financial institutions that have financial transactions with the Group.

(iii) Bonds and other notes

The Group manages the credit risk exposure of bonds and other notes by controlling the scale of investment, setting the list of granting entities, rating access, Group-to-Group credit, and post-investment management.

(iv) Other financial assets

Financial assets mainly include asset management products, debt financing plans and etc. The Group implements a rating system for cooperating with financial institutions and sets credit lines for the ultimate financing party of the asset management products and debt financing plans, and conducts subsequent risk management on a regular basis.

(v) Credit commitments

The main purpose of the credit commitments is to ensure that customers receive the funds they need. The letters of guarantee, acceptances and letters of credit issued are an irrevocable undertaking of the Group, that is, the Group undertakes to pay on behalf of its customer to the third party or to perform the payment on behalf of customers upon their failure to perform under the terms of the contract. There is a possibility that customer violates the terms of the contract and the Group needs to perform the payment on behalf of its customers. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

(v) Credit commitments (Continued)

Expected Credit Loss Measurement

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

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

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

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

Significant Increase in Credit Risk (SICR)

The Group sufficiently considers available and valid information in order to decide the stage of financial assets, which reflects the significant increase in credit risk. The major factors considered include internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, repayment behaviors, etc. The Group evaluates the change in default risk on reporting date and initial recognition of one financial instrument or a portfolio of financial instruments that shares the similar credit risk features.

The Group sets a series of quantitative and qualitative criteria to determine whether there are significant changes in credit risk of financial instruments since initial recognition. The following factors are mainly considered:

- Interest or principal paid by debtors is overdue for more than 30 days but less than 90 days;
- A significant decrease in debtor’s credit rating compared to that of initial recognition;
- Significant adverse changes in the debtor’s operations or financial situation;
- Other objective evidence indicating there are significant changes in credit risk.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

(v) Credit commitments (Continued)

Definition on Default and Credit-impaired Assets

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

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

Measuring ECL – Explanation of Inputs, Assumptions and Estimation Techniques

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

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

(v) Credit commitments (Continued)

Measuring ECL – Explanation of Inputs, Assumptions and Estimation Techniques (Continued)

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

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

The Group reviews assumptions related to ECL model periodically, including but not limited to changes in PD and LGD.

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

Forward-looking Information

The calculation of ECL incorporates forward-looking macro-economic information.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, mainly including GDP, CPI, M2, PCDI of urban residents, etc, to calculate the forward-looking impact of the macro-economic environment on ECL.

The Group has established forecast model along with time series data collection of the above key economic indicators from Wind China Macro and Industry Database and internal data. On this basis, combined with the experience of experts, a certain proportion of the predicted value of the model is used as the forecast value of future key economic indicators and the weights of the three scenarios, optimistic, baseline and pessimistic are determined.

The Group has assessed the adverse effects of the COVID-19 on macroeconomic environment of China with focus on Chongqing, and comprehensively incorporated the economic recovery trend in Chongqing area and taken reference to the forecast from external agency with regarding to macroeconomic environment. Based on the Group's best estimate, the Group updates certain macroeconomic scenario for the model accordingly.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

(v) Credit commitments (Continued)

Forward-looking Information (Continued)

Similar to other economic projections, there is a high degree of inherent uncertainty in the estimation of expected values and likelihood of occurrence, so actual results may differ materially from forecasts. The Group updates the expected values of macroeconomic indicators periodically. The Group believes that these projections reflect the Group's best estimate of possible outcomes to determine that the scenarios selected are appropriate to represent possible scenarios.

Sensitivity analysis

ECL are sensitive to the parameters used in the model, the macro-economic variables of the forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these inputs, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of ECL.

As at 30 June 2020, the Group's credit impairment provision would increase by RMB538 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB740 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

As at 31 December 2019, the Group's credit impairment provision would increase by RMB474 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB652 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of each financial asset recognised in the consolidated statements of financial position and credit commitments disclosed in Note 45 "Contingent Liabilities and Commitments".

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

	As at 30 June 2020 (Unaudited)				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial assets					
Balances with central bank	64,461,418	–	–	–	64,461,418
Deposits with banks and other financial institutions	22,400,114	–	–	–	22,400,114
Placements with banks and other financial institutions	113,548,931	–	–	–	113,548,931
Derivative financial assets	–	–	–	69,220	69,220
Financial assets held under resale agreements	12,523,558	–	–	–	12,523,558
Loans and advances to customers	435,134,085	13,900,523	1,929,993	–	450,964,601
Financial investments					
Financial assets measured at fair value through profit or loss	–	–	–	27,751,507	27,751,507
Financial assets measured at fair value through other comprehensive income	13,462,686	–	–	–	13,462,686
Financial assets measured at amortised cost	345,801,540	2,657,767	–	–	348,459,307
Other financial assets	2,490,955	–	–	–	2,490,955
Subtotal	<u>1,009,823,287</u>	<u>16,558,290</u>	<u>1,929,993</u>	<u>27,820,727</u>	<u>1,056,132,297</u>
Off-balance sheet credit commitments	<u>36,839,257</u>	<u>439,061</u>	<u>40</u>	<u>–</u>	<u>37,278,358</u>
Total	<u>1,046,662,544</u>	<u>16,997,351</u>	<u>1,930,033</u>	<u>27,820,727</u>	<u>1,093,410,655</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

	As at 31 December 2019 (Audited)				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial assets					
Balances with central bank	74,228,272	–	–	–	74,228,272
Deposits with banks and other financial institutions	15,625,365	–	–	–	15,625,365
Placements with banks and other financial institutions	129,383,634	–	992,126	–	130,375,760
Derivative financial assets	–	–	–	92,263	92,263
Loans and advances to customers	399,463,868	14,529,318	2,347,595	–	416,340,781
Financial investments					
Financial assets measured at fair value through profit or loss	–	–	–	4,952,393	4,952,393
Financial assets measured at fair value through other comprehensive income	6,679,007	–	–	–	6,679,007
Financial assets measured at amortised cost	343,206,847	3,211,569	–	–	346,418,416
Other financial assets	784,554	–	–	–	784,554
Subtotal	<u>969,371,547</u>	<u>17,740,887</u>	<u>3,339,721</u>	<u>5,044,656</u>	<u>995,496,811</u>
Off-balance sheet credit commitments	<u>32,038,635</u>	<u>3,316,082</u>	<u>99,018</u>	<u>–</u>	<u>35,453,735</u>
Total	<u>1,001,410,182</u>	<u>21,056,969</u>	<u>3,438,739</u>	<u>5,044,656</u>	<u>1,030,950,546</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the expected credit losses are further classified into “risk level 1”, “risk level 2”, “risk level 3” and “default” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes. “Risk level 1” means that the asset quality is good, and the rating is high, or there is no overdue situation, or there is no reason to suspect that the asset is expected to default; “Risk level 2” means medium rating, or although there is a certain overdue situation, the asset quality is good or there may be factors that have an adverse effect, but there is no sufficient reason to suspect that the asset is expected to default. “Risk level 3” means that the rating is low or the overdue situation is more serious, which means that there are factors that have a significantly adverse effect on the asset default, but there is no event indicating that the default has occurred. The criteria for “default” is consistent with definition of credit impairment that has occurred;

