

2011

2011 INTERIM REPORT



重庆农村商业银行
CHONGQING RURAL COMMERCIAL BANK

Interim Report

CHONGQING RURAL COMMERCIAL BANK Stock Code: 3618

The Bank holds a financial licence number B0335H250000001 approved by China Banking Regulatory Commission and was authorised by the Administration for Industry and Commerce of Chongqing to obtain a corporate legal person business licence with a registration number 500000000001239. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.

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Financial Summary

The financial information of the Group set forth in this interim report is prepared on a combined basis in accordance with International Financial Reporting Standards (“IFRS”) and expressed in Renminbi (“RMB”) unless otherwise stated.

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2011	For the six months ended 30 June 2010	Change in amount	Change (%)
Operating results				
Net interest income	4,828.0	3,439.9	1,388.1	40.35
Net fee and commission income	179.0	123.1	55.9	45.41
Operating income	4,937.7	3,597.3	1,340.4	37.26
Profit before tax	2,913.9	2,197.1	716.8	32.62
Net profit	2,237.4	1,660.4	577.0	34.75
Net profit attributable to equity holders of the Bank	2,238.3	1,662.8	575.5	34.61
Basic earnings per share (Expressed in RMB per share)	<u>0.24</u>	<u>0.26</u>	<u>(0.02)</u>	<u>(7.69)</u>

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011	As at 31 December 2010	Change in amount	Change (%)
Scale indicators				
Total assets	317,295.0	285,545.7	31,749.3	11.12
Among which: loans and advances to customers, net	129,565.2	117,114.0	12,451.2	10.63
Total liabilities	291,343.3	263,115.3	28,228.0	10.73
Among which: due to customers	227,941.2	205,563.0	22,378.2	10.89
Equity attributable to equity holders of the Bank	25,867.4	22,345.2	3,522.2	15.76
Non-controlling interests	84.3	85.2	(0.9)	(1.06)
Total equity	<u>25,951.7</u>	<u>22,430.4</u>	<u>3,521.3</u>	<u>15.70</u>

(Expressed in percentage)	Six months ended 30 June 2011	Six months ended 30 June 2010	Change
Profitability indicators			
Annualised return on total assets ⁽¹⁾	1.41	1.27	0.14
Annualised return on average total assets ⁽²⁾	1.48	1.43	0.05
Annualised return on equity ⁽³⁾	17.24	26.18	(8.94)
Net interest spread ⁽⁴⁾	3.02	2.93	0.09
Net interest margin ⁽⁵⁾	3.22	3.04	0.18
Net fee and commission income to operating income	3.63	3.42	0.21
Cost-to-income ratio ⁽⁶⁾	33.58	38.94	(5.36)

(Expressed in percentage)	As at 30 June 2011	As at 31 December 2010	Change
Assets quality indicators ⁽⁷⁾			
Non-performing loan ratio	1.97	2.38	(0.41)
Allowances to non-performing loans	196.72	172.81	23.91
Allowances to total loans	3.87	4.12	(0.25)
Capital adequacy indicators			
Core capital adequacy ratio ⁽⁸⁾	14.67	14.78	(0.11)
Capital adequacy ratio ⁽⁸⁾	15.99	16.31	(0.32)
Total equity to total assets	8.18	7.86	0.32

(Expressed in percentage)	As at 30 June 2011	As at 31 December 2010	Change
Other indicators			
Loan-to-deposit ratio ⁽⁷⁾	59.13	59.42	(0.29)

Notes:

- (1) Represents the profit for the period (including profit attributable to non-controlling interests) as a percentage of the period-end balance of total assets.
- (2) Represents the profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets at the beginning and the end of the period.
- (3) Represents the profit for the period (including profit attributable to non-controlling interests) as a percentage of the period-end balance of total equity including non-controlling interests.
- (4) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by average interest-earning assets.
- (6) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.
- (7) Non-performing loan ratio, allowances to non-performing loans, allowances to total loans and loan-to-deposit ratio were calculated on basis of the contractual amount of loans.
- (8) Calculated in accordance with the guidelines issued by the China Banking Regulatory Commission (“CBRC”) and under the People’s Republic of China Generally Accepted Accounting Principles (“PRC GAAP”).

Basis of preparation of certain financial indicators

Under the IFRS, 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. For trend analysis straddling before and after the restructuring, certain disclosures in relation to loans and advances to customers and relevant assets quality indicators after the restructuring have been prepared based on the contractual amount of these loans for management purpose, which are not the same as the carrying amount of these loans and advances to customers stated in the audited financial statements of the Group.



Company 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	TAN Yuansheng SUI Jun
Secretary to the Board	SUI Jun
Joint Company Secretary	SUI Jun CHENG Pik Yuk
Registered address and postcode	No. 10 East Yanghe Road, Jiangbei District, Chongqing City, the PRC 400020
Principal place of business in Hong Kong	28th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong
Company's website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Newspapers for information disclosure (Domestic Shares)	China Securities Journal
Listing stock exchange, stock name and stock code	The Stock Exchange of Hong Kong Limited Stock name: CQRC Bank Stock code: 3618
Date and authority of first incorporation	27 June 2008 Administration for Industry and Commerce of Chongqing, the PRC

Registration number of corporate legal person business licence	500000000001239
Code of organisational structure	67612972-8
Financial licence institution number	The Bank holds a financial licence number B0335H250000001 approved by CBRC
Taxation registration number	Yu Guo Shui Zi (渝國稅字) No. 500105676129728 Yu Di Shui Zi (渝地稅字) No. 500105676129728
Auditors	Deloitte Touche Tohmatsu 35th Floor, One Pacific Place, 88 Queensway, Hong Kong Deloitte Touche Tohmatsu CPA Ltd. 30th Floor, No. 22, Yan'an East Road, Shanghai, the PRC
Legal advisor as to the PRC laws	Chongqing Jingsheng Law Firm 16th Floor, ABC, Peninsula International Business Tower (半島國際商務大廈), 50 Zou Rong Road, Yuzhong District, Chongqing City, the PRC
Legal advisor as to Hong Kong laws	Junhe Law Offices Suite 2008, 20/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Compliance Advisor	CMB International Capital Limited Units 1803-04, 18/F, Bank of America Tower, 12 Harcourt Road Central, Hong Kong
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



Management Discussion and Analysis

Financial Review

In the first half of 2011, the global economy was heading towards recovery in a steady pace. However, it was still impeded with twists and turns including the turbulence of the political scene in north Africa, the ending of the second round of “Quantitative Easing Policy” in June declared by the US Federal Reserve, the looming euro debt crisis as well as the tsunami and nuclear leak in Japan triggered by the catastrophic earthquake, which further led to the slowdown of overall economic growth and subjected the global economy to even greater uncertainties.

Confronted with an ever-changing international economic setting, the Chinese government proceeded with a wide range of measures to maintain sound momentum of the national economy whilst striving for sound economic conditions with strengthened macro control measures. In the first half of the year, China’s GDP grew by 9.6% year on year to RMB20,445.9 billion. Urban and rural residents saw a steady increase in their income, of which the income of rural residents had achieved rapid growth. Consumer Price Index (CPI) hit record highs, social fixed asset investment increased by 25.6% year on year. According to the Statistics provided by China Customs, during the period from January to June this year, total imports and exports in China amounted to US\$1,703.67 billion, representing a year-on-year increase of 25.8%. In particular, exports amounted to US\$874.3 billion, representing an increase of 24% year on year and imports amounted to US\$829.37 billion, representing an increase of 27.6%, yielding an aggregate trade surplus of US\$44.93 billion which decreased by 18.2% year on year. The total retail sales of social consumer goods grew by 16.8% year on year to RMB8,583.3 billion and the total investment in real estate development grew by 32.9% to 2,625.0 billion. Meanwhile, the Chinese government had further reinforced its macro control over the real estate market, regulated local financing platforms and gradually shifted to a more stable monetary policy.

During the review period, China’s financial system was under steady operation as evidenced by proper and sufficient liquidity in the banking system and moderate increase in monetary credit. The RMB benchmark lending and deposit rates have been raised thrice and the statutory deposit reserve ratio for six times. The exchange rate of RMB to USD continues to climb up. The broad measure of money supply (M2) grew by 15.9% year on year. The balance of RMB loan saw a year-on-year increase of 16.9% whereas the balance of RMB deposits recorded a year-on-year increase of 17.6%. The outstanding non-performing loans of commercial banks decreased by RMB0.3 billion from the fourth quarter of 2010 to RMB433.3 billion in the first quarter of the year, resulting in a non-performing ratio of merely 1.1%. The liquidity ratio and the loan-to-deposit ratio posted 41.3% and 64.1%, respectively.

2011 marks the opening of the state's "Twelfth Five-year Plan", in which development of Chongqing gathered new pace along with thorough implementation of the Go West Policy, full commencement of construction subsequent to the Three Gorges Project as well as the development of Liangjiang New Zone. Chongqing government stressed on private enterprise-driven economy by stimulating private investment in such areas as pillar industries, emerging & strategic industries, infrastructure construction and commercial and financial sectors, promoted listing of quality private enterprises whilst expediting the transformation of the economy into one driven by private enterprises. At the same time, the authority adopted measures such as fund subsidy, tax incentives and financing guarantees, in an attempt to boost development of small and medium-sized enterprises and micro-enterprises as well. As to livelihood, Chongqing government committed itself to extending the coverage of rural pension insurance to all county areas and lifting up welfare standards in terms of pension, medical allowance and subsistence at appropriate times. At a time when opportunities abound, Chongqing faces chances rather than challenges.

I. Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	Six months ended 30 June 2011	Six months ended 30 June 2010	Change in amount	Change (%)
Net interest income	4,828.0	3,439.9	1,388.1	40.35
Net fee and commission income	179.0	123.1	55.9	45.41
Net trading (loss)/gain	21.1	12.7	8.4	66.14
Other operating income, net	(90.4)	21.6	(112.0)	(518.52)
Operating income	4,937.7	3,597.3	1,340.4	37.26
Operating expenses	(1,962.8)	(1,650.3)	(312.5)	18.94
Impairment reversals/(losses) on assets	(62.0)	142.1	(204.1)	(143.63)
Net gain/(loss) from disposal of available-for-sale financial assets	—	108.0	(108.0)	(100.00)
Net gain from disposal of debt securities classified as receivables	1.0	—	1.0	100.00
Profit before tax	2,913.9	2,197.1	716.8	32.62
Income tax expense	(676.5)	(536.7)	(139.8)	26.05
Net profit	2,237.4	1,660.4	577.0	34.75

In the first half of 2011, the Group recorded profit before tax of RMB2,914 million, representing an increase of 32.62% over the same period of the previous year, and net profit of 2,237 million, representing an increase of 34.75% over the same period of the previous year. Net profit before tax and net profit saw faster growth year on year, which was primarily due to: first, an increase of RMB1,388 million, or 40.35% of net interest income over the same period of the previous year, resulting from a gradual rise in the net interest margin and a steady growth of interest-earning assets; second, an increase of RMB56 million, or 45.41% of net fee and commission income over the same period of the previous year, the sustained growth momentum of which was a result of active business expansion and product innovation.

(1) *Net interest income*

In the first half of 2011, the Group recorded a net interest income of RMB4,828 million, representing an increase of RMB1,388 million, or 40.35% over the same period of the previous year. In particular, an increase of RMB747 million of net interest income arising from changes in average balance of assets and liabilities, and an increase of RMB641 million in net interest income attributable to average yield or average cost rate. Net interest income accounted for 97.78% of the total operating income of the Bank.

The table below 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)	Six months ended 30 June 2011	Six months ended 30 June 2010	Change in amount	Change (%)
Interest income	7,822.5	5,238.3	2,584.2	49.33
Interest expense	(2,994.5)	(1,798.4)	(1,196.1)	66.51
Net interest income	<u>4,828.0</u>	<u>3,439.9</u>	<u>1,388.1</u>	<u>40.35</u>

The table below sets forth, for the periods indicated, the average balances of our interest-earning assets and interest-bearing liabilities, related interest income or interest expense and average yields (for assets) or average costs (for liabilities).

(Expressed in RMB million, unless otherwise stated)	Six months ended 30 June 2011			Six months ended 30 June 2010		
	Average balance	Interest income/expense	Annualised average yield/cost rate (%)	Average balance	Interest income/expense	Annualised average yield/cost rate (%)
Assets						
Loans and advances to customers	130,773.8	4,344.3	6.64	108,525.3	3,363.9	6.20
Debt securities investments	70,417.8	1,620.2	4.60	65,873.2	1,356.9	4.12
Deposits with central bank	40,793.8	318.0	1.56	28,376.3	204.2	1.44
Due from banks and other financial institutions	57,994.2	1,540.0	5.31	23,426.1	313.3	2.67
Total interest-earning assets	299,979.6	7,822.5	5.22	226,200.9	5,238.3	4.63
Liabilities						
Due to customers	215,958.3	1,712.6	1.59	169,953.6	1,254.1	1.48
Borrowings from the central bank	7.6	0.1	2.63	—	—	—
Due to banks and other financial institutions	54,223.1	1,218.6	4.49	38,806.7	481.1	2.48
Subordinated bonds	2,300.0	63.2	5.50	2,300.0	63.2	5.50
Total interest-bearing liabilities	272,489.0	2,994.5	2.20	211,060.3	1,798.4	1.70
Net interest income		4,828.0			3,439.9	
Net interest spread			3.02			2.93
Net interest margin			3.22			3.04

Under the influence of interest rate hikes and the increase in the value of market capitalisation, and owing to the continuous strengthening of our bargaining power over loans, the average yield on overall interest-earning assets rose by 59 basis points to 5.22% over the same period of the previous year.

Under the influence of the rise in interest rates, both the average cost rate of deposits from customers and the average cost rate of deposits from banks and other financial institutions edged up over the same period of the previous year, whereas the average cost rate of overall interest-bearing liabilities grew by 50 basis points to 2.20% over the same period of the previous year.

Owing to interest rate hikes and mismatched re-pricing of loans and deposits, the rise in the average yield of interest-earning assets was greater than that of the average cost rate for interest-bearing liabilities, resulting in a rise of 9 basis points in net interest spread to 3.02% over the same period of the previous year, whereas the net interest margin was driven up by 18 basis points to 3.22%.

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

(Expressed in RMB million)	Volume factor	Rate factor	Changes in interest income/ expense
Assets			
Loans and advances to customers	689.6	290.8	980.4
Debt securities investments	104.4	158.9	263.3
Deposits with central bank	89.4	24.4	113.8
Due from banks and other financial institutions	387.1	839.6	1,226.7
Changes in interest income	1,270.5	1,313.7	2,584.2
Liabilities			
Due to customers	339.5	119.0	458.5
Due to banks and other financial institutions	184.2	553.4	737.6
Change in interest expense	523.7	672.4	1,196.1

1. Interest Income

In the first half of 2011, the Group recorded interest income of RMB7,823 million, representing an increase of RMB2,584 million or 49.33% over the same period of the previous year.

(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)	Six months ended 30 June 2011			Six months ended 30 June 2010		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans	81,853.8	2,389.1	5.84	67,495.1	2,016.0	5.97
Retail loans	45,339.5	1,811.1	7.99	30,223.1	1,117.2	7.39
Discounted bills	3,580.5	144.1	8.05	10,807.1	230.7	4.27
Total loans and advances to customers	<u>130,773.8</u>	<u>4,344.3</u>	<u>6.64</u>	<u>108,525.3</u>	<u>3,363.9</u>	<u>6.20</u>

Interest income from loans and advances to customers amounted to RMB4,344 million, representing an increase of RMB980 million or 29.14 % over the same period of the previous year, primarily due to the increase in average balance and average yield of loans and advances to customers

(2) Interest Income from Debt Securities Investments

In the first half of 2011, interest income from debt securities investments of the Group amounted to RMB1,620 million, representing an increase of RMB263 million or 19.40% over the same period of the previous year, primarily owing to the rise in both the average balance and average yield of debt securities investments.

(3) Interest Income from Deposits with Central Bank

In the first half of 2011, the Group's interest income from deposits with the central bank amounted to RMB318 million, representing an increase of 114 million or 55.73% over the same period of the previous year, which was primarily due to an increase of 43.76% in average balance of deposits with central bank over the same period of the previous year, following the upward adjustment of statutory deposit reserve ratio and increase of deposits from customers.

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

In the first half of 2011, the interest income from deposits with banks and other financial institutions of the Group amounted to RMB303 million, representing an increase of RMB255 million, or 534.80% over the same period of the previous year, which was primarily due to the enhancement of utilisation efficiency of short-term fund as well as sustained hikes of market interest rates, drove the average yield up by 197 basis points over the same period of the previous year.

In the first half of 2011, the interest income from financial assets held under resale agreements of the Group amounted to RMB1,237 million, representing an increase of RMB972 million, or 365.81% over the same period of the previous year, which was primarily due to more efficient use of short-term fund and ongoing interest rate hikes in the monetary market, which drove the average yield of financial assets held under resale agreements up by 299 basis points over the same period of the previous year.

2. Interest Expense

In the first half of 2011, interest expense of the Group amounted to RMB2,995 million, representing an increase of RMB1,196 million, or 66.51% over the same period of the previous year.

(1) Interest Expense on Deposits from Customers

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

(Expressed in RMB million, unless otherwise stated)	Six months ended 30 June 2011			Six months ended 30 June 2010		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Corporate deposits						
Demand	43,894.8	118.9	0.54	31,606.3	93.9	0.59
Time	14,418.0	118.6	1.64	10,105.7	51.0	1.01
Subtotal	<u>58,312.8</u>	<u>237.5</u>	<u>0.81</u>	<u>41,712.0</u>	<u>144.9</u>	<u>0.69</u>
Retail deposits						
Demand	46,384.0	105.8	0.46	36,083.8	64.7	0.36
Time	111,261.5	1,369.3	2.46	92,157.8	1,044.5	2.27
Subtotal	<u>157,645.5</u>	<u>1,475.1</u>	<u>1.87</u>	<u>128,241.6</u>	<u>1,109.2</u>	<u>1.73</u>
Total due to customers	<u><u>215,958.3</u></u>	<u><u>1,712.6</u></u>	<u><u>1.59</u></u>	<u><u>169,953.6</u></u>	<u><u>1,254.1</u></u>	<u><u>1.48</u></u>

In the first half of 2011, interest expense on deposits from customers of the Group amounted to RMB1,713 million, representing an increase of RMB459 million, or 36.56% over the same period of the previous year, which was primarily due to the growth in deposits from customers as well as adjustments of interest rates by the People's Bank of China ("PBOC"), which drove the average cost rate of deposits from customers up by 11 basis points to 1.59%.

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

In the first half of 2011, interest expense on deposits from banks and other financial institutions of the Group amounted to RMB362 million, representing an increase of RMB289 million, or 397.25% over the same period of the previous year, which was primarily due to the rise in both the average balance and average cost rate of deposits from banks and other financial institutions.

In the first half of 2011, the interest expense on financial assets sold under repurchase agreements amounted to RMB857 million, representing an increase of RMB448 million, or 109.80% over the same period of the previous year, which was primarily due to the rise in both the average balance and average cost rate of financial assets sold under repurchase agreements.

3. Net Interest Spread and Net Interest Margin

In the first half of 2011, the net interest spread of the Group posted 3.02%, representing an increase of 9 basic points over the same period of the previous year. The increase of the net interest spread reflected a more substantial increase in the average rate of return of interest-earning assets than the increase in the average cost rate of interest-bearing liabilities over the same period of the previous year.

In the first half of 2011, the net interest margin was 3.22%, representing an increase of 18 basic points over the same period of the previous year.

(II) Non-interest Income

1. Net Fee and Commission Income

(Expressed in RMB million, unless otherwise stated)	Six months ended 30 June 2011	Six months ended 30 June 2010	Change in amount	Change (%)
Fee and commission income	194.7	129.2	65.5	50.70
Settlement and clearance fees	16.9	15.9	1.0	6.29
Agency commissions	44.9	49.2	(4.3)	(8.74)
Bank card fees	33.2	25.7	7.5	29.18
Custodian and other fiduciary service fees	2.9	2.3	0.6	26.09
Consulting and advisory fee	86.1	29.3	56.8	193.86
Others	10.7	6.8	3.9	57.35
Fee and commission expense	(15.7)	(6.1)	(9.6)	157.38
Net fee and commission income	179.0	123.1	55.9	45.41

In the first half of 2011, the net fee and commission income amounted to RMB179 million, representing an increase of RMB56 million, or 45.41% over the same period of the previous year, and accounting for a higher proportion of the operating income with an increase of 0.21 percentage point to 3.63% over the same period of the previous year. Such increase was primarily attributable to the rise in the consulting and financial advisory fee as well as bank card fees.

Settlement and clearance fees amounted to RMB17 million, representing an increase of RMB1 million, or 6.29% over the same period of the previous year, which was mainly attributable to the expansion of the customer base which led to a slight increase in capital settlements over the same period of the previous year.

Agency commission income amounted to RMB45 million, representing a decrease of RMB4 million, or 8.74% from the same period of the previous year, which was mainly attributable to the fact that capital was drawn to products with higher yield as well as a drop in insurance agency business over the same period of the previous year.

Bank card fees amounted to RMB33 million, representing an increase of RMB7 million, or 29.18% over the same period of the previous year, which was primarily attributable to the sustained stable growth in consumer spending and inter-bank transactions through self-service facilities given a continuous increase in resources invested, optimised customer structure and improvement in card quality.

Custodian and other fiduciary fees amounted to RMB3 million, representing an increase of RMB1 million, or 26.09% over the same period of the previous year.

Consulting and advisory fees amounted to RMB86 million, representing an increase of RMB57 million, or 193.86% over the same period of the previous year, which was primarily due to the commitment to provide customers with diversified financial advisory services catering to their investment and financing needs and requirements.

Other fees and commission income amounted to RMB11 million, representing an increase of RMB4 million, or 57.35% over the same period of the previous year, which was primarily attributable to the refinement of the business system, improvement of our service and active promotion of foreign exchange services, credit services and wealth management services.

2. Net Trading (Loss)/Gain

Net trading (loss)/gain primarily comprises changes in the fair value of held-for-trading debt securities and (loss)/gain arising from trading. In the first half of 2011, our net trading gain amounted to RMB21 million, primarily due to the restructuring of debt securities investment portfolio.

3. Other Operating Income, Net

In the first half of 2011, other operating income, net losses amounted to RMB90 million, representing a decrease of RMB112 million over the same period of the previous year, which was primarily due to the gain from assets disposal and leasing was offset by the net loss in foreign exchange.

(III) Operating expenses

In the first half of 2011, the operating expenses of the Group amounted to RMB1,963 million, representing an increase of RMB313 million, or 18.94% over the same period of the previous year.