- (a) Maximum exposure to credit risk of loans and advances to customers measured at amortised cost analysed by internal stratified management:

Corporate loans and advances	As at 30 June 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	154,602,100	3,582,063	–	158,184,163
Risk level 2	90,318,593	13,975,689	–	104,294,282
Risk level 3	–	363,886	–	363,886
Default	–	–	7,196,680	7,196,680
Gross carrying amount	<u>244,920,693</u>	<u>17,921,638</u>	<u>7,196,680</u>	<u>270,039,011</u>
ECL allowance	<u>(5,753,835)</u>	<u>(5,237,123)</u>	<u>(5,508,228)</u>	<u>(16,499,186)</u>
Net carrying amount	<u>239,166,858</u>	<u>12,684,515</u>	<u>1,688,452</u>	<u>253,539,825</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

- (a) Maximum exposure to credit risk of loans and advances to customers measured at amortised cost analysed by internal stratified management: (Continued)

Personal loans and advances	As at 30 June 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	174,095,388	–	–	174,095,388
Risk level 2	169,971	1,584,170	–	1,754,141
Risk level 3	–	215,925	–	215,925
Default	–	–	1,256,092	1,256,092
Gross carrying amount	<u>174,265,359</u>	<u>1,800,095</u>	<u>1,256,092</u>	<u>177,321,546</u>
ECL allowance	<u>(4,396,897)</u>	<u>(585,071)</u>	<u>(1,015,551)</u>	<u>(5,997,519)</u>
Net carrying amount	<u>169,868,462</u>	<u>1,215,024</u>	<u>240,541</u>	<u>171,324,027</u>

As at 30 June 2020, discounted bills included in corporate loans and advances were RMB26,101 million (31 December 2019: RMB20,087 million, the credit risk level is mainly “Risk level 1”).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

- (a) Maximum exposure to credit risk of loans and advances to customers measured at amortised cost analysed by internal stratified management: (Continued)

Corporate loans and advances	As at 31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	148,745,389	2,288,738	–	151,034,127
Risk level 2	79,396,118	14,626,997	–	94,023,115
Risk level 3	–	1,527,526	–	1,527,526
Default	–	–	8,175,637	8,175,637
Gross carrying amount	228,141,507	18,443,261	8,175,637	254,760,405
ECL allowance	(4,804,086)	(4,817,852)	(6,062,858)	(15,684,796)
Net carrying amount	223,337,421	13,625,409	2,112,779	239,075,609
Personal loans and advances	As at 31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	159,705,575	–	–	159,705,575
Risk level 2	88,480	1,163,540	–	1,252,020
Risk level 3	–	126,769	–	126,769
Default	–	–	1,153,418	1,153,418
Gross carrying amount	159,794,055	1,290,309	1,153,418	162,237,782
ECL allowance	(3,740,890)	(387,869)	(930,552)	(5,059,311)
Net carrying amount	156,053,165	902,440	222,866	157,178,471

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to customers

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

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Amount	%	Amount	%
Corporate loans and advances				
Manufacturing	66,328,946	22.40	62,679,247	22.81
Water, environment and public utilities management	61,832,771	20.88	59,543,637	21.66
Leasing and commercial services	58,605,052	19.79	50,781,853	18.48
Retail and wholesale	30,648,993	10.35	27,906,608	10.15
Production and supply of electricity, gas and water	17,375,916	5.87	16,570,780	6.03
Transportation, logistics and postal services	13,503,887	4.56	12,388,535	4.51
Financial industry	12,621,673	4.26	10,337,214	3.76
Construction	8,343,702	2.82	7,642,282	2.78
Real estate	7,206,783	2.43	8,032,928	2.92
Sanitation and social work	5,982,215	2.02	5,538,146	2.01
Education	3,006,805	1.02	2,861,584	1.04
Agriculture, forestry, animal husbandry and fishery	2,778,028	0.94	3,079,306	1.12
Others	7,904,989	2.66	7,484,986	2.73
Subtotal	<u>296,139,760</u>	<u>100.00</u>	<u>274,847,106</u>	<u>100.00</u>
Personal loans and advances				
Mortgages	80,083,865	45.16	73,091,378	45.05
Loans to private business and employment assistance loans	55,188,047	31.12	50,515,959	31.14
Credit cards	4,601,989	2.60	4,505,929	2.78
Others	<u>37,447,645</u>	<u>21.12</u>	<u>34,124,516</u>	<u>21.03</u>
Subtotal	<u>177,321,546</u>	<u>100.00</u>	<u>162,237,782</u>	<u>100.00</u>
Total	<u><u>473,461,306</u></u>		<u><u>437,084,888</u></u>	

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to customers (Continued)

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

	As at 30 June 2020 (Unaudited)			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	36,848,378	16,486,080	6,729,776	60,064,234
Guaranteed loans	34,218,082	51,462,611	62,577,500	148,258,193
Collateralised and other secured loans				
– loans secured by property and other immovable assets	73,917,253	21,160,221	97,539,613	192,617,087
– other pledged loans	<u>23,304,180</u>	<u>12,551,419</u>	<u>36,666,193</u>	<u>72,521,792</u>
Total	<u>168,287,893</u>	<u>101,660,331</u>	<u>203,513,082</u>	<u>473,461,306</u>

	As at 31 December 2019 (Audited)			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	29,827,265	16,517,977	6,323,339	52,668,581
Guaranteed loans	34,064,200	49,809,903	53,976,722	137,850,825
Collateralised and other secured loans				
– loans secured by property and other immovable assets	68,412,106	23,511,760	89,827,764	181,751,630
– other pledged loans	<u>19,778,056</u>	<u>10,216,795</u>	<u>34,819,001</u>	<u>64,813,852</u>
Total	<u>152,081,627</u>	<u>100,056,435</u>	<u>184,946,826</u>	<u>437,084,888</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to customers (Continued)

(iii) Overdue loans

	As at 30 June 2020 (Unaudited)				
	Up to 90 days	91-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	1,117,548	302,972	25,071	5,197	1,450,788
Guaranteed loans	639,540	421,510	1,141,384	3,238	2,205,672
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,268,644	987,312	280,223	78,608	2,614,787
– other pledged loans	<u>6,588</u>	<u>1,000</u>	<u>–</u>	<u>–</u>	<u>7,588</u>
Total	<u>3,032,320</u>	<u>1,712,794</u>	<u>1,446,678</u>	<u>87,043</u>	<u>6,278,835</u>

	As at 31 December 2019 (Audited)				
	Up to 90 days	91-360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	196,135	236,843	13,034	5,084	451,096
Guaranteed loans	786,971	568,720	882,591	6,488	2,244,770
Collateralised and other secured loans					
– loans secured by property and other immovable assets	637,172	504,693	508,627	267,561	1,918,053
– other pledged loans	<u>390,265</u>	<u>57,833</u>	<u>–</u>	<u>–</u>	<u>448,098</u>
Total	<u>2,010,543</u>	<u>1,368,089</u>	<u>1,404,252</u>	<u>279,133</u>	<u>5,062,017</u>

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Loans and advances to customers (Continued)

(iv) Rescheduled loans and advances

Rescheduled loans are loans that have been renegotiated due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are subject to ongoing monitoring. The amount of rescheduled loans and advances is shown as follows:

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Total	Percentage of gross loans and advances to customers	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	<u>708,036</u>	<u>0.15%</u>	<u>623,583</u>	<u>0.14%</u>
Of which: Rescheduled loans and advances overdue for more than 90 days	<u>349,004</u>	<u>0.07%</u>	<u>541,554</u>	<u>0.12%</u>

(v) Assets foreclosed under credit enhancement arrangement

No new foreclosed assets were acquired by the Group for the six months ended 2020 (For the six months ended 2019: Nil).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Debt securities

(i) Debt securities analysed by credit rating and credit risk characteristics

The Group and the Bank relies on credit rating provided by the external credit agencies in the PRC to classify the debt securities.

	As at 30 June 2020 (Unaudited)				Total
	AAA	AA	A and below	Unrated	
Financial assets measured at fair value through profit and loss					
Public sector, quasi-government bonds	–	–	–	1,687,202	1,687,202
Financial institution bonds	3,281,459	1,494,581	–	–	4,776,040
Interbank deposit certificates	–	–	–	542,971	542,971
Others	–	–	–	20,745,294	20,745,294
Subtotal	3,281,459	1,494,581	–	22,975,467	27,751,507
Financial assets measured at fair value through other comprehensive income					
Public sector, quasi-government bonds	–	–	–	13,055,270	13,055,270
Financial institution bonds	297,167	–	–	–	297,167
Corporate bonds	663	32,627	–	76,959	110,249
Subtotal	297,830	32,627	–	13,132,229	13,462,686
Financial assets measured at amortised cost					
Government bonds	20,379,033	–	–	92,664,790	113,043,823
Public sector, quasi-government bonds	2,726,118	–	–	47,093,642	49,819,760
Financial institution bonds	31,110,676	–	–	2,000,753	33,111,429
Corporate bonds	5,609,204	11,515,371	102,766	38,051,585	55,278,926
Interbank deposit certificates	–	–	–	58,649,611	58,649,611
Debt financing plans	–	–	–	28,613,311	28,613,311
Trust plans	–	–	–	9,942,447	9,942,447
Subtotal	59,825,031	11,515,371	102,766	277,016,139	348,459,307
Total	63,404,320	13,042,579	102,766	313,123,835	389,673,500

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Debt securities (Continued)

(i) Debt securities analysed by credit rating and credit risk characteristics (Continued)

	As at 31 December 2019 (Audited)				
	AAA	AA	A and below	Unrated	Total
Financial assets measured at fair value through profit and loss					
Public sector, quasi-government bonds	–	–	–	105,451	105,451
Financial institution bonds	2,862,974	1,485,914	–	–	4,348,888
Interbank deposit certificates	–	–	–	498,054	498,054
Subtotal	2,862,974	1,485,914	–	603,505	4,952,393
Financial assets measured at fair value through other comprehensive income					
Public sector, quasi-government bonds	–	–	–	6,309,267	6,309,267
Corporate bonds	647	95,244	–	273,849	369,740
Subtotal	647	95,244	–	6,583,116	6,679,007
Financial assets measured at amortised cost					
Government bonds	10,179,988	–	–	87,223,344	97,403,332
Public sector, quasi-government bonds	2,673,555	–	–	47,845,137	50,518,692
Financial institution bonds	29,127,274	–	–	–	29,127,274
Corporate bonds	6,533,898	10,567,938	161,937	44,008,647	61,272,420
Interbank deposit certificates	–	–	–	68,988,286	68,988,286
Debt financing plans	–	–	–	20,724,838	20,724,838
Trust plans	–	–	–	18,383,574	18,383,574
Subtotal	48,514,715	10,567,938	161,937	287,173,826	346,418,416
Total	51,378,336	12,149,096	161,937	294,360,447	358,049,816

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

The Asset and Liability Management Committee of the Group mapped out the index management system of the ratios of asset and liability structure, based on the principles of liquidity, safety, and profitability; determines annual target values of these indexes in accordance with regulatory requirement and business plan; and allocates the tasks to branches for implementation.

The Group established the supervision system of indexes of asset and liability management, the liquidity reverse system, and relevant emergency management measures, to reduce the liquidity risk of the Group. The Group worked out the regulatory indicators of liquidity in accordance with the requirement of CBIRC, and reported to CBIRC periodically.

The assets which can be used for repaying debt and paying for the outstanding credit commitments contain cash and balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets measured at fair value through profit and loss, and so forth. In normal operation, majority of deposits will not be withdrawn immediately on the maturity date. Therefore, the Group will retain this part of cash flow.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