(Expressed in RMB million, unless otherwise stated)	Six months ended 30 June 2011	Six months ended 30 June 2010	Change in amount	Change (%)
Staff costs	1,141.6	904.8	236.8	26.17
Business tax and surcharges	304.9	249.8	55.1	22.06
Depreciation and amortisation	179.6	179.4	0.2	0.11
Others	336.7	316.3	20.4	6.45
Total operating expenses	1,962.8	1,650.3	312.5	18.94

1. Staff Costs

Staff costs are the largest component of operating expenses of the Group, accounting for 58.16% and 54.82% of its total operating expenses for the six months ended 30 June 2011 and 30 June 2010 respectively.

(Expressed in RMB million, unless otherwise stated)	Six months ended 30 June 2011	Six months ended 30 June 2010	Change in amount	Change (%)
Salaries, bonuses and allowances	789.4	565.5	223.9	39.59
Staff welfare, social insurance and housing funds	217.2	169.0	48.2	28.52
Others	135.0	170.3	(35.3)	(20.73)
Total staff costs	1,141.6	904.8	236.8	26.17

In the first half of 2011, staff costs of the Group amounted to RMB1,142 million, representing an increase of RMB237 million, or 26.17% over the same period of the previous year, which was primarily due to an increase of RMB224 million in bonuses and allowances over the previous year as a result of more strict compliance with the results of quarterly evaluations in granting bonuses and allowances. Retirement and internal retirement benefits amounted to RMB108 million, representing a decrease of RMB35 million over the same period of the previous year which was due to fewer retired and internally retired employees over the same period of the previous year.

2. Business Tax and Surcharges

Business tax and surcharges mainly relate to revenue generated from the provision of financial products and services with respect to lending (interest income), transfer of securities, financial advisory services, and other financial services. In the first half of 2011, business tax and surcharges amounted to RMB305 million, representing an increase of RMB55 million, or 22.06% over the same period of the previous year.

3. Depreciation and Amortisation

Depreciation and amortisation expenses for the six months ended 30 June 2011 was basically on a par with that for the same period of the previous year as the fixed assets recorded a moderate increase/decrease over the same period of the previous year.

4. Others

For the six months ended 30 June 2011, other general and administrative expenses increased by 6.45% to RMB337 million over RMB316 million for the same period of the previous year, primarily due to business expansion and additional cost in security measures.

(IV) *Impairment Reversals/(Losses) on Assets*

Impairment reversals/(losses) on assets consist primarily of provisions charged on loans and other assets. Provisions charged for impairment losses recorded an expense of RMB62 million for the six months ended 30 June 2011 over a net gain of RMB142 million for the same period of the previous year.

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

(Expressed in RMB million, unless otherwise stated)	Six months ended 30 June 2011	Six months ended 30 June 2010	Change in amount	Change (%)
Impairment losses/ (reversals) on assets				
Loans and advances to customers	62.4	(125.5)	187.9	(149.72)
Other impairment on assets	(0.4)	(16.6)	16.2	(97.59)
Total impairment losses/ (reversals) on assets	62.0	(142.1)	204.1	(143.63)

In the first half of 2011, provision for impairment on loans and advances was RMB62 million over a net gain of RMB126 million for the same period of the previous year, primarily due to the Group's aspiration to strengthen risk management and improve quality of loans, together with the increase in recovery of loans and advances written off which was offset by the supplementary provision for the increase in the size of loans in previous years.

(V) *Income Tax Expense*

In the first half of 2011, income tax expense amounted to RMB677 million, representing an increase of RMB140 million over the same period of the previous year. The effective tax rate was 23.21%, which was lower than the statutory tax rate due to tax exemption on the interest income from government bonds held by the Group pursuant to tax regulations and partial exemption on the revenue from small-amount loans to farmers.

II. Analysis on Statement of Financial Position

(I) Assets

The following table sets forth, for the dates indicated, the composition of the Group's total assets (contractual amount). (Please refer to page 4 for basis of preparation of loans and advances to customers presented as contractual amount)

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	% of Total	Amount	% of Total
Loans and advances to customers, gross ⁽¹⁾	134,780.4	42.48	122,145.1	42.78
Allowances for impairment losses on loans and advances to customers ⁽¹⁾	(5,215.2)	(1.65)	(5,031.1)	(1.76)
Loans and advances to customers, net	129,565.2	40.83	117,114.0	41.02
Investment securities ⁽²⁾	65,643.7	20.69	59,373.2	20.79
Cash and balances with central bank	49,491.7	15.60	37,321.6	13.07
Deposits with banks and other financial institutions	6,766.9	2.13	17,220.2	6.03
Placements with other financial institutions	5,649.9	1.78	2,000.0	0.70
Financial assets held under resale agreements	45,938.9	14.48	37,158.0	13.01
Financial assets held for trading	50.0	0.02	482.2	0.17
Financial assets designated as at fair value through profit or loss	6,948.6	2.19	8,046.0	2.82
Goodwill	440.1	0.14	440.1	0.15
Other assets ⁽³⁾	6,800.0	2.14	6,390.4	2.24
Total assets	317,295.0	100.00	285,545.7	100.00

Notes:

- (1) Loans to customers, gross and allowances for impairment losses on loans to customers were disclosed on the basis of the contractual amount, resulting in discrepancies with those set out in the consolidated financial statements prepared under the IFRS;
- (2) Investment securities consist of available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables;
- (3) Other assets consist of fixed assets, intangible assets, deferred tax assets and other assets.

As at 30 June 2011, the Group's total assets amounted to RMB317,295 million, an increase of RMB31,749 million, or 11.12% as compared with the end of the previous year. Among which:

The amount of gross loans to customers increased by RMB12,635 million, or 10.34%, as compared with the end of the previous year. This was primarily due to the fact that the Group increased loans to prime projects and key customers under effective risk control, whilst extending its loan support to areas with great market potentials and robust customer demand in line with the features in the economic development of Chongqing;

Investment securities increased by RMB6,271 million or 10.56%, as compared with the end of the previous year, primarily due to increased holdings of government bonds, bonds issued by policy banks and unsecured bonds with high ratings;

Cash and deposits with central bank increased by RMB12,170 million, or 32.61% as compared with the end of the previous year, primarily due to the rise in the statutory deposit reserve ratio, together with the increase in statutory deposit reserve, as a result of a substantial increase in deposits from customers;

The total amounts of deposits with banks and other financial institutions and placements with other financial institutions decreased by RMB6,803 million, or 35.40% as compared with the end of the previous year, primarily due to the increase of the statutory deposit reserve and the surplus capital being put into investments with higher yields;

Financial assets held under resale agreements surged by RMB8,781 million, or 23.63%, and their proportion to total assets went up by 1.47 percentage points as compared with the end of the previous year. This was mainly because the Group increased holdings of bonds and bills held under resale agreements in order to enhance capital utilisation efficiency.

1. Loans and Advances to Customers (Contractual Amount)

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	% of Total (%)	Amount	% of Total (%)
Corporate loans	84,227.1	62.49	76,612.8	62.73
Short-term loans ⁽¹⁾	9,170.1	6.80	9,573.3	7.84
Medium- and long-term loans ⁽²⁾	75,057.0	55.69	67,039.5	54.89
Retail loans	48,578.2	36.04	42,600.4	34.87
Residential mortgage and personal commercial property loans ⁽³⁾	28,387.2	21.06	24,003.0	19.65
Personal business and re-employment loans ⁽⁴⁾	13,360.7	9.91	11,289.5	9.24
Loans to farmers ⁽⁵⁾	2,822.0	2.09	3,163.3	2.59
Others ⁽⁶⁾	4,008.3	2.98	4,144.6	3.39
Discounted bills	1,832.2	1.36	2,929.4	2.40
Trade financing	142.9	0.11	2.5	—
Loans and advances to customers, gross	134,780.4	100.00	122,145.1	100.00

Notes:

- (1) Short-term loans primarily consist of loans with contractual maturities of one year or less.
- (2) Medium- and long-term loans primarily consist of loans with contractual maturities over one year.
- (3) Residential mortgage and personal commercial property loans primarily consist of personal mortgage loans and second mortgage 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 employment and re-employment related small amount loans.
- (5) Loans to farmers primarily consist of rural cross-guaranteed loans, rural small credit loans and rural home appliance consumption loans.
- (6) Others primarily consist of personal car loans, loans for personal durable goods and personal education loans.

As at 30 June 2011, the amount of gross loans to customers of the Group increased by RMB12,635 million, or 10.34% to RMB134,780 million as compared with the end of the previous year.

Corporate loans increased by RMB7,614 million, or 9.94% to RMB84,227 million as compared with the end of the previous year. During the period, the Group actively adjusted the lending structure in support of the State's industrial policy, and focused on the sectors of infrastructure construction such as electricity, water, highways, environment, railway transportation, urban construction and public utility management. During the period, additional loans to water resources, environment and public utility management amounted to RMB2,007 million as at 30 June 2011, accounting for an increase of 1.07 percentage points in its proportion in corporate loans as compared with the end of the previous year.

The Group also reinforced credit structural adjustment and risk control by looking closely into the general direction and development trend of the industry whilst diligently adopting a differentiated approach to loan extension plans based on different regions, customers and industries under the strategy of "promoting some loans while curtailing others, advancing the superior while exiting the inferior" (有保有壓、有進有退). Strict control was imposed on industries with high pollution, high energy consumption and excess capacity (兩高一剩), as well as the real estate industry. In particular, the balance of corporate loans to the real estate industry decreased by 1.61 percentage points as compared with the beginning of the year.

Our retail loans increased by RMB5,978 million or 14.03% to RMB48,578 million as compared with the end of the previous year, which accounted for 36.04% of total loans and advances to customers with a rise of 1.17 percentage points as compared with the end of the previous year. Among which, the residential and commercial property mortgage loans, mainly to finance self-occupied home purchases, rose by RMB4,384 million, or 18.27% as compared with the end of the previous year; personal loans for business purposes grew by RMB2,071 million, or 18.35% as compared with the end of the previous year; and loans to farmers and other loans decreased by RMB478 million, or 6.54% as compared with the end of the previous year. In face of complicated market changes, the Group took active measures to avoid systematic risk in markets, and primarily catered to the credit needs of premium individual customers.

Discounted bills decreased by RMB1,097 million, or 37.45% to RMB1,832 million as compared with the end of the previous year, largely due to exertion of strict control on the discounted bills of counter parties with low credit ratings in a prudent manner.

Distribution of Loans by Type of Collateral (Contractual Amount)

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	% of Total	Amount	% of Total
Unsecured loans	15,515.4	11.51	14,423.7	11.81
Guaranteed loans	28,072.3	20.83	24,171.2	19.79
Collateralised loans	82,730.4	61.38	73,132.5	59.87
Pledged loans	8,462.3	6.28	10,417.7	8.53
Loans to customers, gross	134,780.4	100.00	122,145.1	100.00

**Allowance for Impairment Losses on Loans and Advances to Customers
(Contractual Amount)**

	Allowance for impairment losses on loans and advances which is collectively assessed ⁽¹⁾	Six months ended 30 June 2011 Allowance for impairment losses on identified impaired loans and advances ⁽²⁾		Total
		For which allowance for impairment losses is collectively assessed	For which allowance is individually assessed	
(Expressed in RMB million)				
As at 1 January 2011	3,262.3	1,144.5	624.3	5,031.1
Net (reversals)/additions	35.9	89.8	(63.3)	62.4
Written off	—	—	—	—
Recovery of loans and advances written off in previous years	—	127.3	52.8	180.1
Unwinding of discounts	—	(22.1)	(36.3)	(58.4)
Balance as at 30 June 2011	<u>3,298.2</u>	<u>1,339.5</u>	<u>577.5</u>	<u>5,215.2</u>

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

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

For the first half of 2011, the Group adhered to its prudent principle and was in strict compliance with the relevant requirements of accounting standards, so as to provide sufficient allowances for impaired loans and advances whilst fully considering external economic dynamics and macro monitoring policies. As at 30 June 2011, balance of allowances for impairment losses on loans and advances to customers increased by RMB184 million to RMB5,215 million over the end of the previous year, and the coverage ratio for provisions increased by 23.91 percentage points to 196.72% as compared with the end of the previous year.

2. Investments

The following table sets forth, for the dates indicated, the composition of the Group's investments.

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	% of Total (%)	Amount	% of Total (%)
Financial assets held for trading	50.0	0.07	482.2	0.71
Financial assets designated as at fair value through profit or loss	6,948.6	9.57	8,046.0	11.85
Available-for-sale financial assets	1,614.4	2.22	1,444.4	2.13
Held-to-maturity investments	38,237.4	52.64	36,708.9	54.06
Debt securities classified as receivables	25,791.9	35.50	21,219.9	31.25
Total investments	72,642.3	100.00	67,901.4	100.00

As at 30 June 2011, total investments increased by RMB4,741 million to RMB72,642 million as compared with the end of the previous year. Among which, financial assets held for trading decreased by RMB432 million to RMB50 million as compared with the end of the previous year, which was mainly attributable to the decreased holding of such investments to mitigate the material impact on yields arising from the changes in prices; financial assets designated as at fair value through profit or loss decreased by RMB1,097 million or 13.64% as compared with the end of the previous year, primarily due to decreased holding of part of debt securities for higher yields when the timing is appropriate for better opportunities in the market; available-for-sale financial assets and held-to-maturity investments increased by RMB170 million and RMB1,529 million as compared with the end of the previous year respectively, primarily due to increased holdings of part of corporate bonds with comparatively higher yields within the credit facility limits. Debt securities classified as receivables increased by RMB4,572 million as compared with the end of the previous year, primarily due to increased holding of part of wealth management products with higher yields and risks under control following strict credit rating.

Debt Securities Investments

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	% of Total (%)	Amount	% of Total (%)
Government bonds	9,242.8	12.73	12,938.5	19.07
Public sector and quasi-government bonds	14,572.0	20.08	14,484.4	21.35
Financial institution bonds	2,635.1	3.63	3,269.7	4.82
Corporate bonds	15,225.3	20.98	9,854.8	14.53
Debt instruments issued by financial institutions	30,904.7	42.58	27,291.0	40.23
Total	72,579.9	100.00	67,838.4	100.00

(II) Liabilities

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	% of Total (%)	Amount	% of Total (%)
Due to customers	227,941.2	78.24	205,563.0	78.13
Borrowings from the central bank	20.0	0.01	—	—
Deposits from banks and other financial institutions	15,678.3	5.38	11,711.8	4.45
Financial assets sold under repurchase agreements	37,501.3	12.87	35,762.7	13.59
Debt securities issued	2,300.0	0.79	2,300.0	0.87
Other liabilities ⁽¹⁾	7,902.5	2.71	7,777.8	2.96
Total liabilities	291,343.3	100.00	263,115.3	100.00

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

As at 30 June 2011, total liabilities increased by RMB28,228 million or 10.73% to RMB291,343 million as compared with the end of the previous year. Deposits from customers are our largest source of capital, which grew by RMB22,378 million or 10.89% as compared with the end of the previous year and its proportion in total liabilities increased by 0.11 percentage point to 78.24% as compared with the end of the previous year. Deposits from banks and other financial institutions increased by RMB3,967 million or 33.87%, as compared with the end of the previous year.

Due to Customers

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	% of Total (%)	Amount	% of Total (%)
Corporate deposits	59,899.4	26.28	55,519.6	27.01
Demand deposits	47,010.2	20.63	45,290.7	22.03
Time deposits	12,889.2	5.65	10,228.9	4.98
Retail deposits	163,592.3	71.77	145,146.5	70.61
Demand deposits	45,822.9	20.10	43,946.0	21.38
Time deposits	117,769.4	51.67	101,200.5	49.23
Security deposits	4,331.1	1.90	4,846.7	2.36
Other deposits	118.4	0.05	50.2	0.02
Total deposits from customers	227,941.2	100.00	205,563.0	100.00

As at 30 June 2011, deposits from customers increased by RMB22,378 million to RMB227,941 million, or 10.89% as compared with the end of the previous year. Corporate deposits increased by RMB4,380 million or 7.89% as compared with the end of the previous year, the proportion of which in deposits from customers decreased by 0.73 percentage point to 26.28%, as compared with the end of the previous year, primarily due to the impact of macro control and the insufficient corporate liquidity. Demand deposits increased by RMB3,596 million or 4.03% to RMB92,833 million over the end of the previous year. Its proportion in total deposits from customers decreased by 2.68 percentage points to 40.73% as compared with the end of the previous year, primarily due to the fact that customers, given the upward adjustment in interest rates and customers' preference for time deposits for higher revenue.

(III) Shareholders' Equity

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	% of Total (%)	Amount	% of Total (%)
Share capital	9,300.0	35.84	9,000.0	40.12
Capital reserve	9,201.9	35.46	8,202.7	36.57
Investment revaluation reserve	1.2	—	16.5	0.07
Surplus reserve	3,224.1	12.42	575.5	2.57
General reserve	1,919.8	7.40	1,904.2	8.49
Retained earnings	2,220.4	8.56	2,646.3	11.80
Equity attributable to equity holders of the Bank	25,867.4	99.68	22,345.2	99.62
Non-controlling shareholders	84.3	0.32	85.2	0.38
Total equity	25,951.7	100.00	22,430.4	100.00

As at 30 June 2011, paid-in capital increased by RMB300 million to RMB9,300 million as compared with the end of the previous year, primarily due to the Bank's exercise of over-allotment option and so issue of shares aggregating to 300 million shares after the Bank's H shares were listed on HK Stock Exchange. Capital reserve increased by RMB999 million as compared with the end of the previous year, primarily due to share premiums on new issue of shares. Surplus reserve increased by RMB2,649 million as compared with the end of the previous year, primarily due to the profit distribution of the previous year. General reserve increased by RMB16 million as compared with the end of the previous year, as the general reserve was required to be not less than 1% of year-end balance of risk assets.

III. Loan Quality Analysis (the Group)

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

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	% of Total (%)	Amount	% of Total (%)
Normal	120,415.2	89.34	105,981.2	86.77
Special mention	11,714.1	8.69	13,252.6	10.85
Substandard	581.0	0.43	869.2	0.71
Doubtful	2,041.5	1.51	2,029.7	1.66
Loss	28.6	0.03	12.4	0.01
Total loans and advances to customers	134,780.4	100.00	122,145.1	100.00
Amount of non-performing loans	2,651.1		2,911.3	
Non-performing loan ratio (%)		1.97		2.38

In 2011, facing the complex macro-economic dynamics, the Group strengthened its efforts in restructuring its credit structure, conducted a roll-over risk surveillance of credit assets, actively prevented and mitigated risks, strengthened early risk warning and tracking as well as post loan management. It also took advantage of favourable market timing to expedite the disposal of non-performing loans, resulting in continuous improvement in credit asset quality. As at 30 June 2011, the balance of non-performing loans dropped by RMB260 million from the previous year to RMB2,651 million; while the non-performing loan ratio posted 1.97%, 0.41 percentage point down from the previous year. The proportions of substandard and doubtful loans were on a decline, while the balance of special mention loans decreased by RMB1,539 million to RMB11,714 million, accounting for 8.69%, 2.16 percentage points down from the previous year.

(II) Concentration of Loans

1. Concentration by industry and non-performing loans

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011				As at 31 December 2010			
	Loan amount	Percentage of total (%)	Non performing loan amount	Non- performing loan ratio (%)	Loan amount	Percentage of total (%)	Non performing loan amount	Non- performing loan ratio (%)
Corporate loans	84,370.0	62.60	1,204.2	1.43	76,615.3	62.72	1,486.2	1.94
Manufacturing	24,626.1	18.27	247.4	1.00	22,279.7	18.24	312.0	1.40
Production and supply of electricity, gas and water	5,196.7	3.86	19.0	0.37	4,751.8	3.89	20.6	0.43
Real estate	11,821.4	8.77	538.0	4.55	12,188.5	9.98	616.1	5.05
Leasing and commercial services	2,743.1	2.04	32.3	1.18	1,306.1	1.07	142.4	10.90
Water, environment and public utility management	14,932.9	11.08	2.4	0.02	12,925.7	10.58	2.4	0.02
Construction	6,525.6	4.84	21.1	0.32	6,019.9	4.93	24.8	0.41
Wholesale and retail	4,066.7	3.02	70.0	1.72	4,414.7	3.61	80.0	1.81
Others	14,457.5	10.72	274.0	1.90	12,728.9	10.42	287.9	2.26
Personal Loans	48,578.2	36.04	1,449.9	2.98	42,600.4	34.88	1,425.1	3.35
Discounted bills	1,832.2	1.36	—	1.43	2,929.4	2.40	—	—
Total	134,780.4	100.00	2,651.1	1.97	122,145.1	100.00	2,911.3	2.38

In 2011, to cope with the tumultuous and ever-changing external economic conditions, the Group continued to optimise its industry-specific lending and exit criteria for customers and further refined the management of industry quotas. As a result, the amount of loans of the real estate industry recorded a continuous decrease whereas the amount of loans of industries of manufacturing, production and supply of electricity, gas and water, leasing and commercial services and water, environment and public utility management, along with personal loans, had increased on an on-going basis. The amount of non-performing loans and non-performing loan ratios of the real estate industry and the manufacturing industry continued to trend downwards. The amount of non-performing loans of such industries decreased by RMB78 million and RMB65 million whilst the non-performing loan ratios dropped by 0.5 percentage point and 0.4 percentage point as compared with the end of the previous year, respectively.

2. Concentration of borrowers

In the first half of 2011, the Group's total loans to its largest single borrower accounted for 7.13% of its net capital while total loans to its top ten clients accounted for 48.41% of its net capital, both in compliance with regulatory requirements. As at 30 June 2011, the Group's loans to top ten largest single borrowers were not non-performing loans.