	As at 30 June 2020 (Unaudited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	53,784,802	13,807,729	-	-	-	-	-	67,592,531
Deposits with banks and other financial institutions	-	4,201,125	1,607,580	1,562,724	15,028,685	-	-	22,400,114
Placements with banks and other financial institutions	-	-	14,873,102	31,684,264	66,074,830	916,735	-	113,548,931
Derivative financial assets	-	-	908	3,657	60,373	4,282	-	69,220
Financial assets held under resale agreements	-	-	12,523,558	-	-	-	-	12,523,558
Loans and advances to customers	2,518,444	-	18,079,641	27,446,189	151,440,658	100,951,089	150,528,580	450,964,601
Financial investments								
Financial assets measured at fair value through profit and loss	-	4,661,644	1,249,347	1,176,094	5,113,150	9,666,803	5,884,469	27,751,507
Financial assets measured at fair value through other comprehensive income	468,397	-	-	154,472	167,656	295,482	12,845,076	13,931,083
Financial assets measured at amortised cost	-	-	5,820,826	30,896,684	61,159,526	137,803,225	112,779,046	348,459,307
Other financial assets	-	2,490,955	-	-	-	-	-	2,490,955
Total financial assets	56,771,643	25,161,453	54,154,962	92,924,084	299,044,878	249,637,616	282,037,171	1,059,731,807
Borrowings from central bank	-	-	5,381,003	4,793,727	28,537,859	-	-	38,712,589
Deposits from banks and other financial institutions	-	1,873,807	317,070	404,154	8,967,291	-	-	11,562,322
Placements from banks and other financial institutions	-	-	3,923,498	8,443,307	12,727,875	-	-	25,094,680
Derivative financial liabilities	-	-	1,932	3,435	68,364	-	-	73,731
Financial assets sold under repurchase agreements	-	-	27,015,333	2,404,803	5,862,914	-	-	35,283,050
Deposits from customers	-	270,059,151	17,717,829	38,800,642	230,985,466	163,709,111	3,000,000	724,272,199
Debt securities issued	-	-	2,349,030	43,405,113	64,218,816	14,892,430	8,997,817	133,863,206
Other financial liabilities	-	4,498,559	-	-	-	-	37,480	4,536,039
Total financial liabilities	-	276,431,517	56,705,695	98,255,181	351,368,585	178,601,541	12,035,297	973,397,816
Net position	56,771,643	(251,270,064)	(2,550,733)	(5,331,097)	(52,323,707)	71,036,075	270,001,874	86,333,991

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

	As at 31 December 2019 (Audited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	64,477,059	12,936,535	-	-	-	-	-	77,413,594
Deposits with banks and other financial institutions	-	5,362,737	2,123,689	1,297,200	6,841,739	-	-	15,625,365
Placements with banks and other financial institutions	-	-	8,764,670	34,934,645	85,359,466	1,316,979	-	130,375,760
Derivative financial assets	-	-	7,536	21,259	10,437	53,031	-	92,263
Financial assets held under resale agreements	-	-	-	-	-	-	-	-
Loans and advances to customers	1,915,196	-	21,761,510	20,575,327	130,436,638	103,390,586	138,261,524	416,340,781
Financial investments								
Financial assets measured at fair value through profit and loss	-	-	1,180,212	4,670,144	7,865,255	5,508,040	4,454,340	23,677,991
Financial assets measured at fair value through other comprehensive income	577,835	-	43,880	40,092	309,566	75,072	6,210,397	7,256,842
Financial assets measured at amortised cost	-	-	9,258,655	21,412,354	81,912,459	136,073,295	97,761,653	346,418,416
Other financial assets	-	784,554	-	-	-	-	-	784,554
Total financial assets	66,970,090	19,083,826	43,140,152	82,951,021	312,735,560	246,417,003	246,687,914	1,017,985,566
Borrowings from central bank	-	-	-	2,855	31,215,134	-	-	31,217,989
Deposits from banks and other financial institutions	-	458,375	514,557	3,931,244	4,588,887	-	-	9,493,063
Placements from banks and other financial institutions	-	-	3,093,143	7,880,114	15,102,372	-	-	26,075,629
Derivative financial liabilities	-	-	276	20,802	8,846	29,692	-	59,616
Financial assets sold under repurchase agreements	-	-	13,364,641	1,721,487	-	-	-	15,086,128
Deposits from customers	-	260,297,720	27,240,418	87,781,504	135,470,063	162,612,111	3	673,401,819
Debt securities issued	-	-	4,861,440	58,431,051	91,145,471	7,894,492	8,997,613	171,330,067
Other financial liabilities	-	6,547,312	-	-	-	-	37,480	6,584,792
Total financial liabilities	-	267,303,407	49,074,475	159,769,057	277,530,773	170,536,295	9,035,096	933,249,103
Net position	66,970,090	(248,219,581)	(5,934,323)	(76,818,036)	35,204,787	75,880,708	237,652,818	84,736,463

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the expected undiscounted contractual cash flows. The Group manages liquidity risk on basis of expected undiscounted cash flows.

	As at 30 June 2020 (Unaudited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	53,784,802	13,820,614	-	-	-	-	-	67,605,416
Deposits with banks and other financial institutions	-	4,207,780	1,692,383	1,571,491	15,276,979	-	-	22,748,633
Placements with banks and other financial institutions	-	-	14,907,053	31,863,418	67,741,597	954,012	-	115,466,080
Financial assets held under resale agreements	-	-	12,535,901	-	-	-	-	12,535,901
Loans and advances to customers	2,522,028	-	21,585,590	35,735,134	187,463,661	123,177,173	256,470,286	626,953,872
Financial investments								
Financial assets measured at fair value through profit and loss	-	4,661,644	1,284,042	1,207,134	5,408,480	11,605,956	6,585,705	30,752,961
Financial assets measured at fair value through other comprehensive income	468,397	-	-	198,375	346,648	2,014,500	14,801,375	17,829,295
Financial assets measured at amortised cost	-	-	6,922,121	31,287,132	72,036,506	171,313,132	128,261,871	409,820,762
Other financial assets	-	2,457,777	-	-	-	-	-	2,457,777
Total financial assets	56,775,227	25,147,815	58,927,090	101,862,684	348,273,871	309,064,773	406,119,237	1,306,170,697
Non-derivative financial liabilities								
Borrowings from central bank	-	-	5,371,600	4,855,659	29,009,465	-	-	39,236,724
Deposits from banks and other financial institutions	-	1,873,807	317,800	406,222	9,109,547	-	-	11,707,376
Placements from banks and other financial institutions	-	-	3,960,121	8,541,375	12,951,127	-	-	25,452,623
Financial assets sold under repurchase agreements	-	-	27,018,508	2,411,327	5,904,435	-	-	35,334,270
Deposits from customers	-	270,304,264	17,734,632	38,939,779	231,353,248	176,880,412	3,514,679	738,727,014
Debt securities issued	-	-	2,350,000	43,620,000	65,818,400	17,204,600	10,224,000	139,217,000
Other financial liabilities	-	4,253,447	-	-	-	-	37,480	4,290,927
Total financial liabilities	-	276,431,518	56,752,661	98,774,362	354,146,222	194,085,012	13,776,159	993,965,934
Net position	56,775,227	(251,283,703)	2,174,429	3,088,322	(5,872,351)	114,979,761	392,343,078	312,204,763

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 30 June 2020 (Unaudited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivative financial instruments								
Settled by total amount								
Total inflows	-	-	394,059	436,158	2,607,927	-	-	3,438,144
Total outflows	-	-	(395,083)	(435,936)	(2,615,918)	-	-	(3,446,937)
Net position	-	-	(1,024)	222	(7,991)	-	-	(8,793)