(1) Indicator of concentration

Major Regulatory Indicators	Regulatory Standard	As at 30 June 2011	As at 31 December 2010	As at 31 December 2009
Loan concentration ratio for the largest single borrower (%)	≤10	7.13	4.94	8.10
Loan concentration ratio for a single group borrower (%)	≤15	7.92	5.05	8.19

(2) Loans to top ten single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	As at 30 June 2011	
		Amount	Percentage of the total amount of loans (%)
Borrower A	Residential services and other services	2,200	1.63
Borrower B	Water, environmental and public utility management	1,982	1.47
Borrower C	Water, environmental and public utility management	1,605	1.19
Borrower D	Water, environmental and public utility management	1,450	1.08
Borrower E	Water, environmental and public utility management	1,220	0.91
Borrower F	Water, environmental and public utility management	1,040	0.77
Borrower G	Water, environmental and public utility management	1,000	0.74
Borrower H	Leasing and business services	1,000	0.74
Borrower I	Manufacturing	1,000	0.74
Borrower J	Manufacturing	949	0.70

(III) *Distribution of loans and non-performing loans by product type*

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011			As at 31 December 2010		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	84,370.0	1,204.2	1.43	76,615.3	1,486.2	1.94
Short-term loans	7,100.9	103.1	1.45	9,575.8	208.1	2.17
Medium- and long-term loans	77,269.1	1,101.1	1.42	67,039.5	1,278.1	1.91
Personal Loans	48,578.2	1,449.9	2.98	42,600.4	1,425.1	3.35
Personal residential mortgage	27,108.9	109.6	0.4	22,786.0	113.3	0.50
Personal consumption loans	3,428.3	81.5	2.38	3,463.8	76.2	2.20
Others ⁽¹⁾	18,041.0	1,258.8	6.98	16,350.6	1,235.6	7.56
Discounted bill business	1,832.2	—	—	2,929.4	—	—
Total	134,780.4	2,651.1	1.97	122,145.1	2,911.3	2.38

Note: (1) Other loans include personal commercial property mortgage loans, employment assistance retail loans, maximum individual housing mortgage loans (個人住房最高額抵押貸款), credit card loans and personal education loans.

As at 30 June 2011, non-performing loan ratios of corporate loans decreased by 0.51 percentage point to 1.43% as compared with the end of the previous year, whereas non-performing ratios of retail loans decreased by 0.37 percentage points to 2.98% as compared with the end of the previous year.

(IV) Rescheduled loans and advances to customers

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	% of the total loans and advances (%)	Amount	% of the total loans and advances (%)
Rescheduled loans and advances to customers	371.4	0.28	456.2	0.37

(V) Overdue loans and advances to customers

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	% of the total loans and advances (%)	Amount	% of the total loans and advances (%)
Past due within 3 months	1,739.2	1.29	1,561.6	1.28
Past due for 3 months to 1 year	1,046.8	0.78	952.8	0.78
Past due for over 1 year and within 3 years	1,254.8	0.93	1,325.9	1.08
Past due for more than 3 years	600.0	0.44	733.3	0.60
Total overdue loans and advances to customers	4,640.8	3.44	4,573.6	3.74

As at 30 June 2011, the total overdue loans and advances amounted to RMB4,641 million, representing an increase of RMB67 million over the end of the previous year. Overdue loans and advances accounted for 3.44%, representing a decrease of 0.30 percentage point from the end of the previous year.

IV. Analysis of Capital Adequacy Ratio

Capital Adequacy Ratio

The following table sets forth, for the dates indicated, the relevant information of the Bank's capital adequacy ratio.

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011	As at 31 December 2010
Core capital adequacy ratio	14.67%	14.78%
Capital adequacy ratio	15.99%	16.31%
Core capital:		
Share capital	9,300.0	9,000.0
Capital reserve which can be included	8,615.3	7,616.5
Surplus reserve and general reserve	5,143.8	2,479.7
Unappropriated profit	2,366.5	2,768.1
Non-controlling shareholders' interests	84.3	85.2
	<u>25,509.9</u>	<u>21,949.5</u>
Total core capital		
Deductible items	(38.6)	(44.6)
	<u>25,471.3</u>	<u>21,904.9</u>
Net core capital		
Supplementary capital:		
Long-term subordinated bonds	2,300.0	2,300.0
Other supplementary capital	17.6	8.2
	<u>2,317.6</u>	<u>2,308.2</u>
Total capital	<u>27,827.5</u>	<u>24,257.7</u>
Deductions:		
Other deductible items	(53.7)	(89.2)
Uncombined equity investment	—	—
	<u>—</u>	<u>—</u>
Net capital	<u>27,773.8</u>	<u>24,168.5</u>
Total on-or-off balance sheet risk-weighted assets	<u>173,686.4</u>	<u>148,206.7</u>

As at the end of the reporting period, the capital adequacy ratio of the Group decreased by 0.32% as compared with beginning of the year to 15.99%. The core capital adequacy ratio decreased by 0.11% as compared with the beginning of the year to 14.67%. The change of capital adequacy ratio in the first half of 2011 was mainly due to, in part, normal business development and the increase of total risk-weighted assets, and partly because the Group replenished its core capital with profits, thus raised its size of capital and partially offset the impact of the increase of risk assets on its capital adequacy ratio.

V. Segment Information

(I) Summary of geographical segment

(Expressed in percentage)	As at 30 June 2011		As at 31 December 2010	
	County Area	Urban Area	County Area	Urban Area
Deposits	65.78	34.22	66.66	33.34
Loans	46.20	53.80	47.76	52.24
Assets	47.47	52.53	48.80	51.20
Loan-deposit ratio	39.92	89.37	42.57	93.09
Non-performing loan ratio	3.72	0.41	4.32	0.61
Allowance to non-performing loans ratio	151.30	564.99	137.16	404.25
(Expressed in percentage)	For the six months ended 30 June 2011		For the six months ended 30 June 2010	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.10	1.84	1.10	1.80
Net fee and commission income to operating income	2.29	4.60	2.40	4.50
Cost-to-income ratio	44.96	25.29	55.50	22.10

County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of three subsidiaries, namely Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd. (江蘇張家港華信村鎮銀行股份有限公司), Sichuan Dazhu Longyuan Village and Township Bank Co., Ltd. (四川大竹隆源村鎮銀行股份有限公司) and Yunnan Dali Haidong Village and Township Bank Co., Ltd. (雲南大理海東村鎮銀行有限責任公司).

(II) Summary of Business Segment

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June			
	2011		2010	
	Amount	% of Total	Amount	% of Total
Corporate banking business	1,854.9	37.57	1,556.4	43.27
Personal banking business	1,577.8	31.95	1,117.6	31.07
Treasury operations business	1,442.2	29.21	901.6	25.06
Unallocated	62.8	1.27	21.7	0.60
Total operating income	<u>4,937.7</u>	<u>100.00</u>	<u>3,597.3</u>	<u>100.00</u>

VI. Analysis of Off-balance-sheet Items

Off-balance-sheet items of the Group include acceptance of bills of exchange, issuance of letters of credit, letters of guaranteed funds, receivables under export letters of credit, collection of foreign exchange funds receivables, collection of foreign exchange funds, foreign letters of credit by faith and wealth management, among which, acceptance of bills of exchange and issuance of letters of credit were deemed as key business segments. As at 30 June 2011, the balances of acceptance of bills of exchange and issuance of letters of credit were RMB4,083 million and RMB302 million, respectively.

VII. 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 with its accounting policies, the Group makes estimates and judgments in certain aspects. These estimates and judgments involve assumptions about items such as risk adjustment to cash flows or discount rates used, and future changes in prices affecting other costs. The Group makes estimates and assumptions based on historical experience and expectations of future events, and reviews them on a regular basis. In addition, the Group needs to make further judgments in respect of the application of accounting policies. The Group's management believes that the estimates and judgments made by the Group reflect appropriately the economic context the Group was subject to. The major areas affected by the estimates and judgments include: loans and advances to customers, supplementary retirement benefit and early retirement benefit obligation, fair value of financial instruments, classification of held-to-maturity investments, and income taxes.

Business Operation

I. Corporate Banking Business

The following table sets forth the major operation figures of the corporate banking business and changes thereof:

(Expressed in RMB million, unless otherwise stated)	Six months ended 30 June 2011	Six months ended 30 June 2010	Change (%)
Net interest income	1,811.0	1,526.2	18.66
Net fee and commission income	43.9	30.2	45.36
Operating income	1,854.9	1,556.4	19.18
Operating expenses	(970.3)	(874.3)	10.98
Impairment (losses)/reversals on assets	(165.1)	85.6	(292.87)
Profit before tax	<u>719.5</u>	<u>767.7</u>	<u>(6.28)</u>
	As at 30 June 2011	As at 31 December 2010	Change (%)
Segment assets	<u>82,650.4</u>	<u>74,940.9</u>	<u>10.29</u>

In the first half of 2011, the total profit before tax from the corporate banking business accounted for 24.69% of the Group's profit before tax. The overall growth in corporate loan business of the Group had driven the net interest income of corporate banking business to increase by 18.66% over the same period of the previous year. Meanwhile, due to ongoing credit expansion of the Group and more prudent business operation of the Company, impairment losses on assets increased by RMB251 million as compared with the same period of the previous year, which continued to boost its risk aversion ability.

1. Corporate deposits

The Group strived to capture the corporate deposits market, thereby maintaining growth momentum in corporate deposits. As at 30 June 2011, the balance of corporate deposits of the Group reached RMB59,899 million, accounting for 26.28% of the total deposit balance of the Group and representing an increase of RMB4,379 million or 7.89%, as compared with the end of the previous year.

2. Corporate loans

The Group adopted a prudent and moderate credit policy for corporate loans. On credit extension, it persisted in operating in compliance with laws and abided by the principle of “promoting some loans while curtailing others”. The Group effectively observed the macro economic control policy of the country and expanded its corporate loan business in a prudent, steady and appropriate manner. As at 30 June 2011, the balance of corporate loans amounted to RMB86,202 million (including discounted bills), representing an increase of RMB6,658 million or 8.37% over the end of the previous year. Excluding the effect of the decrease in discounted bills, the balance of corporate loans actually increased by RMB7,755 million or 10.12%. Meanwhile, asset quality of corporate loans continued to improve, with outstanding non-performing loans (excluding discounted bills) and non-performing loan ratio of RMB1,204 million and 1.43%, respectively, representing a decrease of RMB282 million and 0.51 percentage point as compared with the end of the previous year, respectively.

The structure of credit assets continued to improve. On industry structure, the Group continued to adhere to Chongqing’s industry strategy of “making substantial investments, building large bases and developing pillar industries” and to the specific conditions of its three major segments, namely “IT, modern equipment manufacturing and heavy chemical”, the Group focused on extending loans to the manufacturing, water and environment and public utility management, production and supply of electricity, gas and water, and retail and wholesale industries, which accounted for 28.96 %, 17.32%, 6.15% and 4.93% of the balance of corporate loans of the Group, respectively. In working on its customer profile, the Group remained committed to forging closer collaboration with quality enterprises among the top 500 enterprises in the world, top 500 enterprises of China, top 100 enterprises of Chongqing, industry leaders as well as government institutions whilst maintaining and strengthening its partnership with prime SME customers. The Group strengthened the head office’s leading role in marketing as well as joint marketing initiatives between headquarters and branches. In March and April 2011, the People’s Government of Wanzhou District, Chongqing and Chongqing Three Gorges Water Conservancy and Electric Power Co., Ltd. signed a strategic cooperation agreement to achieve a great leap forward in electronic information, new energy, equipment manufacturing, bio-medical and other sectors. As at 30 June 2011, the Bank had a total of 2,179 SME customers with RMB70,273 million loans outstanding (including discounted bills), accounting for 81.52% of the balance of loans. The Group continued to grant loans principally to quality customers with sound credit record, with outstanding loans (including discounted bills) to customers with a credit rating of AA and above accounting for 60.73% of its outstanding loans. Meanwhile, the Group strengthened its industry management and restructuring, exited from business with clients which lack market competitive advantages, raised the threshold of industry access to develop a high quality customers base. As regards industries which are subject to macro-economic control by the country, the balance of loans of the real estate sector amounted to RMB11,821 million, RMB367 million or 3.01% down from the end of the previous year.

3. *Corporate banking products*

The Group accelerated innovations for corporate banking products, and actively developed trade financing (taking the lead to develop inventory mortgage), corporate wealth management products, along with the inter-bank domestic letter of credit, domestic factoring, accounts receivable as well as pledges and credit extension of floating assets, to satisfy customer demand for an extensive product line. In response to customer demand for wealth management, the Group optimised unit negotiated deposit (單位協定存款), unit notice deposit and other products, with a view to perfecting the product lines of the Group's corporate banking business. Meanwhile, the Group actively facilitated the development of electronic intermediary service such as sport lottery, welfare lottery and agency of traffic fine collection and introduced exclusive wealth management products to corporate customers and tailor-made products to major customers. With the commissioning of the third batch of pension insurance for urban and rural residents, the Group provided services that covered all regions of the city. Since 2009, the Group started to provide consulting and financial advisory services to corporate customers. In the first half of 2011, the net fee and commission income from the Group's corporate banking business amounted to RMB44 million, representing an increase of 45.36% as compared with the same period of the previous year. The income from financial advisory reached RMB86 million, accounting for 44.22% of the total fees and commission income of the Group and representing an increase of RMB57 million, or 193.86% as compared with the same period of the previous year.

4. *Corporate customer managers*

Since the establishment of the corporate customer manager mechanism in July 2009, the Bank stepped up efforts in the departmental training and expatriate training of customer managers, with a focus on the training of the admission and exit criteria as well as assessment of these managers, thereby increasing the number of its corporate customer managers and improving their comprehensive quality. The Bank hired external professionals to train the customer managers. The trainings involved knowledge in respect of finance, marketing, customer maintenance, credit extension process, team building and the issuance of corporate bonds, which further enhanced the overall quality of the team.

5. *Small enterprise business*

The Group provided small enterprise business up to professional standard. On one hand, a service network system had been formed initially. A small enterprise business department had been set up at the headquarters to deliver guidance and service in respect of the development of small enterprise business whilst serving as the sales and marketing management department of the Group's small enterprise business. At branch level, greater effort was made in setting up small enterprise loan centres to specialise in the sales and marketing area for the provision of loans for small enterprises and serve as the sales and marketing business department of small enterprise business under the direct administration of the branches. As at 30 June 2011, 14 small enterprise loan centres were put in place and 4 were newly set up. Information counters for small enterprise business have been established in each branch to be responsible for handling business enquiries and information dissemination of small enterprises in their respective administrative region, undertaking the role of consultancy counters of small enterprise business at branch level. All these have initially formed a "trinity and interrelated" service network. On the other hand, a more comprehensive portfolio of specific products for small enterprises has gradually come on stream. The Bank stepped up its effort in introducing new small enterprise financial services whilst focusing on branding, thus developing an exclusive small enterprise financial service brand, namely the Small Enterprise "New Century Business Owners' Loans" product series (小企業「商戶新時貸」系列產品), which comprised 11 products for small enterprises such as "Easy Loan" (「便捷貸」), "Development Loan" (「發展貸」), cross-guaranteed loans and credit loans for small enterprises. Research on loans guaranteed by receivables, inventories, warehouse receipts, intellectual property rights and otherwise has been underway for a comprehensive small enterprise specific product portfolio.

6. *International business*

The Group's international business soared. The volume of international settlement handled by the Group amounted to US\$382 million in the first half of 2011. Agency sale and purchase of foreign exchange jumped by 3.55 times and 4.56 times over the same period of the previous year, respectively to US\$239 million, ranking first among local legal person financial institutions and among certain sino-foreign-invested banks in Chongqing City. As a result, the Bank's income reached RMB117 million. As at 30 June 2011, the client base of the Group's international business continued to evolve, with 132 companies, covering listed companies and domestic and foreign renowned enterprises from all circles such as paper making, motor manufacturing, petrochemical, buildings and ancillary components of notebook computers, opening new accounts with the Group. The Bank's correspondent banking network expanded continuously as the Bank established correspondent banking relationships with a total of 248 reputable banks at home and abroad. The product portfolio of its international business saw continuous improvement. Apart from providing international settlement services such as remittances, letters of credit and entrusted collection, the Group also timely offered international trade finance services such as export bills of credit/discount, packing loan, forfeiting, import bills of credit and import refinancing to cater to the diverse needs of its customers. As regards exchange risk control in light of sustained appreciation of Renminbi, the Group maintained the minimum sale, purchase exchange position (denominated in currencies other than USD), decreased the holding of open positions (denominated in USD) with foreign exchange sale and purchase exposure, conducted price consultation for each substantial foreign exchange settlement and closed out open positions so as to mitigate potential losses arising from fluctuations in exchange rates. Meanwhile, the Bank also actively expanded its import business and ensured that it best complemented its foreign exchange settlement business, thus maximised gains from exchange.

II. Personal Banking Business

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

(Expressed in RMB million, unless otherwise stated)	Six months ended 30 June 2011	Six months ended 30 June 2010	Changes (%)
Net interest income	1,518.1	1,076.6	41.01
Net fee and commission income	59.7	41.0	45.61
Operating income	1,577.8	1,117.6	41.18
Operating expense	(748.6)	(591.4)	26.58
Impairment losses on assets	103.1	56.5	82.48
Profit before tax	<u>932.3</u>	<u>582.7</u>	<u>60.00</u>

	As at 30 June 2011	As at 31 December 2010	Changes (%)
Segment assets	<u>46,157.3</u>	<u>41,263.5</u>	<u>11.86</u>

The personal banking business of the Group recorded a profit before tax of RMB932 million, up 60.00% over the same period of the previous year, representing an increase to 31.99% as a proportion of the Group's profit. The average balance of retail loans and the loan interest rate increased by 50.02% and 8.12%, respectively, driving the net interest income to increase by 41.01%. Driven by the steady development of personal bank card and agent businesses, the fee and commission income of the Bank increased by 45.61% over the same period of the previous year, contributing to a profit growth of the retail banking business for the first half of 2011.

1. Retail Deposits

To address the state macro economic adjustment and intense market competitions, the Bank positioned itself by aligning its brand value services with key marketing campaigns, taking full advantage of the regional competitiveness of its brands whilst strengthening its active liability management together with targeted sales and marketing strategies. Through the provision of personalised services to VIP clients and active research and development of smart deposit notification and other new services and products, retail deposits amounted to RMB163,549 million, maintaining a stable and rapid growth, as evidenced by an increase of RMB18,446 million or 12.71% in retail deposits over the end of the previous year. The Bank remained unrivalled among regional counterparts in terms of the amount, annual growth and market share of retail deposits.

2. Retail Loans

With a view to becoming the largest and the best local retail bank, the Group managed to further consolidate its leading presence in retail loan business by sparing no efforts in creating its retail loan business brand, strengthening its sales and marketing management on retail loans, propping up its capability of price negotiation and the level of the price subject to negotiation whilst actively developing employment assistance retail loans (個人助業貸款) and specialised individual proprietor loans (專業市場經營戶貸款). Initiatives were further introduced to equip its retail loan centres with consolidated services and to optimise the process of retail loan business for more efficient and better customer services in a sustainable manner. Henceforward, retail loans maintained their steady growth. As at 30 June 2011, the Group's retail loans amounted to RMB48,578 million, representing an increase of RMB5,978 million or 14.03% over the end of the previous year. In particular, personal residential mortgage loans amounted to RMB27,109 million, posting a growth of RMB4,323 million or 18.97%.

Policy loans saw a steady growth. The government-supported employment and re-employment related small amount loans, a cutting-edge policy-based loan project of the Bank, had remarkably contributed to the employment conditions of the urban and rural citizens of Chongqing and the profitability of the Company. In the first half of 2011, the Bank deepened its collaboration with regional fiscal and employment departments and adjusted the security deposit ratio, which effectively eliminated the setback against business development due to the lack of guarantee funds and in turn led to a significant growth in employment and re-employment related small amount loans. As at 30 June 2011, the Group's employment and re-employment related small amount loans reached RMB2,315 million, representing an increase of RMB292 million or 14.43% over the end of the previous year.

3. *Bank Cards*

The number of new bank cards and the amount of spending in relation thereto continued to surge. As at 30 June 2011, the total number of debit cards of the Bank reached 8,247,400, representing an increase of 676,400 as compared with that at the end of the previous year. Spending amounted to RMB11,248 million, representing an increase of 89.97% over the same period of the previous year while the fee income reached RMB8.46 million, representing an increase of 40.77% over the same period of the previous year. The number of credit cards increased by 6,800 over the end of the previous year, resulting in an aggregate of 35,300 credit cards being issued and a spending amount up to RMB313.7134 million, representing an increase of 361.46% over the same period of the previous year. The balance of loans amounted to RMB109.5329 million, representing an increase of 14.00% over the end of the previous year. The Bank committed itself to creating unique bank cards. To this end, it continued to facilitate the promotion of competitive products of Jiangyu Xiangqing Card, encouraged research and development of Farmer's Fortune Card (福農卡) and designed specialised cards for institutional customers. Platinum and diamond cards under the standard series of Jiangyu Credit Card were officially launched, together with the implementation of "1 Alliance" preferential merchant scheme ("1聯盟" 特惠商戶計劃) as well as the commencement of various preferential card consumption activities, in an effort to create an exclusive value-added bank card service platform. Meanwhile, the Bank spared no effort in facilitating the establishment of an automatic point of sale platform (POSP) acquiring service system and a loyalty system, aspiring to bring its credit card service system to perfection.

4. *Agency Business*

In the first half of 2011, leveraging its advantage over outlet and channel development, the Bank commenced its distribution business of rare metals. On 11 April 2011, the Bank successfully commissioned its rare metal front desk sales system and introduced two tailored products, including the gold bar commemorating the 90th anniversary of the founding of the Communist Party of China and the gold bar commemorating the 3rd anniversary of the establishment of the Bank. As at 30 June 2011, the Bank's sales volumes from the distribution of rare metals amounted to RMB22.3900 million and the fee income thereof amounted to RMB700,000.

III. Treasury Business

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

(Expressed in RMB million, unless otherwise stated)	Six months ended 30 June 2011	Six months ended 30 June 2010	Changes (%)
Net interest income	1,498.9	837.1	79.06
Net fee and commission income	75.4	51.9	45.28
Net trading gain	21.1	12.7	66.14
Other operating income, net	(153.2)	(0.1)	153,100.00
Operating income	1,442.2	901.6	59.96
Operating expense	(219.6)	(160.2)	37.08
Net gain from disposal of available-for-sale financial assets	—	105.4	(100.00)
Net gain from disposal of debt securities classified as receivables	1.0	—	100.00
Profit before tax	<u>1,223.6</u>	<u>846.8</u>	<u>44.50</u>
	As at 30 June 2011	As at 31 December 2010	Changes (%)
Segment assets	<u>183,893.8</u>	<u>164,728.5</u>	<u>11.63</u>

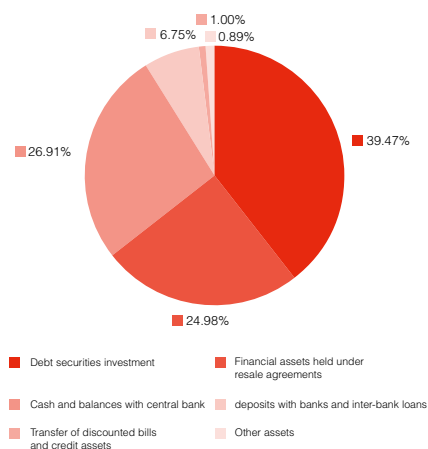
Pursuant to macro policy, and capital changes in the financial market, the treasury business of the Group aims to strike a balance among the security, liquidity and profitability of its asset portfolio, which mainly covers investment in bonds (including debt instruments), discounted bills, reverse repurchase business, deposits from banks and placements to banks.

In the first half of 2011, facing the slowdown of the overall global economic recovery, high inflation pressure at home and greater economic uncertainties, the Group coped with the changes in the financial markets and the trend of market interest rate in a flexible manner, duly adjusted its investment transaction strategy and conducted streamlined investment management. With liquidity demands and risks under control, the treasury business maintained a steady growth. With an increase of RMB377 million or 44.50% in its profit before tax to RMB1,224 million as compared with the same period of the previous year, the treasury business contributed to 41.99% of the Group's profit and became an important source of profit.

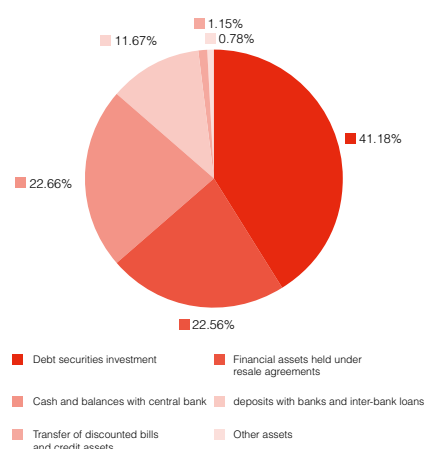
1. Segment Assets

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt securities investments	72,579.9	39.47	67,838.4	41.18
Financial assets held under resale agreements	45,938.9	24.98	37,158.0	22.56
Cash and balances with central bank	49,491.7	26.91	37,321.6	22.66
Deposits with banks and inter-bank loans	12,416.9	6.75	19,220.2	11.67
Transfer of discounted bills and credit assets	1,630.0	0.89	1,888.7	1.15
Other assets	1,836.4	1.00	1,301.6	0.78
Total assets	183,893.8	100.00	164,728.5	100.00

The operating assets structure as at 30 June 2011



The operating assets structure as at 31 December 2010



As at 30 June 2011, the total size of operating assets was RMB183,894 million, representing an increase of RMB19,165 million or 11.63% as compared with the end of the previous year. In particular, debt securities investment increased by RMB4,742 million but decreased by 1.71% in proportion, cash and balances with central bank increased by RMB12,170 million and 4.25% in proportion, financial assets held under resale agreements increased by RMB8,781 million and 2.42% in proportion while deposits with banks and inter-bank loans decreased by RMB6,803 million and 4.92% in proportion. Transfer of discounted bills and credit assets decreased by RMB259 million and 0.26% in proportion.

2. Debt Securities Investments

(1) Distribution of Debt Securities Investments by Holding Purpose

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Held-to-maturity debt securities	38,237.4	52.68	36,708.9	54.11
Debt securities classified as receivables	25,791.9	35.54	21,219.9	31.28
Held-for-trading debt securities	6,998.6	9.64	8,528.1	12.57
Available-for-sale debt securities	1,552.0	2.14	1,381.5	2.04
Total	72,579.9	100.00	67,838.4	100.00

In the first half of 2011, the Group fully implemented the classification management of debt securities account. Apart from taking held-to-maturity debt securities as major investment target, the Group moderately invested in certain accounts receivables and held-for-trading debt securities with reference to market conditions. As at 30 June 2011, the Group saw an increase of RMB1,529 million but a decrease of 1.43 percentage points in proportion in held-to-maturity debt securities from the end of the previous year; an increase of RMB4,572 million or 4.26 percentage points in proportion in debt securities classified as receivables over the end of the previous year, as well as a decrease of RMB1,530 million or 2.93 percentage points in proportion in held-for-trading debt securities from the end of the previous year.

(2) Distribution of Debt Securities Investments by Credit Rating

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
AAA	13,596.6	18.73	11,537.2	17.01
AA	4,063.8	5.60	3,481.1	5.13
Unrated	54,919.5	75.67	52,820.1	77.86
Total	<u>72,579.9</u>	<u>100.00</u>	<u>67,838.4</u>	<u>100.00</u>

In the first half of 2011, the Group further optimised its product portfolio by moderately increasing its holding of policy bonds and credit bonds with higher coupon rates, relatively higher investment value and higher ratings to boost the yield of its investment portfolio. As at 30 June 2011, bonds with a rating above AA increased by RMB2,642 million and increased in proportion by 2.19 percentage points over the end of the previous year, while unrated bonds increased by RMB2,099 million over the end of the previous year but decreased by 2.19 percentage points in proportion as compared with the same period. Unrated bonds are mainly government bonds, bank notes issued by the People's Bank of China, public sector, quasi-government bonds, certificate treasury bonds and debt instruments issued by financial institutions.

(3) Distribution of Debt Securities Investments by Remaining Maturity

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2011		As at 31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 3 months	7,483.8	10.31	10,576.9	15.59
3 to 12 months	9,377.0	12.92	9,359.1	13.80
1 to 5 years	29,829.4	41.10	22,440.6	33.08
Over 5 years	25,889.7	35.67	25,461.8	37.53
Total	<u>72,579.9</u>	<u>100.00</u>	<u>67,838.4</u>	<u>100.00</u>

As at 30 June 2011, the Group's investments in debt securities with a remaining maturity of less than 12 months decreased by RMB3,075 million and by 6.16 percentage points in proportion from the end of the previous year. Our investments in debt securities with a remaining maturity of over 5 years increased by RMB428 million over the end of the previous year but decreased by 1.86 percentage points in proportion as compared with the same period, mainly due to the Group's improvement in the maturity structure of the investment portfolio given a proper build-up of investments in long-term debt securities with higher coupon rates and relatively high 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) Investment in Financial Bonds

Financial bonds refer to the marketable securities issued by policy banks, banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. As at 30 June 2011, the balance of financial bonds of the Group was RMB17,094 million, which were mainly the financial bonds issued by policy banks. The table below sets out, for the dates indicated, the top ten financial bonds held by the Group.

(Expressed in RMB million, unless otherwise stated)

Name of debt securities	Nominal value	Interest rate per annum	Maturity date	Impairment
Debt securities issued by policy banks in 2010	700.0	3.59%	2020-02-25	—
Debt securities issued by policy banks in 2005	650.0	5.27%	2020-11-29	—
Debt securities issued by policy banks in 2010	620.0	3.28%	2015-09-17	—
Debt securities issued by policy banks in 2010	600.0	4.20%	2040-09-20	—
Debt securities issued by policy banks in 2006	570.0	5.28%	2021-06-28	—
Debt securities issued by commercial banks in 2006	530.0	5.78%	2016-12-19	—
Debt securities issued by policy banks in 2005	510.0	5.01%	2015-08-02	—
Debt securities issued by policy banks in 2006	450.0	5.38%	2026-04-11	—
Debt securities issued by commercial banks in 2007	400.0	5.44%	2012-03-29	—
Debt securities issued by policy banks in 2010	400.0	4.31%	2030-03-17	—

IV. Distribution Channels

1. *Physical outlets*

Operating outlets are the primary distribution channels of the Bank. As at 30 June 2011, the Bank had 1,763 branches of various kinds, including 1 headquarters, 1 main branch of the Bank, 43 branches, 1,718 branch outlets. Our network of branches covers all the 40 administrative districts and counties in Chongqing. We have 1,457 distribution outlets covering 1,244 townships and villages in Chongqing. We have established 306 outlets in the Chongqing urban areas. The number of branches ranked first in both county areas and urban areas. With a view to accelerating our business expansions outside Chongqing, as at 30 June 2011 the Bank has promoted and set up 3 Village and Township Banks, namely Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd. (江蘇張家港華信村鎮銀行股份有限公司), Sichuan Dazhu Longyuan Village and Township Bank Co., Ltd. (四川大竹隆源村鎮銀行股份有限公司) and Yunnan Dali Haidong Village and Township Bank Co., Ltd. (雲南大理海東村鎮銀行股份有限公司), all being 51% owned subsidiaries of the Bank.

The Bank will strategically develop distribution channels, optimise the layout of outlets and step up restructuring to improve its service coverage, service capabilities and operational efficiency. In the first half of 2011, the Bank reallocated 23 existing branches and refurbished 25 existing branches, resulting in a significant improvement in the overall appearance of outlets.

2. *Self-service banking*

In order to expand the scope of customer services and provide customers with more convenient services, the Bank established five 24-hour self-service centres as at 30 June 2011, and the number of ATMs and self-service terminals increased to 1,306 units, among which the number of ATMs increased by 119 units to 969 units over the end of the previous year and self-service terminals increased by 76 units to 315 units over the end of the previous year.

3. *E-banking*

In the first half of 2011, the Bank continuously improved its existing E-banking services, enriched product functions and launched platforms for personal internet banking and mobile banking services. Adhering to its “Safety First” principle, the Bank steadily developed its business with growing customer satisfaction.

(1) Corporate internet banking

The Bank successfully incorporated the customised, multi-system and consolidated fund management function into its corporate internet banking service. In the first half of 2011, the Bank integrated two systems of inter-link services between banks and enterprises, namely the “fund settlement system and the fund monitoring system” for conglomerate customers, into the Bank’s internet banking services, which met the demand of closed fund management in terms of the collection and allocation of funds and the system of financial management platform, as well as the customised multi-system supervision and monitoring mode. Such integration, which was favourable to the improvement of corporate service efficiency and the strengthening of fund monitoring over the fund accounts of group companies, provided the platform of inter-link services between banks and enterprises for the financial management over both corporate income and expenses and expanded the application of the Bank’s electronic channel business. As at 30 June 2011, the number of corporate internet banking customers of the Bank increased by 775 or 88.17% to 1,654 over the end of the previous year; the transaction amounts in the first half of 2011 recorded RMB33,834 million, representing a growth of 111.54% over the end of the previous year.

(2) Personal internet banking

On 21 March 2011, the Bank officially launched the personal internet banking service (including key functions such as enquiry, transfer, bills payment, credit card, time deposit, online payment, and payment by Baotong card) to the public. As at 30 June 2011, the number of personal internet banking customers reached 9,759 and the number of financial transactions aggregated to 22,204, with an aggregate transaction amount up to RMB752 million.

(3) Mobile banking

The mobile banking system of the Bank adopted chip-filming patent technology. On 19 May 2011, such system was launched to the public with three major ends, namely the customer end, the front end and the banking end. The major business functions available include remittance and transfer, bills management, wealth management, credit card, enquiry, customer service and system management. As at 30 June 2011, the number of mobile banking customers of the Bank amounted to 303 and the number of financial transactions aggregated to 1,120, with an aggregate transaction amount up to RMB13,411,100.

(4) Telephone banking and SMS banking

The development of telephone banking and SMS banking had kept sound momentum. As at 30 June 2011, the Bank provided services to its customers 3,263,500 times through telephone banking whilst the number of SMS banking customers aggregated to 901,200, with 413,800 additional customers in the first half of 2011, representing a growth of 84.90% over the end of the previous year.

V. Information Technology

The Group has attached great importance to IT set up and investment. In the first half of 2011, the Bank increased investment in the construction of IT structure and its infrastructure as well as the R&D of new products, promoted the development of application systems and pushed ahead with the innovation of financial products, so as to provide all-rounded financial services to customers.

The Group intensified its control over exposures to information technology risks. In the first half of 2011, the Bank reinforced information system checks and security and carried forward evaluation and inspection of information security risks as well as assessment of graded security technology of key information systems. Moreover, the Bank conducted contingency drills and established different data backup mechanisms targeted at potential information system risks, thus safeguarding the proper operation of its networks and information system.

The Bank boosted business continuity management. Greater efforts were made among each level of regulatory authorities in controlling information technology risks, particularly in respect of the safety in the operation of the information system. The Bank took precedence to the stability of the operation of all of its systems throughout its course of business. Core systems in terms of core business processing, internet banking and credit card boasted an availability rate of 100%. As at the end of the reporting period, the information system of the Bank had been under stable operation with zero shutdown of production devices and key networks, which ensured normal business operation bank-wide. Meanwhile, to mitigate the operational risks caused by information technology system failure, the Bank embarked on the first half of 2011 to strengthen data backup for important data processing systems and set up different data backup mechanisms with reference to different class of application systems.

Project construction and system renovation saw solid progress. The Bank pressed ahead with the implementation of integrated large-scale preliminary projects. Based on the enterprise service bus (ESB), we have realised a flexible and transparent IT framework. At present, the whole project, involving the overall structure of an integrated front-end system and a centralised authorisation system as well as the actual operation of the counter system, is currently under progress. The Group had also actively conducted an overhaul of the Phase 2 of its credit management system in respect of the creation of modules such as credit procedures, core of credit, statements and credit image. Meanwhile, the Group had researched on and developed a customer management and performance appraisal system, with a view to providing more detailed customer and personal information for customer management and performance evaluation. Such system, as a complement to the funds transfer pricing (FTP) system, was equipped with functions such as enquiry of the transaction volume of tellers, appraisal of the progress of deposit taking and loan extension by staff, management of customer managers and customer relationship as well as measurement of the daily workload of projects. In May 2011, the customer management and performance evaluation system was put into trial operation bank-wide.

VI. Employees and Human Resources Management

1. Basic Information on Employees

As at 30 June 2011, the Bank had 12,736 regular employees. In particular, the number of employees who held Bachelor's degree or above had increased by 348 or 6.81% to 5,455 over the end of the previous year. In addition, we had 1,915 internally retired employees, 3,785 retired employees and 1,864 dispatched workers.

2. Overview of Human Resources Management

In the first half of 2011, sticking to the strategic plan for development, the Bank further strengthened the recruitment of professionals, talents in key positions and high calibre personnel to fully satisfy various needs of human resources for key projects with strategic significance, intensified training for young management personnel and professionals of various kinds to preliminarily establish a pipeline of middle- or high-level personnel who are capable of adapting to the Bank's operation and management practices and market competitions, improved the human resource allocation in institutions and all business lines to increase the utilisation efficiency of human resources, and through continuous improvements made in the fundamental policies of human resources management, it completed the construction of human resource management system with reinforced functions in regulation and control to help improve the computerised management of human resources.

3. Training

According to its education and training plan, the Bank continued to provide multi-channel education and training to employees at different levels and by various means, in a bid to complete the strategic targets of the Bank and improving the overall quality of its employees. Through cooperation with educational agencies of colleges and universities and external training centres, the Bank fully capitalised on its internal training and intensified the training for management personnel, professional business personnel and business operation personnel. In the first half of 2011, the Bank had organised 1,161 training programs of various kinds for 71,100 employees. The Bank also provided training for 21,800 employees through the online learning system.

Financial Business in County Area

The banking business in County Area has been a long-term strategic focus, and also one of the Group's major sources of revenues. The Group provides diversified financial services for customers in County Area through 31 branches located in County Area and their 1,457 distribution outlets as well as three village and township banks. During the reporting period, the Group brought into full play its advantage in interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, stimulated innovation in financial services, kept on increasing the total financial supply in County Area, leading to the rapid growth of financial services in County Area. As of 30 June 2011, the loan balance of the banking business in County Area amounted to RMB63,424 million, representing an increase of RMB5,088 million or 8.72% over the end of the previous year; non-performing loan ratio stood at 3.72%, a decrease of 0.6 percentage point over the end of the previous year; the deposit balance amounted to RMB149,936 million, representing an increase of RMB12,916 million or 9.43% over the end of the previous year.

I. Internal Mechanism Reform

1. Organisational Structure

During the reporting period, the Group further improved the management structure. The County Area Banking Department, renamed as County Area Business Department (三農事業部), was responsible for implementing policies on County Area financial businesses made by County Area Financial Service Commission (三農金融服務委員會) and providing professional operation and management for County Area banking business. County Area Business Department has three centres under it, namely "financial service centre for farmers, financial service centre of agriculture industrialisation, and Sannong business management centre", which performed policy studies, system formulation, customer marketing and Sannong business management.

2. *Credit Management*

During the reporting period, the Group strengthened the revision of systems such as management measures, operation standards and authorisation of credit business, and streamlined the business process of Sannong credit business. The Group arranged dedicated staff to examine and approve loans, established a team of customer managers, formulated the trial system of independent inspector for loans to farmers (農戶貸款獨立檢查人制度) and stepped up efforts in investigation, review and examination of loans of County Area in a bid to continue to improve efficiency and tighten up management.

3. *Assessment and Incentives*

To further improve the comprehensive assessment system of branches in County Area, the Group formulated separately the credit plan for County Area banking business, implemented differentiated incentives, offered more incentives and strengthened the assessments in relation thereof, and effectively allocated more resources to County Area credit business.

II. **Corporate Banking Business in County Area**

During the reporting period, centered on the key banking businesses in County Area such as agriculture industrialisation, land reclamation in County Area, countryside urbanisation, commodity circulation of County Area and infrastructural construction of the countryside, the Group continued to, with leading enterprises in the industry as its main target customers, tighten classified management of corporate customers, strive to foster core customer groups and energetically intensify marketing efforts. For flagship companies of the industry, the Group developed integrated banking services plans, improved its banking services, consolidated and deepened the cooperative relations between banks and enterprises.

As at 30 June 2011, the corporate loan balance of the Group's banking business in County Area stood at RMB32,405 million, representing 37.59% of the corporate loan balance of the Bank, up RMB992 million or 3.16% over the end of the previous year.

III. Personal Banking Business in County Area

During the reporting period, the Group devised and implemented special marketing plans in a bid to drive the growth of personal banking business in County Area. Targeting high-end farmers in County Area, individual and private business owners, farmer-entrepreneurs and mid-and-high-end premium customers among urban and rural residents, the Group developed personal products for specific areas and promoted loans secured by forest property rights, rural residential housing and contractual management rights of rural lands in a steady pace in order to satisfy diversified credit needs in County Area.

As at 30 June 2011, as the only bank in Chongqing offering the new type of social pension insurance services in rural areas, the Group carried out social pension insurance agency services for urban and rural residents in 40 districts/counties throughout the city, with coverage of over 10 million people. Departments of finance and social insurance of the city and district/county opened 125 social insurance accounts with the Group, with the capital balance of RMB845 million. In the first half of 2011, the number of individual pensions withheld by the Group amounted to 5 million, totalling RMB980 million; the number of individual pensions paid by the Group as an agent amounted to 18.873 million, totalling RMB1,704 million. These services provided the Group with an extensive customer base and helped stabilise customer resources and facilitating the development of our businesses.

The Group made greater efforts in the construction of electronic channels in County Area and vigorously marketed the Jiangyu Card, Jiangyu Xiangqing Card, credit card and personal internet banking. As at 30 June 2011, the Group owned 620 ATM machines and 236 multi-media enquiry machines in County Area and set up 22 rural financial self-service centres. The number of debit cards and credit cards issued by the Group in County Area also increased by 520,400 and 5,200 over the end of the previous year, respectively to 6,518,900 and 26,500, respectively, which accounted for 79.04% of the debit cards issued by the Group and 75.28% of the credit cards issued by the Bank, respectively. With the gradual enhancement in electronic equipment and so the increase in the number of cards, the Group is well poised to keep expanding its customer base in County Area and increase the penetration of banking business in County Area, and build good business relationship with customers.

As at 30 June 2011, the personal loan balance of the Group's banking business in County Area stood at RMB31,018 million, representing 63.85% of the total personal loan balance of the Group, up RMB4,095 million or 15.21% over the end of the previous year.

IV. Summary of Information on Geographical Segments

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

Expressed in RMB million	For the six months ended 30 June 2011			For the six months ended 30 June 2010		
	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	951.5	3,876.5	4,828.0	972.0	2,467.9	3,439.9
Net fee and commission income	47.6	131.4	179.0	43.1	80.0	123.1
Net trading gain	0.0	21.1	21.1	0.0	12.7	12.7
Other operating income, net	38.1	(128.4)	(90.3)	14.6	7.0	21.6
Total operating income	1,037.2	3,900.6	4,937.8	1,029.7	2,567.6	3,597.3
Internal transfer of income	1,043.9	(1,043.9)	0.0	785.7	(785.7)	0.0
Gain after adjustment	2,081.1	2,856.7	4,937.8	1,815.4	1,781.9	3,597.3

For the six months ended 30 June 2011, the gain after adjustment of the County Area segment was RMB2,081 million, up 14.64% over the same period of 2010. Such increase was driven by the internal transfer of income and growth in other operating income.

Risk Management

The Bank further improved its risk management system in the first half of 2011. Guided by the New Basel Capital Accord and in compliance with the requirements of CBRC in “Guidelines for the Establishment of the Risk Management System of Small and Medium-sized Rural Financial Institutions” (“農村中小金融機構風險管理機制建設指引”), the Bank stepped up efforts in the cultural and organisational construction of risk management system, refined various policy guidelines and procedures of risk management as well as expedited the development and application of risk management instruments, with an aim to ensure the capital adequacy, optimising its asset quality and strengthening the comprehensive risk management capability gradually.

I. Credit Risk Management

Credit risks refer to the risk of the failure of the borrower of the Bank or the other party to fulfill the corresponding responsibilities in compliance with contracted provisions. The perceivable credit risks of the Bank mainly lie in loan portfolio, investment portfolio, guarantees and other payment undertakings.

In the first half of 2011, the Bank proceeded with its credit risk management from perspectives such as organisation and structure, credit approval, system construction, authorisation management, market access, application of instruments, post-loan management and recovery of non-performing assets.

Based on a “comprehensive, intensive and matrix” risk management structure, the Bank established its credit risk management system, which boasted clear division of responsibilities, “two-line” reporting mechanism and “four frontiers” in business operation departments, line management departments, risk management departments and internal audit departments, thus the entire procedures of credit operations, i.e. consumer investigation, credit rating, loan appraisal, loan review and approval, loan extension, post-loan monitoring and recovery of bad assets, were under credit risk control. In the first half of 2011, in order to tighten control over credit risks, the Bank established the Credit Management Department to be specialised in post-disbursement management of the credit business as well as the dissemination and implementation of credit policies within the Bank.

The Bank formulated its credit policies on the basis of a comprehensive and systematic analysis of the trends of the Chinese and world economies and through collation of potential major risks in the macro economy and the financial sector and their impacts on the Group. Considering the basic access policy as its bottom line and with reference to the demands of customers, industries and regions, the Group aimed at achieving a balanced and efficient use of credit resources for a balanced development in terms of efficiency, quality, structure and scale.

II. Liquidity Risk Management

Liquidity risk refers to the risk of being unable to finance funds or liquidate a position at reasonable costs in a timely manner to cope with increase in assets or fund debt obligations on maturity. The Group’s objective in liquidity risk management is to ensure that it is able to meet all payment obligations and fund all operations in accordance with its development strategy. To this end, the Group effectively identifies, measures, monitors and controls its liquidity risk to strike a balance between risk and income.