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2019 (Audited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	64,477,059	12,951,781	-	-	-	-	-	77,428,840
Deposits with banks and other financial institutions	-	5,365,070	2,211,170	1,303,248	6,964,273	-	-	15,843,761
Placements with banks and other financial institutions	-	-	8,780,486	35,437,983	90,568,720	1,380,754	-	136,167,943
Loans and advances to customers	1,940,449	-	23,779,143	24,570,586	147,673,811	123,394,165	232,416,732	553,774,886
Financial investments								
Financial assets measured at fair value through profit and loss	-	-	1,178,354	4,708,206	8,155,130	6,894,404	5,025,121	25,961,215
Financial assets measured at fair value through other comprehensive income	577,835	-	43,996	40,351	516,035	886,500	7,358,125	9,422,842
Financial assets measured at amortised cost	-	-	9,444,673	23,834,249	86,984,907	170,183,628	110,414,444	400,861,901
Other financial assets	-	759,301	-	-	-	-	-	759,301
Total financial assets	66,995,343	19,076,152	45,437,822	89,894,623	340,862,876	302,739,451	355,214,422	1,220,220,689
Non-derivative financial liabilities								
Borrowings from central bank	-	-	-	23,414	31,822,970	-	-	31,846,384
Deposits from banks and other financial institutions	-	458,375	515,098	3,950,710	4,681,372	-	-	9,605,555
Placements from banks and other financial institutions	-	-	3,096,229	7,985,441	15,362,899	-	-	26,444,569
Financial assets sold under repurchase agreements	-	-	13,368,198	1,728,629	-	-	-	15,096,827
Deposits from customers	-	260,523,279	27,270,563	88,075,048	137,366,560	175,909,663	3	689,145,116
Debt securities issued	-	-	4,870,000	58,750,000	92,953,200	9,821,400	10,454,000	176,848,600
Other financial liabilities	-	6,321,753	-	-	-	-	37,480	6,359,233
Total financial liabilities	-	267,303,407	49,120,088	160,513,242	282,187,001	185,731,063	10,491,483	955,346,284
Net position	66,995,343	(248,227,255)	(3,682,266)	(70,618,619)	58,675,875	117,008,388	344,722,939	264,874,405

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2019 (Audited)							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivative financial instruments								
Settled by total amount								
Total inflows	-	-	2,942,121	1,055,130	635,482	2,230,015	-	6,862,748
Total outflows	-	-	(2,934,861)	(1,054,674)	(633,891)	(2,219,605)	-	(6,843,031)
Net position	-	-	7,260	456	1,591	10,410	-	19,717

Assets available to meet obligations related to the Group's liabilities and outstanding credit commitments primarily include cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets at fair value through profit or loss. In the normal course of business, the majority of customer deposits repayable on demand or on maturity are expected to be retained.

Off-balance sheet items

Off-balance sheet items of the Group include acceptances, undrawn credit card limits and others. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

	30 June 2020 (Unaudited)			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	10,135,171	-	-	10,135,171
Undrawn credit card limits	20,379,519	-	-	20,379,519
Letters of guarantee	2,192,784	1,589,805	8,000	3,790,589
Letters of credit issued	2,969,624	3,455	-	2,973,079
Total	35,677,098	1,593,260	8,000	37,278,358

	31 December 2019 (Audited)			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	8,289,363	-	-	8,289,363
Undrawn credit card limits	17,169,136	-	-	17,169,136
Letters of guarantee	4,397,706	2,762,956	8,000	7,168,662
Letters of credit issued	2,826,574	-	-	2,826,574
Total	32,682,779	2,762,956	8,000	35,453,735

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk

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

The Group is primarily exposed to interest rate risk arising from corporate and personal banking, and treasury operations. Interest rate risk is inherent in many of its business and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and to a lesser extent in other currencies.

The exchange rate of RMB to USD is under a managed floating exchange rate system. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

	As at 30 June 2020 (Unaudited)				
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central bank	67,462,871	129,660	–	–	67,592,531
Deposits with banks and other financial institutions	21,267,475	502,030	114,272	516,337	22,400,114
Placements with banks and other financial institutions	112,976,558	572,373	–	–	113,548,931
Derivative financial assets	11,021	58,199	–	–	69,220
Financial assets held under resale agreements	12,523,558	–	–	–	12,523,558
Loans and advances to customers	447,949,210	3,015,391	–	–	450,964,601
Financial investments					
Financial assets measured at fair value through profit and loss	27,751,507	–	–	–	27,751,507
Financial assets measured at fair value through other comprehensive income	13,931,083	–	–	–	13,931,083
Financial assets measured at amortised cost	348,423,519	35,788	–	–	348,459,307
Other financial assets	2,490,955	–	–	–	2,490,955
Total financial assets	1,054,787,757	4,313,441	114,272	516,337	1,059,731,807
Borrowings from central bank	38,712,589	–	–	–	38,712,589
Deposits from banks and other financial institutions	11,562,180	142	–	–	11,562,322
Placements from banks and other financial institutions	22,824,583	2,270,097	–	–	25,094,680
Derivative financial liabilities	56,174	16,533	1,024	–	73,731
Financial assets sold under repurchase agreements	35,283,050	–	–	–	35,283,050
Deposits from customers	723,344,778	908,550	6	18,865	724,272,199
Debt securities issued	133,863,206	–	–	–	133,863,206
Other financial liabilities	4,498,559	37,480	–	–	4,536,039
Total financial liabilities	970,145,119	3,232,802	1,030	18,865	973,397,816
Net position	84,642,638	1,080,639	113,242	497,472	86,333,991
Credit commitments	34,718,044	2,066,217	–	494,097	37,278,358

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

	As at 31 December 2019 (Audited)				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	77,151,655	261,939	–	–	77,413,594
Deposits with banks and other financial institutions	14,773,093	690,686	37,245	124,341	15,625,365
Placements with banks and other financial institutions	127,588,094	2,787,666	–	–	130,375,760
Derivative financial assets	42,645	49,162	456	–	92,263
Loans and advances to customers	414,058,804	2,281,977	–	–	416,340,781
Financial investments					
Financial assets measured at fair value through profit and loss	23,677,991	–	–	–	23,677,991
Financial assets measured at fair value through other comprehensive income	7,256,842	–	–	–	7,256,842
Financial assets measured at amortised cost	346,383,148	35,268	–	–	346,418,416
Other financial assets	784,554	–	–	–	784,554
Total financial assets	1,011,716,826	6,106,698	37,701	124,341	1,017,985,566
Borrowings from central bank	31,217,989	–	–	–	31,217,989
Deposits from banks and other financial institutions	9,492,923	140	–	–	9,493,063
Placements from banks and other financial institutions	24,789,406	1,286,223	–	–	26,075,629
Derivative financial liabilities	32,301	27,315	–	–	59,616
Financial assets sold under repurchase agreements	15,086,128	–	–	–	15,086,128
Deposits from customers	672,662,416	738,818	3	582	673,401,819
Debt securities issued	171,330,067	–	–	–	171,330,067
Other financial liabilities	6,547,312	37,480	–	–	6,584,792
Total financial liabilities	931,158,542	2,089,976	3	582	933,249,103
Net position	80,558,284	4,016,722	37,698	123,759	84,736,463
Credit commitments	32,341,747	2,599,682	–	512,306	35,453,735

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against USD by 5% on net profit.