The Asset and Liability Management Commission is responsible for establishing policies and strategies relating to our overall management of liquidity risk. The Risk Management Department and Financial Planning Department are responsible for implementing the liquidity risk management policies and strategies, monitoring and evaluating the liquidity risks. In the first half of 2011, the Group had adopted a series of measures to effectively improve liability structure and helped boost the growth of deposits, enhance the stability of deposits and reduce potential liquidity risks.

Meanwhile, the Group, leveraging on its unremitting efforts in strengthening liquidity monitoring and forecast as well as the application of funds transfer pricing (FTP) system, has improved the management of internal fund allocation. To avoid potential liquidity risks, the Group has also carried out real-time monitoring and prepared monthly reports on all liquidity control indicators to reflect the liquidity position of the Group in a comprehensive and continuous manner.

As at the end of June 2011, all main indicators reflecting the Bank's liquidity conditions met regulatory requirements. The Group increased the amount of core liabilities by adjusting its deposits structure, and improved core liabilities ratios through measures such as reducing short-term non-core liabilities derived from the capital market, such as financial assets sold under repurchase agreements and deposits from banks. The indicator as at the end of June increased by 4.32% as compared to the previous year to 60.42%, thus meeting the regulatory standards.

At the end of June 2011, the liquidity gap analysis of the Group is as follows:

Undiscounted contractual cash flows categorized by contractual maturities

	30 June 2011							Total
	Past due/ Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
Net position of assets and liabilities	44,711.1	(106,190.8)	(4,493.8)	(4,957.3)	(38,710.9)	64,303.7	69,094.8	23,756.9

As at the end of June 2011, the accumulated gap of various maturities of the Group was RMB23,757 million, representing a decrease of RMB40,065 million from the previous year. Despite the negative gap for repayment on demand of RMB61,480 million, the Group enjoyed a stable funding source with its strong and expansive deposit customer base and the relatively high proportion of core demand deposits.

III. Market Risk Management

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

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

The major market risk of the Bank is mainly interest risk. Since 2011, market interest rate hikes have gradually amplified the impact of re-pricing of interest rate sensitive assets and liabilities. The Bank, with a keen eye on changes in macro monetary policy and domestic and foreign financial markets, took effective measures to strengthen the research and analysis on the trend of interest rate, improved the management of interest rate pricing, duly adjusted the pricing of funds under funds transfer pricing (FTP) and reasonably controlled the fall of loan interest rates and interest costs, with a view to propping up the pro-activeness of risk management and ensuring the sustained growth of the Bank's profit and market value.

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:

	30 June 2011						Total RMB million
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest- Earning	
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
Cash and balances with central bank	46,743.2	—	—	—	—	2,748.5	49,491.7
Deposits with banks and other financial institutions	3,078.6	98.2	2,980.0	610.1	—	—	6,766.9
Placements	1,500.0	1,450.0	500.0	2,199.9	—	—	5,649.9
Financial assets held for trading	—	—	—	50.0	—	—	50.0
Financial assets designated as at fair value through profit or loss	1,011.0	2,913.9	3,018.7	5.0	—	—	6,948.6
Financial assets held under resale agreements	12,112.0	16,539.1	17,287.8	0.0	—	—	45,938.9
Loans and advances to customers	16,567.6	3,846.7	107,125.8	1,994.9	30.2	—	129,565.2
Available-for-sale financial assets	—	—	—	386.3	1,165.7	—	1,552.0
Held-to-maturity investments	—	479.8	1,009.4	12,831.7	23,916.5	—	38,237.4
Debt securities classified as receivables	371.5	2,707.6	5,348.8	16,556.4	807.6	—	25,791.9
Other financial assets	—	—	—	—	—	2,437.1	2,437.1
Total financial assets	81,383.9	28,035.3	137,270.5	34,634.3	25,920.0	5,185.6	312,429.6
Deposits from banks	5,660.1	6,318.2	3,700.0	—	—	—	15,678.3
Financial liabilities designated as at fair value through profit or loss	—	—	456.8	—	—	—	456.8
Financial assets sold under repurchase agreements	13,303.4	11,480.3	12,717.6	—	—	—	37,501.3
Due to customers	116,694.7	15,876.8	76,937.6	17,946.2	485.9	—	227,941.2
Debt securities issued	—	—	—	—	2,300.0	—	2,300.0
Other financial liabilities	—	—	—	—	37.9	4,817.6	4,855.5
Total financial liabilities	135,658.2	33,675.3	93,814.0	17,946.2	2,823.8	4,817.6	288,735.1
Net position of assets and liabilities	(54,274.3)	(5,640.0)	43,456.5	16,688.1	23,096.2	368.0	23,694.5

As at the end of June 2011, the accumulated gaps for all maturities amounted to RMB23,695 million, representing an increase of RMB2,959 million from the previous year.

Exchange rate risk primarily results from mismatches in the currency denomination of our assets and liabilities, either on- or off- balance sheet, and currency position mismatches caused by foreign currency transactions. The Bank is mainly engaged in the RMB business with certain transactions related to U.S. dollars and HK dollars but seldom conducts transactions in other currencies. For the first half the 2011, in the view of a more flexible exchange rate and in expectation of further appreciation of Renminbi, the Bank maintained foreign currency-denominated operating funds at USD 5 million. Most of its foreign currency transactions are valet exchange settlement and sales business of the Group. During the business operations, the Bank reinforced the research and control over exchange rate risks, exerted strict control on the open position in the settlement and sale of foreign exchange, arranged the raised foreign exchange funds in a rational manner and explored the use of financial instruments to hedge against exchange rate risk.

IV. Operational Risk Management

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

With a view to meeting the demands of the new Basel Capital Accord and the establishment of process-based banking as well as complying with the requirement for a comprehensive risk management, the Group had further strengthened its implementation of the internal control system and improved its control and management over operational risks. By applying an information system in each stage of the business processing procedures, ranging from teller management to business control, the Group had effectively controlled and averted operational risks, sparing no efforts in enhancing its centralised risk control. At present, a large-scale, consolidated front office system is in the making, where the Group achieved parametric centralised operation and transactions as well as remote and authorised transactions by establishing a framework for the operational risk control system and differentiating the control authority. In order to fulfill its duties of managing operational risks, it fostered the implementation of a scientific and comprehensive operational risk management system, thus laying solid foundation for preventing and monitoring operational risks.

V. Implementation of New Basel Capital Accord

As required by regulatory authorities of the banking industry, the Group, as a pilot project under the new Basel Capital Accord, is currently setting up a corresponding execution authority to commence preparation for implementation of the Internal Rating-Based (IRB) Approach on credit risk.

VI. Anti-money Laundering

In the first half of 2011, the Group had adopted various measures to further improve its anti-money laundering efforts and the expected results have been achieved.

In strict compliance with the anti-money laundering and anti-terrorist financing regulatory requirements at home and abroad, the Bank duly performed its anti-money laundering reporting obligation by focusing on the report analysis of suspicious transactions and risk warnings. During the reporting period, no institutions and employees of the Bank were found involved in suspicious money laundering and terrorist financing events.

Internal Audit

The Internal Audit Department is responsible for performing independent inspections and appraisals over all business and management activities of the Bank, as well as the efficiency of internal control and risk management of the Bank.

The Bank has established an independent internal audit organisation and management system. The Audit Committee is set up under the board of directors, which reports to the board of directors by submitting regularly reports of the audit work. An Internal Audit Department is in place at the head office to report to the board of directors and the Audit Committee and perform independent supervision on audit tasks in areas under its administration. The principal person in charge is appointed and dismissed by the board of directors. Two audit offices are also put in place in Wanzhou and Qianjiang under the Audit Department to be responsible for performing independent supervision over the audit work of branches under their respective administration. Divisions covering off-site inspection, on-site inspection and special inspection were set up under the Audit Department to carry out off-site supervision, on-site audit and special inspections across all branches under their administration. Internal audit departments were established at branches to conduct independent audit over the branch institutions under administration and the appointment and dismissal of the relevant persons in charge shall be submitted to the Internal Audit Department at the head office for approval.

The Bank has built up a full-fledged internal audit system which combines on-site inspections and off-site inspections and integrated special audit with regular audit. In addition, it also conducted all-round appraisals over internal control at branch level. The scope of audit covers business lines including corporate business, retail business, financial planning, accounting management, capital operation and international business, as well as key sections in internal control management.

In the first half of 2011, the Bank conducted supervision and inspection over the internal control and risk management of operating institutions through various means such as on-site regular audit, special audit and audit for resignation. 121 on-site audit of all kinds have been organised within all jurisdictions of the Bank. The Bank conducted audit inspections in terms of corporate credit, personal credit, financial accounting, information technology, capital operation, capital settlement and international business, kept a track record of the problems detected during auditing, urged the audited entities to carry out rectifications and proceeded with investigations into persons in charge who were held accountable for relevant auditing problems, so as to perform a full review of the risks in business and procedures and improve the internal control and its management standard throughout the Bank.

Outlook

Looking into the second half of 2011, the Bank is confronted with both opportunities and challenges.

Opportunities lie ahead. The recovery of the overall global economy, the projected steady growth of China's economy, the return of a stable monetary policy, the accelerating development of strategic emerging industries, along with the ripple effect of the Three Gorges Reservoir area policy, the Go West Policy and the Third Document of National Development, will provide a favorable environment for the Bank to go from strength to strength.

Challenges are also around the corner. The recovery path of the global economy is still tangled with uncertainties whilst China's emphasis on the total management of social finance, the acceleration of the reform on interest rate marketisation, the narrowing of the interest rate margin, the appreciation of Renminbi, another possible upward adjustment of the deposit reserve will, objectively speaking, impose higher requirements for the management of the Bank's operation.

In conclusion, opportunities outweigh challenges. The Bank will proactively capture opportunities and gain an edge in development after overcoming challenges. The Bank will vigorously push forward its strategies of specialised business expansion, differentiated inter-regional development and improvement of modern management with the commitment to requite the shareholders and the society with the best results.

Changes in Share Capital and Particulars of Shareholders

Movements in Shares

Unit: share, %

	As at 1 January 2011		Increase/(decrease) +/- during the reporting period					As at 30 June 2011		
	Number of shares	Percentage	Private placement	Issue of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
(I) Shares subject to trading restrictions										
1. Non-overseas listed shares held by legal persons	5,255,724,599	58.40					(27,826,440)	(27,826,440)	5,227,898,159	56.21
Including: - Shares held by state-owned legal person shareholders ^{1,2}	2,091,860,399	23.24					(27,826,440)	(27,826,440)	2,064,033,959	22.19
- Shares held by private legal person shareholders	3,163,864,200	35.16							3,163,864,200	34.02
2. Non-overseas listed shares held by natural persons	1,558,765,800	17.32							1,558,765,800	16.76
Including: - Shares held by employee natural persons	148,440,720	1.65							148,440,720	1.60
- Shares held by natural persons other than employees	1,408,979,575	15.66						18,020	1,408,997,595	15.15
- Shares held by shareholders without affirmed ownership ³	1,345,505	0.01						(18,020)	1,327,485	0.01
(II) Shares not subject to trading restrictions										
Overseas listed foreign shares	2,185,509,601	24.28	300,000,000				27,826,440	327,826,440	2,513,336,041	27.03
(III) Total number of shares	9,000,000,000	100.00	300,000,000					300,000,000	9,300,000,000	100.00

- Non-overseas listed shares of the Bank held by 13 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (formerly Chongqing Yufu Assets Management Company Limited (重慶渝富資產經營管理有限公司)), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)(formerly Chongqing City Construction Investment Company (重慶市城市建設投資公司)) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅游投資集團有限公司).
- According to the Approval Concerning the Transfer of State-owned Shares of Chongqing Rural Commercial Bank Co., Ltd. (Guo Zi Chan Quan No. [2010] 627) (《關於重慶農村商業銀行股份有限公司國有股轉持有關問題的批覆》(國資產權[2010]627號)) issued by the State-owned Assets Supervision and Administration Commission of the State Council, 10 state-owned shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅游投資集團有限公司), pursuant to the exercise of the over-allotment option, reduced their state-owned shares by transferring 27,826,440 shares in aggregate to National Council for Social Security Fund of the PRC ("NSSF"). At the same time, NSSF entrusted the Bank with the sale of these shares (converted from state-owned shares to H shares).

3. Shareholders without affirmed ownership refer to untraceable shareholders of the Bank. Share interests held by them are shares of the former rural credit cooperatives, and they have not confirmed their ownership in the shares of the Bank.

(Note: During the reporting period, 18,020 shares of the former rural credit cooperatives were confirmed as shares of the Bank whilst the number of shares held by shareholders without affirmed ownership amounted to 1,327,485.)

Movements in Shares Subject to Trading Restrictions

Unit: share

Name of shareholder	Number of shares subject to trading restrictions as at 1 January 2011	Released during the reporting period	Increase/ (decrease) during the reporting period	Number of shares subject to trading restrictions as at 30 June 2011	Reason for trading restrictions	Date of release from trading restrictions
13 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) †	2,091,860,399		(27,826,440)	2,064,033,959	The 1-year lock-up period since listing of H-shares (16 December 2010)	16 December 2011
163 private legal person shareholders including Loncin Holdings Limited (隆鑫控股有限公司)	3,163,864,200			3,163,864,200	The 1-year lock-up period since listing of H-shares (16 December 2010)	16 December 2011
80,500 domestic natural person shareholders (including employees, natural persons other than employees, natural person shareholders without affirmed ownership)	1,558,765,800			1,558,765,800	The 1-year lock-up period since listing of H-shares (16 December 2010)	16 December 2011
Total number of shares	6,814,490,399		(27,826,440)	6,786,663,959		

1. According to the Approval Concerning the Transfer of State-owned Shares of Chongqing Rural Commercial Bank Co., Ltd. (Guo Zi Chan Quan No. [2010] 627) (《關於重慶農村商業銀行股份有限公司國有股轉持有關問題的批覆》(國資產權[2010] 627號)) issued by the State-owned Assets Supervision and Administration Commission of the State Council, 10 state-owned shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司), pursuant to the exercise of the over-allotment option, reduced their state-owned shares by transferring 27,826,440 shares in aggregate to NSSF. At the same time, NSSF entrusted the Bank with the sale of these shares (converted from state-owned shares to H shares).

Issue, Purchase, Sale and Redemption of Securities

On 12 January 2011, as a result of the exercise of the over-allotment option pursuant to the Listing, the Bank issued and allotted an additional 300,000,000 H shares, and disposed of domestic shares on behalf of NSSF, the selling shareholder, and converted 27,826,440 shares into H shares (Note: the then 6,814,490,399 non-overseas listed shares of the Bank were reduced by 27,826,440 shares to 6,786,663,959 shares). A total of 2,513,336,041 H shares were issued, listed and traded on the Main Board of the HK Stock Exchange at an offer price of HK\$5.25 per share. The total number of the existing shares of the Bank is 9,300,000,000 and the paid-in capital is RMB9,300,000,000.00.

Save as disclosed above, neither the Bank nor its subsidiaries had purchased, sold or redeemed any securities of the Bank during the reporting period.

Issue of Bonds

In the first half of 2011, there was no default by the Bank in respect of either repayment of the principal and interests of the 2.3 billion callable subordinated bonds issued on 29 December 2009 in the PRC inter-bank bond market or any matters in connection therewith.

Particulars of Shareholdings

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

Particulars of Shareholdings of the Top Ten Shareholders of Non-overseas Shares/Shares Subject to Trading Restrictions

Unit: share, %

No.	Name of shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage	Number of shares pledged or frozen	Type of share
01	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	state-owned	629,304,418	6.77		non-overseas listed shares
02	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	state-owned	601,435,221	6.47		non-overseas listed shares
03	Loncin Holdings Limited (隆鑫控股有限公司)	private enterprise	570,000,000	6.13	570,000,000	non-overseas listed shares
04	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	state-owned	423,431,972	4.55		non-overseas listed shares
05	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	private enterprise	300,000,000	3.23		non-overseas listed shares
06	Xiamen Laierfu Trading Co., Ltd. (廈門來爾富貿易有限責任公司)	private enterprise	200,000,000	2.15	200,000,000	non-overseas listed shares
07	Chongqing Emperor Science & Technology Co., Ltd. (重慶愛普科技有限公司)	private enterprise	190,000,000	2.04	170,000,000	non-overseas listed shares
08	Chongqing Tianqi Industry Management Company Limited (重慶天麟產業管理有限公司)	private enterprise	160,000,000	1.72	160,000,000	non-overseas listed shares
09	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	private enterprise	150,000,000	1.61		non-overseas listed shares
10	Jiangsu Huaxi Group Corporation (江蘇華西集團公司)	private enterprise	150,000,000	1.61		non-overseas listed shares
Total			3,374,171,611	36.28	1,100,000,000	

Note: As at 30 June 2011, the aforesaid shareholding percentage of non-overseas listed shares is based on the total shares of the Bank of 9.3 billion. In addition, the aforesaid pledged shares held by shareholders are pledged only and not subject to judicial moratorium.

Substantial Interests and Short Positions

As at 30 June 2011, the interests and short positions of substantial shareholders (pursuant to the Securities and Futures Ordinance (“SFO”) of Hong Kong), other than directors and supervisors, in the shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO of Hong Kong were as follows:

Domestic Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic shares	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial owner	629,304,418	9.27	6.77
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial owner	601,435,221	8.86	6.47
Loncin Holdings Limited (隆鑫控股有限公司)	Beneficial owner	570,000,000	8.40	6.13
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅游投資集團有限公司)	Beneficial owner	423,431,972	6.24	4.55

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held (long position)	% of the total issued H shares	% of the total share capital of the Bank
Capital Research and Management Company	Investment manager	234,902,000	9.35	2.53
Al Nehayan Mansoor Bin Zayed Bin Sultan	Interest of controlled corporations	147,995,000	5.89	1.59
Hang Seng Bank Trustee International Limited	Trustee	175,252,000 ⁽¹⁾	6.97	1.88
Cheah Company Limited	Interest of controlled corporations	175,252,000 ⁽¹⁾	6.97	1.88
Cheah Capital Management Limited	Interest of controlled corporations	175,252,000 ⁽¹⁾	6.97	1.88
Value Partners Group Limited	Interest of controlled corporations	175,252,000 ⁽¹⁾	6.97	1.88
Value Partners Limited	Investment manager	175,252,000 ⁽¹⁾	6.97	1.88
Cheah Cheng Hye	Founder of a discretionary trust	175,252,000 ⁽¹⁾	6.97	1.88
To Hau Yin	Interest of Spouse	175,252,000 ⁽²⁾	6.97	1.88
FIL Limited	Investment manager	152,316,000	6.06	1.64
GAM Hong Kong Limited	Investment manager	127,035,000	5.05	1.37

Notes:

- These H shares were held by Value Partners Limited, a wholly-owned subsidiary of Value Partners Group Limited, which is in turn owned 28.69% by Cheah Capital Management Limited, which is a wholly-owned subsidiary of Cheah Company Limited. The entire issued capital of Cheah Company Limited is owned by Hang Seng Bank Trustee International Limited as the trustee of The C H Cheah Family Trust. Mr. Cheah Cheng Hye is the founder of The C H Cheah Family Trust.
- To Hau Yin is the spouse of Cheah Cheng Hye and is deemed to be interested in the shares held by Cheah Cheng Hye.

Major Shareholders of the Bank

As at 30 June 2011, Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Loncin Holdings Limited (隆鑫控股有限公司) held 629,304,418 shares, 601,435,221 shares and 570,000,000 shares of the Bank respectively, representing 6.77%, 6.47% and 6.13% of total shares of the Bank respectively, and are substantial shareholders of the Bank.

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

Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (formerly known as Chongqing Yufu Assets Management Company Limited (重慶渝富資產經營管理有限公司)) is a solely state-owned comprehensive assets management company organised under the approval of Chongqing Municipal Government. It was established on 18 March 2004, with registered capital of RMB1,020,490,400. It was under the direct supervision of Chongqing State-owned Assets Supervision and Administration Commission. On 28 June 2011, the company was renamed as 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) (formerly known as Chongqing City Construction Investment Company(重慶市城市建設投資公司)) is a solely state-owned enterprise organised under the approval of Chongqing Municipal Government in April 1994 and authorised to raise and manage funds for city construction. It has a registered capital of RMB6,000 million. On January 7, 2011, the company was renamed as Chongqing City Construction Investment (Group) Company Limited.

Loncin Holdings Limited (隆鑫控股有限公司) is a private enterprise group established on 22 January 2003, with registered capital of RMB1,000 million. It has been listed among “Top 500 Chinese Enterprises” for seven years in a row.

As at 30 June 2011, there were no substantial shareholders holding 10% or more of the shares (as defined under the Listing Rules) of the Bank.

Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

As at 30 June 2011, the interests or short positions of the directors and supervisors 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 SFO) as recorded in the register required to be kept under Section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and HK Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules were as follows:-

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic shares	% of the total issued share capital of the Bank
Tan Yuansheng	Beneficial owner	6,300	0.00009	0.00007
Zuo Ruilan	Beneficial owner	11,900	0.00017	0.00013

Other than as disclosed above, none of the directors or supervisors of the Bank nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at 30 June 2011.

Dates on which Shares Subject to Trading Restrictions Become Tradable

Unit: share

Date	Increase/ (decrease) in the number of shares subject to trading restrictions	Balance of shares subject to selling restrictions	Number of shares not subject to trading restrictions	Remarks	Regulatory sources
12 January 2011	(27,826,440)	6,786,663,959	2,513,336,041	Lock-up period for H shares	Company Law of the People's Republic of China



Profiles of Directors, Supervisors and Senior Management

Directors of the Bank

The board of directors of the Bank comprised a total of 11 directors, including 2 executive directors, namely Mr. Liu Jianzhong (Chairman of the Board of Directors, Secretary of the Party Committee) and Mr. Tan Yuansheng (President of the Bank); 6 non-executive directors, namely Mr. Tao Jun, Mr. Tu Jianhua, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng; and 3 independent non-executive directors, namely Mr. Xu Bin, Mr. Pu Yongjian and Ms. Ran Hua.

Supervisors of the Bank

The board of supervisors of the Bank comprised 9 supervisors, including 4 shareholder representative supervisors, namely Mr. Zhang Peng, Mr. Zeng Jianwu, Ms. Zuo Ruilan, Mr. Chen Fangming; 2 external supervisors, namely Ms. Dong Yunling and Mr. Chen Huiming; 3 employee representative supervisors, namely Ms. Yang Mingping (chairwoman of the board of supervisors), Mr. Zhang Yiqiao and Mr. Liu Yu.

Changes in Directors, Supervisors and Senior Management

The board of directors of the Bank considered and approved the appointments of Dong Lu and Xie Wenhui as the vice presidents of the Bank. The qualifications of the aforesaid two members of senior management are subject to the approval of the regulatory authorities of the banking industry.

Securities Transactions by Directors and Supervisors

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules for securities transactions by directors and supervisors. Having made specific enquires, all directors and supervisors of the Bank confirmed that they have complied with the aforesaid code throughout the six months ended 30 June 2011.

Corporate Governance

During the reporting period, the Bank continued to refine its corporate governance mechanism and improved its corporate governance in strict compliance with laws and regulations such as the Company Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China as well as the Listing Rules and in line with actual conditions of the Bank:

- Clarification of the authorisation of the board of directors by the general meeting. During the reporting period, the Bank authorised the board of directors pursuant to the Articles of Association to exercise the operation and management rights of the Bank (other than those stipulated in the Articles of Association to be exercised by the general meeting), which include but are not limited to, determining operating and management matters of the Bank such as its external investment, purchase and sale of assets, assets pledge, provision of external guarantee, entrusted financial management and related parties transactions.
- Amendments to corporate governance documents. During the reporting period, capitalising on its practice of corporate governance, the Bank formulated such governance documents as “Assessment Measures on the Performance of Duties of Supervisors of Chongqing Rural Commercial Bank Co., Ltd.” (「重慶農村商業銀行股份有限公司監事履職評價辦法」), “Terms of Reference For Nomination Committee under the Board of Supervisors of Chongqing Rural Commercial Bank Co., Ltd.” (「重慶農村商業銀行股份有限公司監事會提名委員會工作細則」) and “Terms of Reference For Audit Committee under the Board of Supervisors of Chongqing Rural Commercial Bank Co., Ltd.” (「重慶農村商業銀行股份有限公司監事會審計委員會工作細則」) pursuant to relevant laws and regulations, as well as the Articles of Association.
- Preparation for election of the board of directors and the board of supervisors. During the reporting period, the term of office for some of its directors and supervisors expired in June 2011. Pursuant to requirement under code provision A.4.2 in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, each director (including directors with designated term of office) shall be subject to retirement by rotation at least once in every three years. As approval is required for the Bank to elect new members of director and supervisor in accordance with approval procedures of supervisory departments and regulatory authorities, the Bank is facilitating the application for relevant approvals and schedules to convene an extraordinary general meeting to hold a new session of election. Current directors and supervisors shall continue to perform duties in accordance with relevant laws and regulation and the Articles of Association until the commencement of next election.

- Reforms on its corporate structure. To accommodate the need of business development of the Bank and pursuant to relevant laws and regulations, the Bank will trim down the number of departments in the head offices from 32 to 27 (please refer to “Organisation Chart”), based on the principle of “Scientific, Simple and Specific”, which included firstly, an enhancement of market competitiveness by integrating marketing and operation departments, with establishment of 6 marketing management departments, 2 direct operation departments and 1 direct operation organisation, secondly, the strengthening of its risk management and control department by setting up 7 risk management departments, which lifts up the level of independence and professionalism, thirdly, optimisation of the supporting departments that strongly props up the Bank’s development through the establishment of 9 general management departments and 2 supporting departments.

For the six months ended 30 June 2011, save for the code provision A.4.2 as stated above, the Bank had been strictly observing and complying with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and also most of the recommended best practices therein.

Implementation of Distribution for Special Dividends

The proposal in relation to special dividends distribution was considered and passed at the second extraordinary general meeting held on 26 November 2010, under which special dividends were paid to holders of non-overseas listed shares of the Bank according to the then holding in 2010. A cash dividend of RMB0.06 (tax inclusive) per share totalling RMB360 million was distributed to holders of the original 6 billion shares. A cash dividend of RMB0.0436 (tax inclusive) per share totalling RMB43.60 million was paid to holders of 1 billion shares which were newly issued at the end of March 2010. Total dividends payments amounted to RMB403.60 million.

Dividend for the Interim Period

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2011.

Material Related Party Transactions

As at the end of the reporting period, the loan balance of material related party transactions with related parties amounted to RMB2,180 million, accounting for 1.62% of the total loan of the Bank. Loans under the material related party transaction between the Bank and related parties have no negative impact on operating results and the financial position of the Bank.

Material Legal Proceedings and Arbitrations

During the reporting period, there were no material legal proceedings or arbitration which has substantial impact on the operation activities of the Bank.

As at the end of June 2011, pending legal proceedings in which the Bank was a defendant or a third party involved an amount of RMB35,070,000. In the opinion of the Bank, it will not have any material effect on our operating activities.

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

During the reporting period, the Bank and all its directors, supervisors and senior management had no record of being subject to inspections, administrative penalties and circulating criticisms by China Securities Regulatory Commission or public censures by HK Stock Exchange, or penalties by relevant regulatory bodies that posed significant impact on the Bank's operation.

Performance of Undertakings by the Bank and Shareholders Holding 5% or More of the Shares

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

Material Contracts and Their Performance

During the reporting period, the Group had no material contracts to be performed.

Material 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.

The Audit Review

The Group's interim financial report for the year 2011 prepared in accordance with International Financial Reporting Standards has been reviewed by Deloitte Touche Tohmatsu, who had issued unmodified audit opinion.

The Bank's interim report for the year 2011 had been reviewed by the Audit Committee under the Board of the Bank.



Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF CHONGQING RURAL COMMERCIAL BANK CO., LTD.

重慶農村商業銀行股份有限公司

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

Introduction

We have reviewed the interim financial information set out on pages 83 to 142, which comprise the condensed consolidated statement of financial position of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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 Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, 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 Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

12 August 2011

Condensed Consolidated Income Statement

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Six months ended 30 June	
		2011 (Unaudited)	2010 (Audited)
Interest income	4	7,822,508	5,238,328
Interest expense	4	(2,994,537)	(1,798,428)
Net interest income	4	4,827,971	3,439,900
Fee and commission income	5	194,731	129,172
Fee and commission expense	5	(15,732)	(6,050)
Net fee and commission income	5	178,999	123,122
Net trading gains	6	21,106	12,670
Other operating (losses) gains, net	7	(90,332)	21,601
Operating income		4,937,744	3,597,293
Operating expenses	8	(1,962,843)	(1,650,314)
Impairment (losses) reversals on assets	9	(62,023)	142,083
Net gains on disposal of available-for-sale financial assets		—	108,020
Net gains on disposal of debt securities classified as receivables		999	—
Profit before tax		2,913,877	2,197,082
Income tax expense	10	(676,511)	(536,637)
Profit for the period		2,237,366	1,660,445
Attributable to:			
Equity holders of the Bank		2,238,297	1,662,846
Non-controlling interests		(931)	(2,401)
		2,237,366	1,660,445
Earnings per share (Expressed in RMB per share)	12		
— Basic		0.24	0.26

Condensed Consolidated Statement of Comprehensive Income

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Audited)
Profit for the period	2,237,366	1,660,445
Other comprehensive income:		
Fair value (losses) gains on available-for-sale financial assets		
— fair value (losses) gains arising during the period	(20,386)	64,548
— amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	—	(108,020)
Income tax relating to available-for-sale financial assets	5,097	10,868
Other comprehensive income for the period (net of tax)	(15,289)	(32,604)
Total comprehensive income for the period	<u>2,222,077</u>	<u>1,627,841</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	2,223,008	1,630,242
Non-controlling interests	(931)	(2,401)
Total comprehensive income for the period	<u>2,222,077</u>	<u>1,627,841</u>

Condensed Consolidated Statement of Financial Position

At 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

		At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
	<i>NOTES</i>		
ASSETS			
Cash and balances with central bank	13	49,491,683	37,321,633
Deposits with banks and other financial institutions	14	6,766,940	17,220,237
Placements with banks and other financial institutions	15	5,649,924	2,000,000
Financial assets held for trading		50,005	482,159
Financial assets designated as at fair value through profit or loss	16	6,948,620	8,046,043
Financial assets held under resale agreements	17	45,938,926	37,158,018
Loans and advances to customers	18	129,565,195	117,114,024
Available-for-sale financial assets	19	1,614,365	1,444,437
Held-to-maturity investments	20	38,237,370	36,708,860
Debt securities classified as receivables	21	25,791,864	21,219,865
Property and equipment		2,373,495	2,341,319
Deferred tax assets	28	1,273,438	1,307,604
Goodwill		440,129	440,129
Other assets	22	3,153,059	2,741,340
Total assets		317,295,013	285,545,668
LIABILITIES			
Borrowing from central bank		20,000	—
Deposits from banks and other financial institutions	23	15,678,348	11,711,766
Financial liabilities designated as at fair value through profit or loss	24	456,806	444,806
Financial assets sold under repurchase agreements	25	37,501,278	35,762,687
Due to customers	26	227,941,188	205,563,022
Accrued staff costs	27	1,817,962	2,166,165
Tax liabilities		469,299	443,391
Debt securities issued		2,300,000	2,300,000
Other liabilities	29	5,158,429	4,723,442
Total liabilities		291,343,310	263,115,279

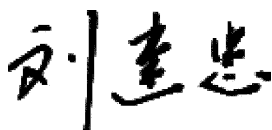
Condensed Consolidated Statement of Financial Position - continued

At 30 June 2011

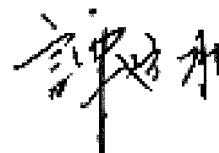
(Amounts in thousands of Renminbi, unless otherwise stated)

		At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
	<i>NOTES</i>		
EQUITY			
Share capital	30	9,300,000	9,000,000
Capital reserve	31	9,201,954	8,202,717
Investment revaluation reserve		1,165	16,454
Surplus reserve	32	3,224,023	575,473
General reserve	33	1,919,803	1,904,193
Retained earnings		<u>2,220,445</u>	<u>2,646,308</u>
Equity attributable to equity holders of the Bank		<u>25,867,390</u>	22,345,145
Non-controlling interests		<u>84,313</u>	<u>85,244</u>
Total equity		<u>25,951,703</u>	<u>22,430,389</u>
Total equity and liabilities		<u>317,295,013</u>	<u>285,545,668</u>

The interim condensed consolidated financial statements on pages 83 to 142 were approved and authorised for issue by the Board of Directors on 12 August 2011 and are signed on its behalf by:



LIU Jianzhong
CHAIRMAN



TAN Yuansheng
EXECUTIVE DIRECTOR
AND PRESIDENT

Condensed Consolidated Statement of Changes in Equity

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Attributable to equity holders of the Bank (Unaudited)						Non-controlling interests	Total	
		Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Investment revaluation reserve			
As at 1 January 2011		9,000,000	8,202,717	575,473	1,904,193	2,646,308	16,454	22,345,145	85,244	22,430,389
Profit for the period		—	—	—	—	2,238,297	—	2,238,297	(931)	2,237,366
Other comprehensive income		—	—	—	—	—	(15,289)	(15,289)	—	(15,289)
Total comprehensive income for the period		—	—	—	—	2,238,297	(15,289)	2,223,008	(931)	2,222,077
Shares issued										
— H shares offering	30	300,000	999,237	—	—	—	—	1,299,237	—	1,299,237
Appropriation to surplus reserve	32	—	—	2,648,550	—	(2,648,550)	—	—	—	—
Appropriation to general reserve	33	—	—	—	15,610	(15,610)	—	—	—	—
As at 30 June 2011		9,300,000	9,201,954	3,224,023	1,919,803	2,220,445	1,165	25,867,390	84,313	25,951,703

Condensed Consolidated Statement of Changes in Equity - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Attributable to equity holders of the Bank (Audited)						Non-controlling interests	Total	
		Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Investment revaluation reserve			
As at 1 January 2010		6,000,000	586,229	263,878	491,771	2,069,749	65,723	9,477,350	—	9,477,350
Profit for the period		—	—	—	—	1,662,846	—	1,662,846	(2,401)	1,660,445
Other comprehensive income		—	—	—	—	—	(32,604)	(32,604)	—	(32,604)
Total comprehensive income for the period		—	—	—	—	1,662,846	(32,604)	1,630,242	(2,401)	1,627,841
Shares issued										
— Private placement		1,000,000	910,000	—	—	—	—	1,910,000	—	1,910,000
Contribution from non-controlling shareholders		—	—	—	—	—	—	—	29,400	29,400
Appropriation to general reserve		—	—	—	1,412,422	(1,412,422)	—	—	—	—
Dividends recognised as distribution	11	—	—	—	—	(360,000)	—	(360,000)	—	(360,000)
As at 30 June 2010		7,000,000	1,496,229	263,878	1,904,193	1,960,173	33,119	12,657,592	26,999	12,684,591

Condensed Consolidated Statement of Cash Flows

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Audited)
Operating activities		
Profit before tax	2,913,877	2,197,082
Adjustments for:		
Depreciation and amortisation	179,589	179,396
Impairment losses (reversals) on assets	62,023	(142,083)
Interest income arising from debt securities	(1,383,765)	(1,071,810)
Interest income arising from impaired financial assets	(38,543)	(75,688)
Interest expense arising from debt securities issued	63,250	63,250
Net gains on disposal of investment securities	(999)	(108,020)
Dividend income from investment securities	(815)	(1,323)
Net (gains) losses on disposal of property and equipment	(13,732)	2,240
Exchange losses	154,643	57
Operating cash flows before movements in working capital	1,935,528	1,043,101
Increase in balances with central bank, deposits with banks and other financial institutions	(11,038,014)	(8,901,819)
Increase in placement with banks and other financial institutions	(2,999,924)	—
Decrease (increase) in financial assets held under resale agreements	13,454,171	(5,258,342)
Decrease (increase) in financial assets held for trading	452,803	(3,544,655)
Increase in loans and advances to customers	(12,475,002)	(12,399,191)
Increase in financial assets sold under repurchase agreements	1,738,591	17,741,181
Increase in due to customers, deposits from banks and other financial institutions	26,345,099	39,286,644
Increase in borrowing from central bank	20,000	—
Decrease (increase) in other operating assets	802,123	(11,415,237)
Increase (decrease) in other operating liabilities	426,783	(221,134)
Cash generated by operating activities	18,662,158	16,330,548
Income tax paid	(611,340)	(218,628)
Net cash from operating activities	18,050,818	16,111,920

Condensed Consolidated Statement of Cash Flows - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended 30 June	
		2011 (Unaudited)	2010 (Audited)
Investing activities			
Cash received from disposal and redemption of investment securities		9,235,597	13,952,580
Cash received from disposal of property and equipment		80,582	143,099
Cash paid for purchase of investment securities		(15,468,000)	(23,722,950)
Cash paid for purchase of property and equipment		(260,507)	(237,283)
Interest income received from investment securities		1,182,071	1,042,432
Net cash used in investing activities		(5,230,257)	(8,822,122)
Financing activities			
Net proceeds from issuance of shares			
— Private placement		—	1,910,000
— H shares offering		1,299,237	—
Contribution from non-controlling shareholders		—	29,400
Dividends paid to shareholders of the Bank		(403,600)	(338,414)
Net cash from financing activities		895,637	1,600,986
Net increase in cash and cash equivalents		13,716,198	8,890,784
Cash and cash equivalents at 1 January		30,750,454	28,722,945
Effect of foreign exchange rate changes		(152,380)	(396)
Cash and cash equivalents at 30 June	34	44,314,272	37,613,333

Notes to the Interim Condensed Consolidated Financial Statements

For The Six Months Ended 30 June 2011

(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 (“PRC”) on 27 June 2008. Prior to its incorporation, the business acquired by the Bank (the “Business”) was carried out by 38 rural credit cooperative unions and Chongqing Wulong Rural Cooperative Bank in Chongqing of the PRC (collectively, the “39 Rural Credit Unions”). All of them were managed by the Chongqing Rural Credit Cooperative Union (the “CRCCU”) at the municipal level of Chongqing, the PRC.

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

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

The Bank has financial services certificate No.00177237 issued by the China Banking Regulatory Commission (the “CBRC”), and business license No.500000000001239 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 deposits, loans, payment and settlement services, and other services as approved by the CBRC.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 “Interim Financial Reporting”.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have 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 the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations ("new or revised IFRSs") issued by International Accounting Standards Board ("IASB"). Except as described below, the application of these new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

IAS 24 Related Party Disclosures (as revised in 2009)

The Group has applied IAS24 Related Party Disclosures (as revised in 2009) for the first time in the current period. IAS24 (as revised in 2009) has revised the definition of a related party. IAS24 (as revised in 2009) requires retrospective application. The related party disclosures set out in note 36 to the condensed consolidated financial statements have been changed to reflect the application of IAS24 (as revised in 2009).

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES — continued

IAS 24 Related Party Disclosures (as revised in 2009) — continued

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorized for issuance and are not yet effective.

IFRS 10	Consolidated Financial Statements ¹
IFRS 11	Joint Arrangements ¹
IFRS 12	Disclosure of Interests in Other Entities ¹
IFRS 13	Fair Value Measurement ¹
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ²
IAS 19 (as revised in 2011)	Employee Benefits ¹
IAS 27 (as revised in 2011)	Separate Financial Statements ¹
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 July 2012.

The directors of the Bank are considering the impact of the application of these eight new or revised standards.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

4. NET INTEREST INCOME

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Audited)
Interest income		
Loans and advances to customers	4,344,291	3,363,912
Including: Corporate loans and advances	2,389,131	2,016,032
Personal loans and advances	1,811,090	1,117,161
Discounted bills	144,070	230,719
Placements with banks and other financial institutions	73,527	—
Debt securities classified as receivables	528,875	442,541
Held-to-maturity investments	813,214	600,398
Balances with central bank	318,049	204,188
Financial assets held under resale agreements	1,237,237	265,659
Deposits with banks and other financial institutions	229,283	47,711
Available-for-sale financial assets	41,676	28,871
Financial assets held for trading	6,318	27,353
Financial assets designated as at fair value through profit or loss	230,038	257,695
Subtotal	7,822,508	5,238,328

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

4. NET INTEREST INCOME — continued

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Audited)
Interest expense		
Due to customers	(1,712,595)	(1,254,063)
Deposits from banks and other financial institutions	(358,860)	(72,815)
Financial assets sold under repurchase agreements	(856,597)	(408,300)
Debt securities issued	(63,250)	(63,250)
Placements from banks and other financial institutions	(3,107)	—
Borrowings from central bank	(128)	—
Subtotal	(2,994,537)	(1,798,428)
Net interest income	<u>4,827,971</u>	<u>3,439,900</u>
Included: interest income on impaired financial assets	<u>38,543</u>	<u>13,106</u>
Included within interest income		
Interest income on listed investments	893,907	694,686
Interest income on unlisted investments	<u>6,928,601</u>	<u>4,543,642</u>
	<u>7,822,508</u>	<u>5,238,328</u>

Listed investments included securities traded on the China Domestic Interbank Bond Market and securities listed on exchanges.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Audited)
Fee and commission income		
Agency commissions	44,991	49,229
Bank card fees	33,165	25,732
Custodian and other fiduciary service fees	2,884	2,348
Settlement and clearing fees	16,877	15,917
Consultancy and advisory fees	86,152	29,294
Others	10,662	6,652
Subtotal	194,731	129,172
Fee and commission expense		
Bank card fees	(13,045)	(4,786)
Settlement and clearing fees	(518)	(48)
Other service fees	(2,169)	(1,216)
Subtotal	(15,732)	(6,050)
Total	178,999	123,122

6. NET TRADING GAINS

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Audited)
Net gains on held-for-trading debt securities	21,106	12,670

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

7. OTHER OPERATING (LOSSES) GAINS, NET

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Audited)
Dividend income from unlisted available-for-sale investments	815	1,323
Net gains (losses) on disposal of property and equipment	13,732	(2,240)
Rental income	6,051	9,486
Net gains on disposal of foreclosed assets	23,496	14,517
Exchange losses	(153,705)	(57)
Others	19,279	(1,428)
Total	(90,332)	21,601

8. OPERATING EXPENSES

	NOTE	Six months ended 30 June	
		2011 (Unaudited)	2010 (Audited)
Staff costs	(1)	1,141,635	904,771
General operating and administrative expenses		287,271	273,411
Business tax and surcharges		304,941	249,815
Depreciation and amortisation		179,589	179,396
Auditor's remuneration		1,200	1,000
Others		48,207	41,921
Total		1,962,843	1,650,314

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

8. OPERATING EXPENSES — continued

Note (1):

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Audited)
Salaries, bonuses and allowances	789,358	565,544
Staff welfare	23,592	45,321
Social insurance	124,263	70,428
Housing funds	69,351	53,268
Labor union fees and staff education expenses	27,511	26,770
Supplementary retirement benefits	30,860	50,210
Early retirement benefits	76,700	93,230
Total	<u>1,141,635</u>	<u>904,771</u>

9. IMPAIRMENT LOSSES (REVERSALS) ON ASSETS

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Audited)
Loans and advances to customers		
Net additions	418,650	440,532
Recovery of loans	(356,276)	(566,013)
Subtotal	62,374	(125,481)
Foreclosed assets	(351)	8,707
Other assets	—	(25,309)
Total	<u>62,023</u>	<u>(142,083)</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Audited)
Income tax expense comprises:		
Current income tax		
— PRC Enterprise Income Tax	637,248	374,207
Deferred tax (<i>note 28</i>)	39,263	162,430
Total	676,511	536,637

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

The tax charges for the six months ended 30 June 2011 and 30 June 2010 can be reconciled to the profit per the condensed consolidated income statement as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Audited)
Profit before tax	2,913,877	2,197,082
Tax calculated at applicable statutory tax rate of 25%	728,469	549,271
Tax effect of expenses not deductible for tax purpose	15,623	22,876
Tax effect of income not taxable for tax purpose	(67,581)	(35,510)
Income tax expense	676,511	536,637

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

11. DIVIDENDS

	NOTE	Six months ended 30 June	
		2011 (Unaudited)	2010 (Audited)
2009 Final - RMB 6 cents per share	(1)	—	360,000

Note:

- (1) No dividend were declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

A final dividend of RMB6 cents per share in respect of the year ended 31 December 2009 in total of RMB360 million was approved by the shareholders on 26 May 2010.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Audited)
Earnings:		
Profit for the period attributable to equity holders of the Bank	2,238,297	1,662,846
Numbers of shares		
Weighted average number of shares in issue (<i>thousand</i>)	9,291,667	6,508,287
Basic earnings per share (<i>RMB yuan</i>)	0.24	0.26

There were no potential ordinary shares outstanding during the current and prior periods. Accordingly, no diluted earnings per share was presented.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