	As at 30 June 2020 (Decrease)/ Increase in Net profit	As at 31 December 2019 (Decrease)/ Increase in Net profit
RMB5% appreciation	(40,524)	(150,627)
RMB5% depreciation	40,524	150,627

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

Interest rate risk

The interest rate risk of the Group arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

	As at 30 June 2020 (Unaudited)						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	63,041,191	-	-	-	-	4,551,340	67,592,531
Deposits with banks and other financial institutions	4,638,126	1,541,622	14,895,973	-	-	1,324,393	22,400,114
Placements with banks and other financial institutions	14,380,879	31,087,049	65,488,371	899,782	-	1,692,850	113,548,931
Derivative financial assets	-	-	-	-	-	69,220	69,220
Financial assets held under resale agreements	12,517,944	-	-	-	-	5,614	12,523,558
Loans and advances to customers	34,518,681	34,439,509	329,004,123	33,891,643	12,602,076	6,508,569	450,964,601
Financial investments							
Financial assets measured at fair value through profit and loss	-	-	542,971	1,578,973	4,884,269	20,745,294	27,751,507
Financial assets measured at fair value through other comprehensive income	-	-	106,473	295,482	12,845,076	684,052	13,931,083
Financial assets measured at amortised cost	4,998,213	29,742,621	58,354,993	137,803,225	112,779,046	4,781,209	348,459,307
Other financial assets	-	-	-	-	-	2,490,955	2,490,955
Total financial assets	134,095,034	96,810,801	468,392,904	174,469,105	143,110,467	42,853,496	1,059,731,807
Borrowings from central bank	5,215,000	4,706,500	28,313,260	-	-	477,829	38,712,589
Deposits from banks and other financial institutions	2,179,803	400,000	8,940,250	-	-	42,269	11,562,322
Placements from banks and other financial institutions	3,883,561	8,362,385	12,647,369	-	-	201,365	25,094,680
Derivative financial liabilities	-	-	-	-	-	73,731	73,731
Financial assets sold under repurchase agreement	27,007,131	2,399,567	5,847,372	-	-	28,980	35,283,050
Deposits from customers	286,178,936	37,761,523	225,479,702	159,245,586	3,000,000	12,606,452	724,272,199
Debt securities issued	2,349,030	43,405,113	63,928,221	14,892,430	8,997,817	290,595	133,863,206
Other financial liabilities	-	-	-	-	37,480	4,498,559	4,536,039
Total financial liabilities	326,813,461	97,035,088	345,156,174	174,138,016	12,035,297	18,219,780	973,397,816
Interest rate risk gap	(192,718,427)	(224,287)	123,236,730	331,089	131,075,170	24,633,716	86,333,991

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

	As at 31 December 2019 (Audited)						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	72,447,638	-	-	-	-	4,965,956	77,413,594
Deposits with banks and other financial institutions	6,561,731	1,265,676	6,753,140	-	-	1,044,818	15,625,365
Placements with banks and other financial institutions	8,544,411	34,082,252	83,788,490	1,299,591	-	2,661,016	130,375,760
Derivative financial assets	-	-	-	-	-	92,263	92,263
Loans and advances to customers	248,935,110	28,663,237	111,551,235	18,322,546	2,842,604	6,026,049	416,340,781
Financial investments							
Financial assets measured at fair value through profit and loss	-	498,054	7,873	-	4,454,340	18,717,724	23,677,991
Financial assets measured at fair value through other comprehensive income	41,293	38,195	204,089	75,060	6,210,397	687,808	7,256,842
Financial assets measured at amortised cost	8,247,381	19,598,649	78,911,223	136,173,236	97,761,653	5,726,274	346,418,416
Other financial assets	-	-	-	-	-	784,554	784,554
Total financial assets	344,777,564	84,146,063	281,216,050	155,870,433	111,268,994	40,706,462	1,017,985,566
Borrowings from central bank	-	-	30,875,500	-	-	342,489	31,217,989
Deposits from banks and other financial institutions	965,907	3,900,000	4,530,000	-	-	97,156	9,493,063
Placements from banks and other financial institutions	3,047,620	7,798,810	14,989,286	-	-	239,913	26,075,629
Derivative financial liabilities	-	-	-	-	-	59,616	59,616
Financial assets sold under repurchase agreement	13,340,656	1,709,535	-	-	-	35,937	15,086,128
Deposits from customers	286,613,154	85,888,764	132,510,149	159,015,051	3	9,374,698	673,401,819
Debt securities issued	4,861,440	58,431,051	90,864,488	7,894,493	8,997,613	280,982	171,330,067
Other financial liabilities	-	-	-	-	37,480	6,547,312	6,584,792
Total financial liabilities	308,828,777	157,728,160	273,769,423	166,909,544	9,035,096	16,978,103	933,249,103
Interest rate risk gap	35,948,787	(73,582,097)	7,446,627	(11,039,111)	102,233,898	23,728,359	84,736,463

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net profit and comprehensive income, based on the Group's position of interest-bearing assets and liabilities at the end of the reporting period.

	For the six months ended 30 June 2020 (Unaudited)		For the year 31 December 2019 (Audited)	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income
+100 basis points	759,207	99,353	1,552,856	49,268
-100 basis points	(759,207)	(99,353)	(1,552,856)	(49,268)

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products; therefore the impact of yield curves movement on interest expenses related to demand deposits has been excluded.

The sensitivity analysis on net profit is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate financial assets at end of the reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

The Group, based on regulatory requirement, conducts interest risk management in accordance with relevant regulations in Basel Accord.

This assumption does not represent the policy of use of funds and interest rate risk management of the Group. Therefore, the impact mentioned above may be different from actual situations.

Besides, the impact analysis of changes in interest rate mentioned above is a way of illustration, showing the estimated changes of net profit and other comprehensive income in cases of estimated yield and current interest risk of the Group. However, the risk management measures which may be adopted by management have not been taken into consideration in the analysis.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(6) Capital management

The Group's objectives on capital management are to:

- safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of business.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Administrative Measures on the Capital of Commercial Banks (Trial). For systematically important banks, CBIRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBIRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. As at 30 June 2020 and 31 December 2019, the Group is in compliance with these legal and regulatory requirements.