13. CASH AND BALANCES WITH CENTRAL BANK

		At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
	NOTE		
Cash		2,164,409	2,269,413
Mandatory reserve deposits with central bank	(1)	42,750,678	33,195,245
Surplus reserve deposits with central bank		3,992,505	1,790,907
Other deposits with central bank		584,091	66,068
Total		<u>49,491,683</u>	<u>37,321,633</u>

Note:

- (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 2011, mandatory reserve deposits with the PBOC were calculated at 19.5% (31 December 2010: 16.5%) of eligible RMB deposits, and 5% of foreign currency deposits from customers (31 December 2010: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

14. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

		At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Deposits with:			
Domestic banks		6,734,650	17,050,646
Overseas banks		32,290	169,591
Total		<u>6,766,940</u>	<u>17,220,237</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

15. PLACEMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Placement with:		
Domestic banks	500,000	—
Domestic other financial institutions	5,149,924	2,000,000
Total	<u>5,649,924</u>	<u>2,000,000</u>

16. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Unlisted debt instruments issued by financial institutions	<u>6,948,620</u>	<u>8,046,043</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

17. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Analysed by collateral type:		
Bonds	700,000	500,000
Bills	<u>45,238,926</u>	<u>36,658,018</u>
Total	<u><u>45,938,926</u></u>	<u><u>37,158,018</u></u>

18. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Gross loans and advances	133,855,837	121,024,559
Individually assessed	(598,398)	(496,983)
Collectively assessed	<u>(3,692,244)</u>	<u>(3,413,552)</u>
Allowance for impairment losses	<u>(4,290,642)</u>	<u>(3,910,535)</u>
Loans and advances to customers	<u><u>129,565,195</u></u>	<u><u>117,114,024</u></u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

18. LOANS AND ADVANCES TO CUSTOMERS — continued

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

	Loans and advances for which allowance is collectively assessed (a)	Identified impaired loans and advances (b) For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total	Total	Identified impaired loans and advances as a % of gross total loans and advances
At 30 June 2011(Unaudited)						
Gross loans and advances	130,597,063	2,101,705	1,157,069	3,258,774	133,855,837	2.43
Allowance for impairment losses	<u>(1,765,934)</u>	<u>(1,926,310)</u>	<u>(598,398)</u>	<u>(2,524,708)</u>	<u>(4,290,642)</u>	
Loans and advances to customers, net	<u>128,831,129</u>	<u>175,395</u>	<u>558,671</u>	<u>734,066</u>	<u>129,565,195</u>	
At 31 December 2010(Audited)						
Gross loans and advances	117,701,656	2,047,734	1,275,169	3,322,903	121,024,559	2.75
Allowance for impairment losses	<u>(1,730,072)</u>	<u>(1,683,480)</u>	<u>(496,983)</u>	<u>(2,180,463)</u>	<u>(3,910,535)</u>	
Loans and advances to customers, net	<u>115,971,584</u>	<u>364,254</u>	<u>778,186</u>	<u>1,142,440</u>	<u>117,114,024</u>	

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

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

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

18. LOANS AND ADVANCES TO CUSTOMERS — continued

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

	Individually assessed allowance	Collectively assessed allowance	Total
At 1 January 2011	496,983	3,413,552	3,910,535
Net additions	125,193	293,457	418,650
Written off	—	—	—
Unwinding of discount on allowance	(23,778)	(14,765)	(38,543)
At 30 June 2011	<u>598,398</u>	<u>3,692,244</u>	<u>4,290,642</u>

	Individually assessed allowance	Collectively assessed allowance	Total
At 1 January 2010	363,202	2,152,817	2,516,019
Net additions	166,649	1,343,743	1,510,392
Written off	(24,696)	(61,861)	(86,557)
Unwinding of discount on allowance	(8,172)	(21,147)	(29,319)
At 31 December 2010	<u>496,983</u>	<u>3,413,552</u>	<u>3,910,535</u>

Under the International Financial Reporting Standard (“IFRS”), the restructuring of the Bank was accounted for as an acquisition of the business from the 39 Rural Credit Unions and CRCCU 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, CRCCU and the Bank before and after the restructuring. The following disclosures (Note 18 (4) to (7)) in relation to loans and advances to customers have been prepared based on the contractual amount of these loans for management purpose, which are not the same as the carrying amount of these loans and advances to customers stated in the interim condensed consolidated financial statements of the Group.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

18. LOANS AND ADVANCES TO CUSTOMERS — continued

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

	At 30 June 2011 (Unaudited)		At 31 December 2010 (Audited)	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Production and supply				
of power, gas and water	5,304,737	6.15	4,819,700	6.06
Real estate	11,821,427	13.71	12,188,464	15.32
Construction	7,006,675	8.13	6,100,061	7.67
Finance	585,050	0.68	1,663,512	2.09
Retail and wholesale	4,252,897	4.93	4,617,934	5.81
Water, environment and public utilities management	14,932,899	17.32	12,925,740	16.25
Manufacturing	24,957,784	28.96	22,973,987	28.88
Leasing and commercial services	2,744,285	3.18	1,316,517	1.66
Transportation, storage and post	2,393,160	2.78	3,076,330	3.87
Education	2,913,081	3.38	2,676,889	3.37
Others	9,290,192	10.78	7,185,523	9.02
Subtotal	86,202,187	100.00	79,544,657	100.00
Personal loans and advances				
Mortgages	28,387,206	58.44	24,002,994	56.34
Loans to private business and employment assistance loans	13,360,744	27.50	11,289,459	26.50
Farmer loans	2,821,989	5.81	3,163,335	7.43
Others	4,008,262	8.25	4,144,704	9.73
Subtotal	48,578,201	100.00	42,600,492	100.00
Gross loans and advances to customers	134,780,388		122,145,149	

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

18. LOANS AND ADVANCES TO CUSTOMERS — continued

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

	At 30 June 2011 (Unaudited)			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	3,202,224	7,528,096	4,785,109	15,515,429
Guaranteed loans	6,104,157	14,960,529	7,007,620	28,072,306
Collateralised and other secured loans				
— loans secured by property and other immovable assets	11,197,160	36,193,744	35,339,454	82,730,358
— other pledged loans	2,088,817	3,532,893	2,840,585	8,462,295
Total	22,592,358	62,215,262	49,972,768	134,780,388
	At 31 December 2010 (Audited)			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	1,405,684	7,595,418	5,422,578	14,423,680
Guaranteed loans	5,976,009	13,539,602	4,655,558	24,171,169
Collateralised and other secured loans				
— loans secured by property and other immovable assets	7,611,252	36,844,997	28,676,247	73,132,496
— other pledged loans	3,507,029	4,044,948	2,865,827	10,417,804
Total	18,499,974	62,024,965	41,620,210	122,145,149

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

18. LOANS AND ADVANCES TO CUSTOMERS — continued

(6) Past due loans at contractual amount

	At 30 June 2011 (Unaudited)				Total
	Up to 90 days	91-360 days	361 days to 3 years	Over 3 years	
Unsecured loans	414,727	353,597	499,843	215,859	1,484,026
Guaranteed loans	138,143	103,456	142,809	97,557	481,965
Collateralised and other secured loans					
— loans secured by property and other immovable assets	1,181,591	574,088	562,949	270,005	2,588,633
— other pledged loans	4,753	15,594	49,212	16,607	86,166
Total	1,739,214	1,046,735	1,254,813	600,028	4,640,790

	At 31 December 2010 (Audited)				Total
	Up to 90 days	91-360 days	361 days to 3 years	Over 3 years	
Unsecured loans	654,029	293,703	536,408	159,886	1,644,026
Guaranteed loans	134,588	67,720	202,535	64,280	469,123
Collateralised and other secured loans					
— loans secured by property and other immovable assets	665,260	577,634	541,942	485,397	2,270,233
— other pledged loans	107,686	13,773	45,088	23,708	190,255
Total	1,561,563	952,830	1,325,973	733,271	4,573,637

If either a loan's principal or interest past due by 1 day in any period, the whole loan is classified as past due loan.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

18. LOANS AND ADVANCES TO CUSTOMERS — continued

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

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Neither past due nor impaired (i)	129,975,431	117,315,814
Past due but not impaired (ii)	2,153,849	1,918,059
Impaired (iii)	2,651,108	2,911,276
Subtotal	134,780,388	122,145,149
Allowance for impairment losses of loans and advances to customers	(5,215,193)	(5,031,125)
Loans and advances to customers	<u>129,565,195</u>	<u>117,114,024</u>

(i) Loans and advances neither past due nor impaired

	At 30 June 2011 (Unaudited)		
	Normal	Special mention	Total
Corporate loans and advances	74,354,706	10,601,717	84,956,423
Personal loans and advances	44,407,460	611,548	45,019,008
Total	<u>118,762,166</u>	<u>11,213,265</u>	<u>129,975,431</u>
	At 31 December 2010 (Audited)		
	Normal	Special mention	Total
Corporate loans and advances	65,810,287	12,075,396	77,885,683
Personal loans and advances	38,712,539	717,592	39,430,131
Total	<u>104,522,826</u>	<u>12,792,988</u>	<u>117,315,814</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

18. LOANS AND ADVANCES TO CUSTOMERS — continued

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

(ii) Loans and advances past due but not impaired

	At 30 June 2011 (Unaudited)				Total
	Up to 30 days (including 30 days)	30 - 60 days (including 60 days)	60 - 90 days (including 90 days)	More than 90 days	
Corporate loans and advances	1,200	5,000	—	35,444	41,644
Personal loans and advances	1,458,999	167,886	93,478	391,842	2,112,205
Total	<u>1,460,199</u>	<u>172,886</u>	<u>93,478</u>	<u>427,286</u>	<u>2,153,849</u>

	At 31 December 2010 (Audited)				Total
	Up to 30 days (including 30 days)	30 - 60 days (including 60 days)	60 - 90 days (including 90 days)	More than 90 days	
Corporate loans and advances	115,000	26,229	—	31,567	172,796
Personal loans and advances	1,204,690	112,665	52,025	375,883	1,745,263
Total	<u>1,319,690</u>	<u>138,894</u>	<u>52,025</u>	<u>407,450</u>	<u>1,918,059</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

18. LOANS AND ADVANCES TO CUSTOMERS — continued

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

(iii) Impaired loans and advances

	At 30 June 2011 (Unaudited)		
	Book value	Impairment	Net value
Individually assessed	1,136,166	(577,495)	558,671
Collectively assessed	1,514,942	(1,341,864)	173,078
Total	<u>2,651,108</u>	<u>(1,919,359)</u>	<u>731,749</u>

	At 31 December 2010 (Audited)		
	Book value	Impairment	Net value
Individually assessed	1,402,483	(624,297)	778,186
Collectively assessed	1,508,793	(1,144,539)	364,254
Total	<u>2,911,276</u>	<u>(1,768,836)</u>	<u>1,142,440</u>

Including:

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Individually assessed and impaired	<u>1,136,166</u>	1,402,483
Individually assessed and impaired %	<u>0.84%</u>	<u>1.15%</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

		At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
	<i>NOTES</i>		
Debt securities issued by			
— Financial institutions		99,255	100,204
— Corporations		<u>1,452,782</u>	<u>1,281,308</u>
Subtotal		<u>1,552,037</u>	<u>1,381,512</u>
Equity instruments			
— at fair value		33,063	33,660
— at cost	(1)	<u>29,265</u>	<u>29,265</u>
Subtotal		<u>62,328</u>	<u>62,925</u>
Total		<u><u>1,614,365</u></u>	<u><u>1,444,437</u></u>
Analysed as:			
Listed outside Hong Kong	(2)	1,585,100	1,415,172
Unlisted		<u>29,265</u>	<u>29,265</u>
Total		<u><u>1,614,365</u></u>	<u><u>1,444,437</u></u>

Notes:

- (1) The unlisted equity securities are measured at cost because their fair value cannot be reliably measured.
- (2) All available-for-sale debt securities are traded on the China Domestic Interbank Bond Market and are included in "Listed outside Hong Kong".

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

20. HELD-TO-MATURITY INVESTMENTS

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Debt securities issued by:		
Government	8,214,513	11,347,316
Public sector and quasi-governments	14,524,639	14,437,210
Financial institutions	1,775,663	2,350,836
Corporations	13,722,555	8,573,498
Total	<u>38,237,370</u>	<u>36,708,860</u>

All held-to-maturity investments are traded on the China Domestic Interbank Bond Market.

21. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	NOTE	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Certificate treasury bonds		1,028,264	1,109,007
Financial institution bonds		760,202	818,667
Debt securities issued by public sector and quasi-governments		47,362	47,234
Debt instruments issued by financial Institutions	(1)	23,956,036	19,244,957
Total		<u>25,791,864</u>	<u>21,219,865</u>

Note:

- (1) The debt instruments issued by financial institutions include the loans which are non-callable before maturity with fixed interest rate and not quoted in active market.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

22. OTHER ASSETS

		At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
	<i>NOTE</i>		
Interest receivable		2,065,188	1,562,539
Foreclosed assets		196,895	263,313
Intangible assets		32,813	41,108
Land use rights		455,406	464,513
Subsidy receivable	(1)	—	214,793
Others		402,757	195,074
Total		<u>3,153,059</u>	<u>2,741,340</u>

Note:

- (1) To recoup certain loan losses incurred by the 6 rural credit unions located at Three Gorges areas during Three Gorges migration, the PBOC granted in 2007 a special loan of RMB743 million to Chongqing Yufu Assets Management Company Limited (the "Chongqing Yufu") which is owned by Chongqing Municipal Government (one of the shareholder of the Bank after its incorporation on 27 June 2008). This special loan bears interest at 2.25% per annum with a maturity of 13 years. Pursuant to (i) a trust agreement entered between the 6 rural credit unions and Chongqing International Trust Co., Ltd. (the "CITCO") , an asset management company and (ii) two sets of asset management agreements entered into by the 6 rural credit unions, Chongqing Yufu and CITCO, Chongqing Yufu is required to pay an amount to the 6 rural credit unions which equals to the difference between the benchmark interest rate as quoted by the PBOC for commercial loans with terms over 5 years and the 2.25% (after adjusting for commission fee to CITCO as stipulated in the trust agreement) during the period of this special loan.

In June 2007, the 6 rural credit unions recognised it as subsidy income and subsidy receivable of RMB312 million. The arrangement was transferred from the 6 rural credit unions to the Bank when the Bank acquired the Business on 27 June 2008.

In March 2011, this subsidy was fully received by the Bank.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

23. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Deposits from domestic banks	15,070,513	11,134,353
Deposits from other domestic financial institutions	607,835	577,413
Total	<u>15,678,348</u>	<u>11,711,766</u>

24. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	NOTE	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Principal guaranteed wealth management products	(1)	<u>456,806</u>	<u>444,806</u>

Note:

- (1) The Group designates the amounts received through the principal protected guaranteed return wealth management products sold to their customers as financial liabilities at FVTPL. As at 30 June 2011 and 31 December 2010, the fair value of these products issued by the Group approximates the contractual amount payable upon maturity to the holders of these products. For the period ended 30 June 2011 and the year of 2010, there were no significant changes in the Group's credit risk and therefore there were no significant gains or losses on fair value attributable to changes in the Group's credit risk for those financial liabilities designed by the Group at fair value through profit or loss.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

25. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Analysed by collateral type:		
Bonds	30,370,343	25,477,580
Bills	7,130,935	10,285,107
Total	<u>37,501,278</u>	<u>35,762,687</u>

26. DUE TO CUSTOMERS

	NOTE	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Demand deposits			
Corporate customers		47,010,228	45,290,684
Individual customers		45,822,908	43,946,001
Time deposits			
Corporate customers		12,889,210	10,228,871
Individual customers		117,769,442	101,200,496
Pledged deposits	(1)	4,331,043	4,846,676
Others (including outward remittance and remittance outstanding)		118,357	50,294
Total		<u>227,941,188</u>	<u>205,563,022</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

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(Amounts in thousands of Renminbi, unless otherwise stated)

26. DUE TO CUSTOMERS — continued

Note:

- (1) Analysed by products for which deposit is required:

	<i>NOTE</i>	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Acceptances		3,056,079	3,614,373
Letters of guarantee		25,611	35,574
Letters of credit		31,018	70,026
Others	(i)	<u>1,218,335</u>	<u>1,126,703</u>
Total		<u>4,331,043</u>	<u>4,846,676</u>

- (i) Others mainly represent pledged deposits the Group received to secure loans and advances to customers.

27. ACCRUED STAFF COSTS

	<i>NOTES</i>	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Salaries, bonuses and allowances		495,635	827,464
Social insurance		897	1,671
Housing funds		237	86
Supplementary retirement benefits	(1)	794,970	796,260
Early retirement benefits	(2)	458,840	433,270
Labor union fees and staff education expenses		<u>67,383</u>	<u>107,414</u>
Total		<u>1,817,962</u>	<u>2,166,165</u>

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

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

27. ACCRUED STAFF COSTS — continued

Notes:

(1) **Supplementary retirement benefits**

The movement of the supplementary retirement benefits benefit recognized are as follows:

As at 1 January 2011	796,260
Amounts recognised in the condensed consolidated income statement:	
Interest cost	14,540
Present value of benefit obligation for participants entering the plan during the period	16,320
Benefits paid	<u>(32,150)</u>
As at 30 June 2011	<u><u>794,970</u></u>

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

	At 30 June 2011	At 31 December 2010
Discount rate	4%	4%
Annual average medical expenses inflation rate	7%	7%
Mortality rate	China Insurance Industry Experience Mortality Table 2000-2003	

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

27. ACCRUED STAFF COSTS — continued

(2) Early retirement benefits

The movement of the early retirement benefits recognized are as follows:

As at 1 January 2011	433,270
Amounts recognised in the condensed consolidated income statement:	
Interest cost	6,770
Present value of benefit obligation for participants entering the plan during the period	69,930
Benefits paid	<u>(51,130)</u>
As at 30 June 2011	<u><u>458,840</u></u>

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

	At 30 June 2011	At 31 December 2010
Discount rate	3.5%	3.5%
Annual average medical expenses inflation rate	7%	7%
Annual subsidies inflation rate	1%	1%
Normal retirement age		
— Male	60	60
— Female	<u>50</u>	<u>50</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

28. DEFERRED TAXATION

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

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

	Allowances of impairment losses	Early retirement benefits	Accrued salaries, bonuses and allowances	Provision	Fair value changes of financial instruments	Interest income/ expense	Fair value changes of net assets including debt securities investment, property and equipment and other assets relating to acquisition of Business	Total
As at 1 January								
2011 (Audited)	902,206	108,318	206,740	1,458	(324)	(44,432)	133,638	1,307,604
Credit (charge) to profit or loss	30,019	6,392	(83,182)	(472)	(5,162)	22,185	(9,043)	(39,263)
Credit to other comprehensive income	—	—	—	—	5,097	—	—	5,097
As at 30 June								
2011(Unaudited)	<u>932,225</u>	<u>114,710</u>	<u>123,558</u>	<u>986</u>	<u>(389)</u>	<u>(22,247)</u>	<u>124,595</u>	<u>1,273,438</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

28. DEFERRED TAXATION — continued

	Allowances of impairment losses	Early retirement benefits	Accrued salaries, bonuses and allowances	Provision	Fair value changes of financial instruments	Interest income/ expense	Fair value changes of net assets including debt securities investment, property and equipment and other assets relating to acquisition of Business	Total
As at 1 January 2010								
(Audited)	943,899	82,135	167,857	2,939	(21,908)	(31,569)	120,570	1,263,923
(Charge) credit to profit or loss	(41,693)	26,183	38,883	(1,481)	5,161	(12,863)	13,068	27,258
Credit to other comprehensive income	—	—	—	—	16,423	—	—	16,423
As at 31 December 2010 (Audited)	<u>902,206</u>	<u>108,318</u>	<u>206,740</u>	<u>1,458</u>	<u>(324)</u>	<u>(44,432)</u>	<u>133,638</u>	<u>1,307,604</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

29. OTHER LIABILITIES

	At 30 June	At 31 December
	2011	2010
	(Unaudited)	(Audited)
Interest payable	2,877,848	2,417,937
Other payables	1,977,676	1,671,202
Business and other tax payables	189,277	153,006
Dividends payable	26,761	430,361
Provision	3,945	5,833
Deferred income	82,922	45,103
	<hr/>	<hr/>
Total	<u>5,158,429</u>	<u>4,723,442</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

30. SHARE CAPITAL

	<i>NOTE</i>	Number of shares (in thousands)	Amount
As at 31 December 2010 and 1 January 2011 (Audited)		9,000,000	9,000,000
Shares issued			
— H shares offering	(1)	300,000	300,000
As at 30 June 2011 (Unaudited)		9,300,000	9,300,000

- (1) On 5th January 2011, Bank issued additional 300,000,000 H shares with par value of RMB1 per share at offer price of HKD5.25 per share as the over-allotment options granted during the initial public offering were fully exercised.

31. CAPITAL RESERVE

The Bank issued shares at share premium. Share premium was recorded in the capital reserve after deducting direct issue costs which mainly included underwriting fees and professional fees.

Notes to the Interim Condensed Consolidated Financial Statements - continued

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(Amounts in thousands of Renminbi, unless otherwise stated)

32. SURPLUS RESERVE

Under relevant PRC Laws, the Group 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 year determined under the generally accepted accounting principles of the PRC ("PRC GAAP") to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital. Pursuant to the approved 2010 profit appropriation resolution by the general meeting on 19 May 2011, the Bank appropriated RMB2,649 million to discretionary surplus reserve(2010: Nil).

33. GENERAL RESERVE

Pursuant to the Measures on General Provision for Bad and Doubtful Debts for Financial Institutions (Cai Jin [2005] No. 49) and Application Guidance of Financing Measures for Financial Institutions (Cai Jin [2007] No. 23) issued by the MOF in addition to the specific and collective allowances for impairment losses, the Bank is 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% of the aggregate amount of risk assets as defined by the above measures.

Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate certain amounts of their net profit as general reserve.

During the period ended 30 June 2011, the Group transferred RMB15.61 million to general reserve pursuant to regulatory requirement in the PRC.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

34. CASH AND CASH EQUIVALENTS

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

	At 30 June 2011 (Unaudited)	At 30 June 2010 (Audited)
Cash	2,164,409	2,024,680
Balances with central bank	3,992,505	3,642,552
Deposits with banks and other financial institutions	3,070,475	4,661,699
Placement with banks and other financial institutions	650,000	—
Financial assets held under resale agreements	34,436,883	27,284,402
Total	<u>44,314,272</u>	<u>37,613,333</u>

35. SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Group and the Bank 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. Most major customers and non-current assets are located in Chongqing, the PRC. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

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

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

35. SEGMENT ANALYSIS — *continued*

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

The Group has no major customers which contribute 10 per cent 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.