The weighted credit risk assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee. The similar calculation is adopted for off-balance sheet credit risk exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardised approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculated the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements promulgated by the CBIRC.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (Continued)

(6) Capital management (Continued)

	As at 30 June 2020	As at 31 December 2019
Core tier-one capital adequacy ratio	12.36%	12.42%
Tier-one capital adequacy ratio	12.38%	12.44%
Capital adequacy ratio	14.77%	14.88%
Net core tier-one capital	91,125,410	88,558,982
Net tier-one capital	91,252,838	88,679,970
Net capital base	<u>108,919,490</u>	<u>106,070,464</u>
Risk-weighted assets		
Credit-risk-weighted assets	681,355,588	661,053,920
Market-risk-weighted assets	8,085,110	3,954,998
Operational risk-weighted assets	47,876,796	47,876,796
Total of risk-weighted assets	<u>737,317,494</u>	<u>712,885,714</u>

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

- Level 1: 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.

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorised and determined (in particular, the valuation technique(s) and inputs used).

As at 30 June 2020 and 31 December 2019, 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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

	Level 1	Level 2	Level 3	Total
At 30 June 2020 (Unaudited)				
Financial assets measured at fair value through profit or loss				
– Debt securities issued by:				
Public sector and quasi-governments	–	1,687,202	–	1,687,202
Financial institutions	–	4,776,040	–	4,776,040
– Inter-bank deposit	–	542,971	–	542,971
– WMPs issued by other banks	–	–	6,995,620	6,995,620
– Fund	–	13,749,674	–	13,749,674
Financial assets measured at fair value through other comprehensive income				
– Listed equity securities issued by:				
Financial institutions	–	29,386	–	29,386
Other institutions	–	431,011	–	431,011
– Unlisted equity securities issued by:				
Financial institutions	–	–	8,000	8,000
– Debt securities issued by:				
Public sector and quasi-governments	–	13,055,270	–	13,055,270
Financial institutions	–	297,167	–	297,167
Corporations	–	110,249	–	110,249
Loans and advances to customers				
Carrying amount of financial assets measured at fair value through other comprehensive income				
	–	–	26,100,749	26,100,749
Derivative financial instruments				
– Assets	–	69,220	–	69,220
– Liabilities	–	73,731	–	73,731

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

	Level 1	Level 2	Level 3	Total
At 31 December 2019 (Audited)				
Financial assets measured at fair value through profit or loss				
– Debt securities issued by:				
Public sector and quasi-governments	–	105,451	–	105,451
Financial institutions	–	4,348,888	7,873	4,356,761
– Inter-bank deposit	–	498,054	–	498,054
– WMPs issued by other banks	–	–	13,209,685	13,209,685
– Fund	–	5,508,040	–	5,508,040
Financial assets measured at fair value through other comprehensive income				
– Listed equity securities issued by:				
Financial institutions	–	34,687	–	34,687
Other institutions	–	535,148	–	535,148
– Unlisted equity securities issued by:				
Financial institutions	–	–	8,000	8,000
– Debt securities issued by:				
Corporations	–	369,740	–	369,740
Public sector and quasi-governments	–	6,309,267	–	6,309,267
Loans and advances to customers				
Carrying amount of financial assets measured at fair value through other comprehensive income	–	–	20,086,701	20,086,701
Derivative financial instruments				
– Assets	–	92,263	–	92,263
– Liabilities	–	59,616	–	59,616

There were no significant transfers between levels for the six months ended 30 June 2020 and the year of 2019.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy

	Six months ended 30 June 2020 (Unaudited)		
	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 2020	13,217,558	8,000	20,086,701
Total gain or loss:	63,917	–	7,911
Purchases	4,040,000	–	23,097,045
Sales and settlements	(10,325,855)	–	(17,090,908)
As at 30 June 2020	<u>6,995,620</u>	<u>8,000</u>	<u>26,100,749</u>

	2019 (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 2019	9,848,291	866,257	20,192,651
Total gain or loss:	214,576	–	(14,511)
Purchases	22,195,000	–	29,617,584
Sales and settlements	(19,040,309)	(858,257)	(29,709,023)
As at 31 December 2019	<u>13,217,558</u>	<u>8,000</u>	<u>20,086,701</u>

Notes to the Interim Condensed Consolidated Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value financial assets and financial liabilities 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 tables below.

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets measured at amortised cost	<u>348,459,307</u>	<u>356,530,423</u>	<u>346,418,416</u>	<u>355,459,282</u>
Financial liabilities				
Debt securities issued	<u>133,863,206</u>	<u>134,047,648</u>	<u>171,330,067</u>	<u>171,585,587</u>

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

49. EVENT AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period.

Unaudited Supplementary Financial Information

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

LIQUIDITY RATIO (Expressed in percentage)

Group

	As at 30 June 2020	As at 31 December 2019
RMB current assets to RMB current liabilities	51.72	57.12
Foreign currency current assets to foreign currency liabilities	<u>32.36</u>	<u>29.94</u>

LIQUIDITY COVERAGE RATIO

Group

	As at 30 June 2020	As at 31 December 2019
Liquidity coverage ratio (expressed in percentage)	<u>277.48</u>	<u>225.78</u>

CURRENCY CONCENTRATIONS

Group

	Equivalent in Renminbi			Total
	USD	HKD	Others	
As at 30 June 2020				
Spot assets	4,791.3	115.6	516.7	5,423.6
Spot liabilities	(4,556.5)	(188.8)	(19.3)	(4,764.6)
Forward purchases	1,711.3	394.3	–	2,105.6
Forward sales	<u>(1,358.3)</u>	<u>–</u>	<u>(374.2)</u>	<u>(1,732.5)</u>
Net position	<u>587.8</u>	<u>321.1</u>	<u>123.2</u>	<u>1,032.1</u>

	Equivalent in Renminbi			Total
	USD	HKD	Others	
As at 31 December 2019				
Spot assets	6,239.4	37.3	1,813.4	8,090.1
Spot liabilities	(4,541.9)	(183.0)	(29.7)	(4,754.6)
Forward purchases	1,410.4	69.5	–	1,479.9
Forward sales	<u>(2,695.5)</u>	<u>–</u>	<u>(1,680.8)</u>	<u>(4,376.3)</u>
Net position	<u>412.4</u>	<u>(76.2)</u>	<u>102.9</u>	<u>439.1</u>

Unaudited Supplementary Financial Information (Continued)