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 and other types of corporate intermediary services.

Personal banking

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

Treasury operations

The Group’s treasury operations conduct 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 Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

35. SEGMENT ANALYSIS — continued

	Six months ended 30 June 2011 (Unaudited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	2,440,775	1,811,090	3,570,643	7,822,508	—	7,822,508
External interest expense	(237,459)	(1,475,136)	(1,281,942)	(2,994,537)	—	(2,994,537)
Inter-segment interest (expense) income	(392,249)	1,182,131	(789,882)	—	—	—
Net interest income	1,811,067	1,518,085	1,498,819	4,827,971	—	4,827,971
Fee and commission income	47,715	64,920	82,096	194,731	—	194,731
Fee and commission expense	(3,855)	(5,245)	(6,632)	(15,732)	—	(15,732)
Net fee and commission income	43,860	59,675	75,464	178,999	—	178,999
Net trading gain	—	—	21,106	21,106	—	21,106
Other operating (losses) gains, net	—	—	(153,183)	(153,183)	62,851	(90,332)
Operating income	1,854,927	1,577,760	1,442,206	4,874,893	62,851	4,937,744
Operating expenses	(970,284)	(748,614)	(219,595)	(1,938,493)	(24,350)	(1,962,843)
Impairment (losses) reversals on assets	(165,181)	103,158	—	(62,023)	—	(62,023)
Net gains on disposal of debt securities classified as receivables	—	—	999	999	—	999
Profit before tax	719,462	932,304	1,223,610	2,875,376	38,501	2,913,877
Income tax expense						(676,511)
Profit for the period						<u>2,237,366</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

35. SEGMENT ANALYSIS — continued

	Six months ended 30 June 2011 (Unaudited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
Depreciation and amortisation included in operating expenses	96,268	74,458	8,863	179,589	—	179,589
Capital expenditure	139,644	108,007	12,856	260,507	—	260,507
	At 30 June 2011 (Unaudited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
Segment assets	82,650,368	46,157,371	183,893,840	312,701,579	4,593,434	317,295,013
Segment liabilities	66,425,814	167,638,375	56,705,702	290,769,891	573,419	291,343,310
Credit commitments	4,426,482	—	—	4,426,482	—	4,426,482

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

35. SEGMENT ANALYSIS — continued

	Six months ended 30 June 2010 (Audited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	2,060,545	1,117,161	2,060,622	5,238,328	—	5,238,328
External interest expense	(144,895)	(1,109,168)	(544,365)	(1,798,428)	—	(1,798,428)
Inter-segment interest (expense) income	(389,418)	1,068,620	(679,202)	—	—	—
Net interest income	1,526,232	1,076,613	837,055	3,439,900	—	3,439,900
Fee and commission income	31,651	43,064	54,457	129,172	—	129,172
Fee and commission expense	(1,483)	(2,017)	(2,550)	(6,050)	—	(6,050)
Net fee and commission income	30,168	41,047	51,907	123,122	—	123,122
Net trading gain	—	—	12,670	12,670	—	12,670
Other operating (losses) gains, net	—	—	(57)	(57)	21,658	21,601
Operating income	1,556,400	1,117,660	901,575	3,575,635	21,658	3,597,293
Operating expenses	(874,313)	(591,415)	(160,236)	(1,625,964)	(24,350)	(1,650,314)
Impairment reversals on assets	85,591	56,492	—	142,083	—	142,083
Net gain on disposal of available-for-sale financial assets	—	—	105,385	105,385	2,635	108,020
Profit before tax	767,678	582,737	846,724	2,197,139	(57)	2,197,082
Income tax expense						(536,637)
Profit for the period						<u>1,660,445</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

35. SEGMENT ANALYSIS — continued

	Six months ended 30 June 2010 (Audited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
Depreciation and amortisation included in operating expenses	101,431	70,336	7,629	179,396	—	179,396
Capital expenditure	134,161	93,031	10,091	237,283	—	237,283
	<u>101,431</u>	<u>70,336</u>	<u>7,629</u>	<u>179,396</u>	<u>—</u>	<u>179,396</u>
	<u>134,161</u>	<u>93,031</u>	<u>10,091</u>	<u>237,283</u>	<u>—</u>	<u>237,283</u>

	As at 31 December 2010 (Audited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
Segment assets	74,940,916	41,263,458	164,728,469	280,932,843	4,612,825	285,545,668
Segment liabilities	62,520,387	149,058,626	50,615,986	262,194,999	920,280	263,115,279
Credit commitments	5,229,578	—	—	5,229,578	—	5,229,578
	<u>74,940,916</u>	<u>41,263,458</u>	<u>164,728,469</u>	<u>280,932,843</u>	<u>4,612,825</u>	<u>285,545,668</u>
	<u>62,520,387</u>	<u>149,058,626</u>	<u>50,615,986</u>	<u>262,194,999</u>	<u>920,280</u>	<u>263,115,279</u>
	<u>5,229,578</u>	<u>—</u>	<u>—</u>	<u>5,229,578</u>	<u>—</u>	<u>5,229,578</u>

Unallocated assets mainly include property and equipment of the Group's head office. Unallocated liabilities mainly include tax liabilities and dividends payable.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

36. RELATED PARTY TRANSACTIONS

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 hold	
	At 30 June 2011 %	At 31 December 2010 %
	(Unaudited)	(Audited)
Chongqing Yufu Assets Management Group Company Limited	6.77	7.09
Chongqing City Investment (Group) Co., Ltd.	6.47	6.78
Loncin Holding Co., Ltd.	6.13	6.33

As stated in Note 3, in accordance with IAS 24 Related Party Disclosures (as revised in 2009), there are several entities controlled or jointly controlled by member of the key management personnel of the Group which are considered as related parties of the Group ("other related parties").

IAS24 (as revised in 2009) requires retrospective application, thus the comparatives for the related party transactions set out as below have been restated.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

36. RELATED PARTY TRANSACTIONS — continued

Related party transactions

During six months period ended 30 June 2011, the Group entered into the following material transactions with related parties:

	Interest income		Interest expense		Operating expense	
	For the six-month		For the six-month		For the six-month	
	ended 30 June		ended 30 June		ended 30 June	
	2011	2010	2011	2010	2011	2010
	(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)
Shareholders of the Bank	52,617	59,266	6,433	5,064	4,300	—
Other related parties	11,970	10,426	506	42	—	—

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

	Loans and advances		Customer deposits	
	to related parties		from related parties	
	30 June	31 December	30 June	31 December
	2011	2010	2011	2010
	(Unaudited)	(Restated)	(Unaudited)	(Restated)
Shareholders of the Bank	1,880,000	1,932,908	5,768	370,815
Other related parties	300,000	300,000	76,541	136,142

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

36. RELATED PARTY TRANSACTIONS — continued

Related party transactions — continued

	Interest receivable from related parties		Interest payable to related parties	
	30 June 2011 (Unaudited)	31 December 2010 (Restated)	30 June 2011 (Unaudited)	31 December 2010 (Restated)
Shareholders of the Bank	4,188	3,274	5,501	72
Other related parties	731	370	10	15

	Subsidy receivable from related parties		Debt securities issued to related parties	
	30 June 2011 (Unaudited)	31 December 2010 (Restated)	30 June 2011 (Unaudited)	31 December 2010 (Restated)
Shareholder of the Bank	—	214,793	200,000	200,000

As at 30 June 2011, the debt instruments issued by financial institutions of RMB1,998 million (2010: RMB1,000 million) included in debt securities classified as receivables were used to finance the investments of those financial institutions in which a shareholder of the Bank has an option to acquire such investments from those financial institutions at a predetermined price in future.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

36. RELATED PARTY TRANSACTIONS — continued

Key management personnel

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

The Group enters into banking transactions with key management personnel in the normal course of business. During the six month periods ended 30 June 2011 and 30 June 2010, there were no material transactions with key management personnel on an individual basis.

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

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Restated)
Basic salaries and allowances	509	541
Bonuses	8,234	2,043
Contribution to pension schemes	323	244
Total	<u>9,066</u>	<u>2,828</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

37. 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 2011 and 31 December 2010, provisions of RMB 3.9 million and RMB 5.8 million were made based on court judgments or the advice of counsel. 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

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Contracted but not provided for	226,803	170,837
Authorised but not contracted for	557,085	265,816
Total	<u>783,888</u>	<u>436,653</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

37. CONTINGENT LIABILITIES AND COMMITMENTS — continued

Credit commitments

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Letters of credit issued	302,066	337,458
Letters of guarantee	41,821	47,992
Acceptances	4,082,595	4,844,128
Total	<u>4,426,482</u>	<u>5,229,578</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.

Credit risk weighted amounts for credit commitments

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Credit commitments	<u>1,192,301</u>	<u>1,404,966</u>

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

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

37. CONTINGENT LIABILITIES AND COMMITMENTS — continued

Operating lease commitment

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

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Within 1 year	20,360	21,217
1 to 2 years	17,234	17,613
2 to 3 years	15,683	15,657
Above 3 years	65,803	79,367
Total	<u>119,080</u>	<u>133,854</u>

The leases are negotiated for a lease term of 1 to 13 years.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

37. CONTINGENT LIABILITIES AND COMMITMENTS — continued

Collateral

Assets pledged

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

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)
Bonds	31,221,168	25,508,816
Bills	<u>7,130,935</u>	<u>10,285,107</u>
Total	<u><u>38,352,103</u></u>	<u><u>35,793,923</u></u>

As at 30 June 2011, the net book value of financial assets sold under repurchase agreements by the Group was RMB 37,501 million (31 December 2010: RMB35,763 million). All repurchase agreements are due within twelve months from inception.

Collateral accepted

Bills and other documents received as collateral can be resold or re-pledged in connection with bills and other documents purchased under resale agreements. The fair value of collateral accepted by the Bank is RMB45,239 million as at 30 June 2011 (31 December 2010: RMB36,658 million). No collateral was sold or re-pledged by the Group as at period ended of 30 June 2011 and 31 December 2010.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Where such prices are not available, discounted cash flow analysis is adopted by using the applicable yield curve for the duration of the instruments, to the extent possible;
- the fair value of unlisted debt instruments issued by financial institutions is estimated based on the net asset value per unit reported by the issuers.

The tables below summarise the carrying amounts and fair values of those financial assets and liabilities not presented on the statements of financial position at their fair value. Financial assets and liabilities for which the carrying amounts approximates fair value, such as balances with central bank, deposits with banks and other financial institutions, placement with banks and other financial institutions, financial assets held under resale agreements, deposits from banks and other financial institutions and financial assets sold under repurchase agreements issued are not included in the tables below.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

38. FAIR VALUE OF FINANCIAL INSTRUMENTS — continued

	At 30 June 2011 (Unaudited)		At 31 December 2010 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	129,565,195	129,540,447	117,114,024	116,942,326
Held-to-maturity investments	38,237,370	37,502,394	36,708,860	36,753,352
Debt securities classified as receivables	25,791,864	25,685,448	21,219,865	21,137,637
Total	<u>193,594,429</u>	<u>192,728,289</u>	<u>175,042,749</u>	<u>174,833,315</u>
Financial liabilities				
Due to customers	227,941,188	224,103,563	205,563,022	207,126,738
Debt securities issued	2,300,000	2,259,336	2,300,000	2,216,280
Total	<u>230,241,188</u>	<u>226,362,899</u>	<u>207,863,022</u>	<u>209,343,018</u>

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

38. FAIR VALUE OF FINANCIAL INSTRUMENTS — continued

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

	At 30 June 2011 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	—	50,005	—	50,005
Financial assets designated as at fair value through profit or loss	—	6,948,620	—	6,948,620
Available-for-sale financial assets	33,063	1,552,037	—	1,585,100
Total assets	33,063	8,550,662	—	8,583,725
Financial liabilities designated as at fair value through profit or loss	—	456,806	—	456,806
Total liabilities	—	456,806	—	456,806

Notes to the Interim Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

38. FAIR VALUE OF FINANCIAL INSTRUMENTS — continued

	At 31 December 2010 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	—	482,159	—	482,159
Financial assets designated as at fair value through profit or loss	—	8,046,043	—	8,046,043
Available-for-sale financial assets	33,660	1,381,512	—	1,415,172
Total assets	33,660	9,909,714	—	9,943,374
Financial liabilities designated as at fair value through profit or loss	—	444,806	—	444,806
Total liabilities	—	444,806	—	444,806

There were no transfers between Level 1 and 2 in the current period and the year ended 31 December 2010.

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount)

The following financial information was disclosed on basis of the contractual amount of loans for the purpose of providing the information for the management to evaluate financial risks. (Please refer to Note 18 of the interim condensed consolidated financial statements of basis of preparation of loans and advances to customers shown as contractual amount).

(1) *Distributions of loans and advances to customers by corporate customers and by retail customers are as follows:*

	At 30 June 2011	At 31 December 2010
Corporate loans and advances		
— Loans	84,227.1	76,612.8
— Discounted bills	1,832.2	2,929.4
— Trade financing	142.9	2.5
Subtotal	<u>86,202.2</u>	<u>79,544.7</u>
Retail loans and advances		
— Residential and commercial mortgage loans	28,387.2	24,003.0
— Personal loans for business purposes	13,360.7	11,289.5
— Loans to farmers	2,822.0	3,163.3
— Others	4,008.3	4,144.6
Subtotal	<u>48,578.2</u>	<u>42,600.4</u>
Total loans and advances to customers	<u>134,780.4</u>	<u>122,145.1</u>
Allowance for impairment losses	<u>(5,215.2)</u>	<u>(5,031.1)</u>
Include: Individually assessed	(577.5)	(624.3)
Collectively assessed	<u>(4,637.7)</u>	<u>(4,406.8)</u>
Loans and advances to customers, net	<u><u>129,565.2</u></u>	<u><u>117,114.0</u></u>

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(2) Loans and advances to customers by assessment method are set out as follows:

	Identified impaired loans and advances				Total	Identified impaired loans and advances as a % of gross total loans and advances
	Loans and advances for which allowance is collectively assessed	For which allowance is collectively assessed	For which allowance is individually assessed	Sub-total		
At 30 June 2011						
Gross loans and advances	132,129.3	1,514.9	1,136.2	2,651.1	134,780.4	1.97
Allowance for impairment losses	(3,298.2)	(1,339.5)	(577.5)	(1,917.0)	(5,215.2)	
Loans and advances to customers	<u>128,831.1</u>	<u>175.4</u>	<u>558.7</u>	<u>734.1</u>	<u>129,565.2</u>	
At 31 December 2010						
Gross loans and advances	119,233.8	1,508.8	1,402.5	2,911.3	122,145.1	2.38
Allowance for impairment losses	(3,262.3)	(1,144.5)	(624.3)	(1,768.8)	(5,031.1)	
Loans and advances to customers	<u>115,971.5</u>	<u>364.3</u>	<u>778.2</u>	<u>1,142.5</u>	<u>117,114.0</u>	

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(3) Allowance for impairment losses on loans and advances to customers

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2011	624.3	4,406.8	5,031.1
Net (reversals)/additions	(63.3)	125.7	62.4
Recovery of loans and advances written off in previous years	52.8	127.3	180.1
Unwinding of discount	(36.3)	(22.1)	(58.4)
As at 30 June 2011	<u>577.5</u>	<u>4,637.7</u>	<u>5,215.2</u>

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(3) Allowance for impairment losses on loans and advances to customers (Continued)

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2010	946.9	4,058.5	5,005.4
Net (reversals)/additions	(422.8)	427.6	4.8
Written off	(40.9)	(373.2)	(414.1)
Recovery of loans and advances written off in previous years	224.7	350.3	575.0
Unwinding of discount	(83.6)	(56.4)	(140.0)
As at 31 December 2010	<u>624.3</u>	<u>4,406.8</u>	<u>5,031.1</u>

(Amounts in millions of Renminbi, unless otherwise stated)

Liquidity ratios

(Expressed in percentage)	At 30 June 2011	At 31 December 2010
RMB current assets to RMB current liabilities	<u>25.91</u>	<u>26.45</u>
Foreign currency current assets to foreign currency current liabilities	<u>249.05</u>	<u>946.03</u>

Core liabilities ratios

(Expressed in percentage)	At 30 June 2011	At 31 December 2010
Core liabilities ratios	<u>60.42</u>	<u>56.10</u>

The above liquidity ratios and core liabilities ratios are calculated in accordance with the formula promulgated by CBRC.

(Amounts in millions of Renminbi, unless otherwise stated)

Currency concentrations

	Equivalent in Renminbi			Total
	US Dollars	HK Dollars	Others	
At 30 June 2011				
Spot assets	372.1	280.9	116.8	769.8
Spot liabilities	(324.7)	(50.6)	(115.5)	(490.8)
Net position	<u>47.4</u>	<u>230.3</u>	<u>1.3</u>	<u>279.0</u>
At 31 December 2010				
Spot assets	4,184.8	5,899.3	15.9	10,100.0
Spot liabilities	(176.8)	(378.8)	(13.7)	(569.3)
Net position	<u>4,008.0</u>	<u>5,520.5</u>	<u>2.2</u>	<u>9,530.7</u>

(Amounts in millions of Renminbi, unless otherwise stated)

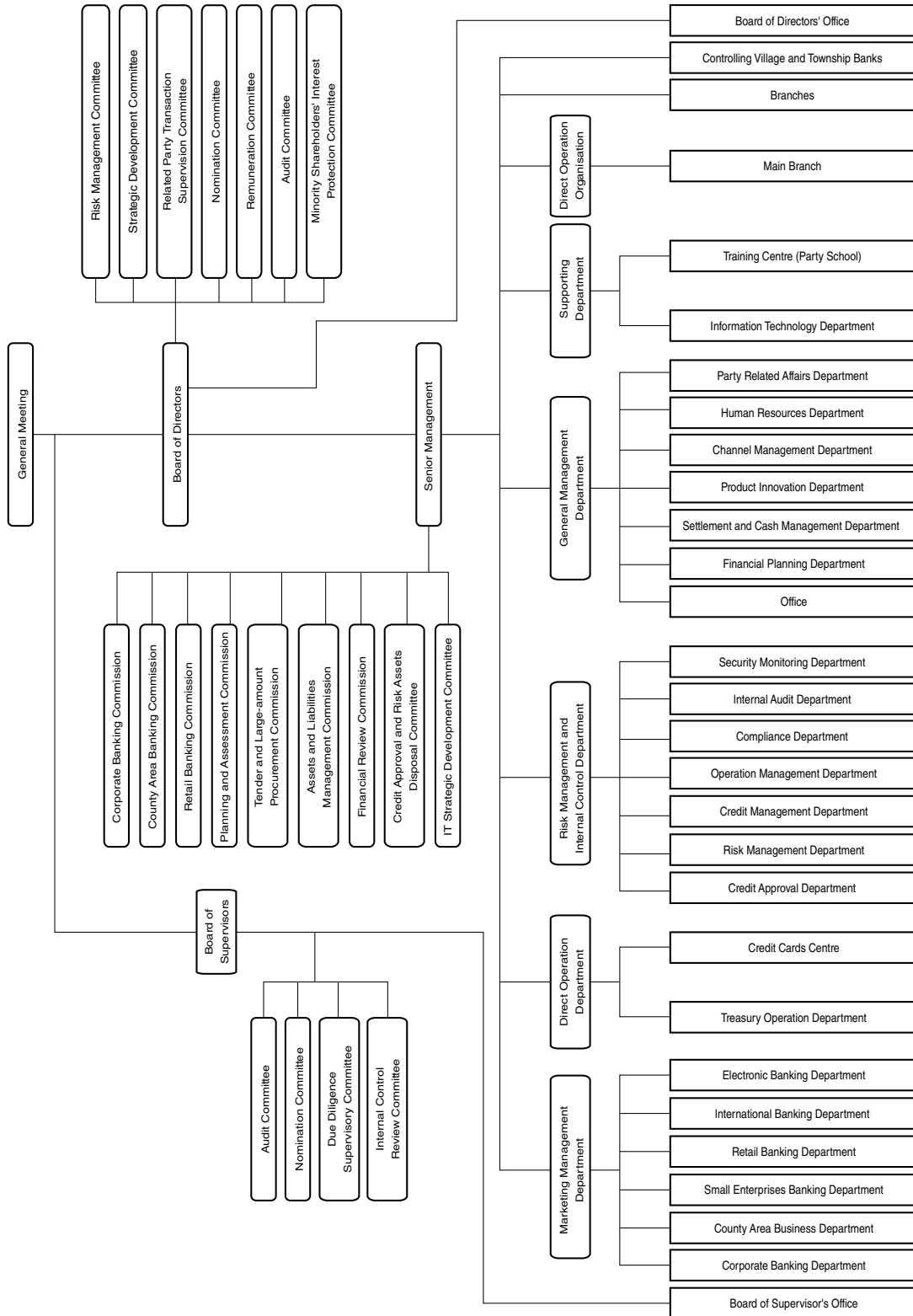
Overdue assets

Total loans and advances to customers which have been overdue for the following periods:

	At 30 June	At 31
	2011	December
		2010
Below 3 months	1,739.2	1,561.6
Between 3 and 12 months	1,046.7	952.8
Over 12 months	1,854.9	2,059.2
Total	<u>4,640.8</u>	<u>4,573.6</u>
Percentage		
Below 3 months	37.48	34.14
Between 3 and 12 months	22.55	20.83
Over 12 months	39.97	45.03
Total	<u>100</u>	<u>100</u>

If principals or interests of loans are one day overdue of any period, the loans as a whole will be classified as overdue.

Organisation Chart





Definitions

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

“Bank” or “our Bank”	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“County Area” or “County Areas”	areas in Chongqing other than the urban area or urban areas, such areas consisted of 31 districts and counties
“Domestic Shares”	ordinary shares issued by our Bank in the PRC, with a nominal value of 1.00 each
“Group”	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) and its subsidiaries
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Listing”	for the purpose of the Bank, the listing of H shares on the Main Board of the HK Stock Exchange
“PRC” or “China”	the People’s Republic of China

“RMB”or “Renminbi”	Renminbi, the lawful currency of the PRC
“Yuan”	RMB yuan
“Sannong”	a short-hand reference to the Chinese pronunciation of the phrase “agriculture, rural areas and farmers”
“Third Document of National Development”	“Opinions on Promoting Coordinated Urban and Rural Development and Reform of Chongqing” (Guofa [2009] No.3) issued by the State Council on 26 January 2009, according to which the reform and development of Chongqing have been raised to a national strategic level
“Village and Township Banks”	bank institutions that are approved by CBRC to be incorporated in rural areas with the main business focused on providing services to local farmers or enterprises
“Articles of Association”	the articles of association of Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)



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