For The Six Months Ended 30 June 2020

(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 2020			
Asia Pacific (not including Mainland China)	1,825.8	3,293.4	5,119.2
– of which attributed to Hong Kong	113.8	–	113.8
North America	292.3	–	292.3
Europe	44.6	–	44.6
Total	<u>2,162.7</u>	<u>3,293.4</u>	<u>5,456.1</u>
As at 31 December 2019			
Asia Pacific (not including Mainland China)	3,730.3	2,475.1	6,205.4
– of which attributed to Hong Kong	36.9	–	36.9
North America	477.2	–	477.2
Europe	16.1	–	16.1
Total	<u>4,223.6</u>	<u>2,475.1</u>	<u>6,698.7</u>

Unaudited Supplementary Financial Information (Continued)

For The Six Months Ended 30 June 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

SUMMARY OF INFORMATION ON GEOGRAPHIC SEGMENTS

When information is prepared based on the geographic 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 2020			For the six months ended 30 June 2019		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	1,999.0	10,017.4	12,016.4	1,701.8	9,783.9	11,485.7
Net fee and commission income	624.6	819.3	1,443.9	625.8	701.7	1,327.5
Net trading gain	–	396.5	396.5	–	319.9	319.9
Share of profits of associates	–	(2.7)	(2.7)	–	–	–
Other operating income, net	(4.1)	33.6	29.5	25.1	34.2	59.3
Net gain on derecognition of financial assets measured at fair value through other comprehensive income	–	38.4	38.4	–	–	–
Net gain on derecognition of financial assets measured at amortised cost	–	1.0	1.0	–	77.7	77.7
Total operating income	2,619.5	11,303.5	13,923.0	2,352.7	10,917.4	13,270.1
Internal transfer of income and expense	3,902.0	(3,902.0)	–	3,898.6	(3,898.6)	–
Income after adjustment	6,521.5	7,401.5	13,923.0	6,251.3	7,018.8	13,270.1

- (1) County Area refers to regions other than 9 districts of 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 2020

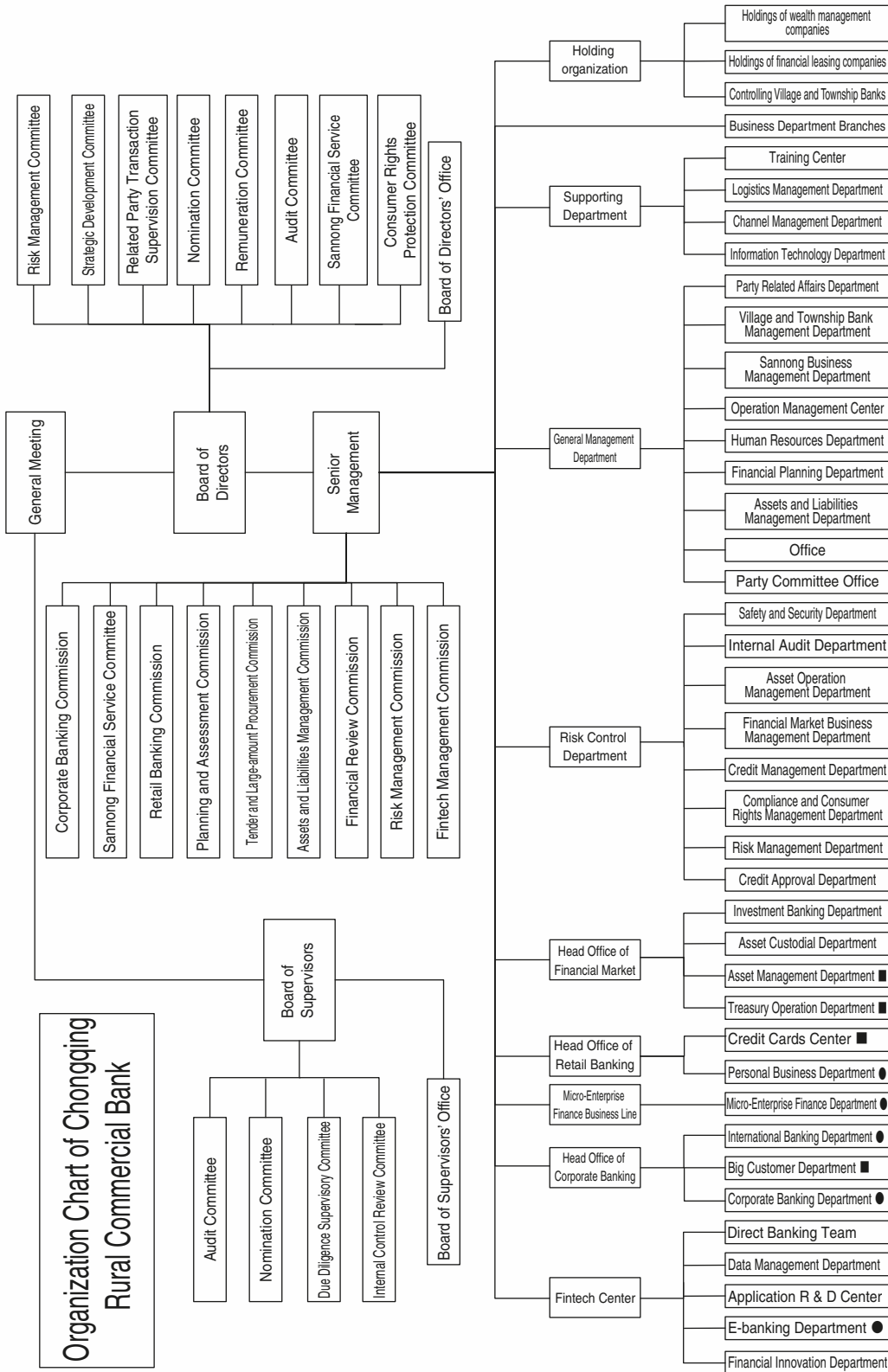
(Amounts in thousands of Renminbi, unless otherwise stated)

ABSTRACT OF GEOGRAPHICAL SEGMENTS

(Expressed in percentage)	As at 30 June 2020		As at 31 December 2019	
	County Area	Urban Area	County Area	Urban Area
Deposits	70.36	29.64	69.33	30.67
Loans	48.55	51.45	48.02	51.98
Assets	49.29	50.71	49.37	50.63
Loan-deposit ratio	45.11	113.46	44.96	110.01

(Expressed in percentage)	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	0.92	1.14	1.14	1.26
Net fee and commission income to operating income	9.58	11.07	10.01	10.00
Cost-to-income ratio	32.34	22.82	20.40	22.89

Organisation Chart



Notes: ■ representing the implementation of division of the system management mode;
 ● representing the implementation of the prospective division of the system management mode;
 ◻ unidentified representing the implementation of straight line management mode.