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重慶農村商業銀行

CHONGQING RURAL COMMERCIAL BANK

重慶農村商業銀行股份有限公司*

Chongqing Rural Commercial Bank Co., Ltd.*

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

(Stock Code: 3618)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the “Board”) of Chongqing Rural Commercial Bank Co., Ltd. (the “Bank”) is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the “Group”) for the six months ended June 30, 2011. This announcement complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in relation to information to accompany the announcement of interim results.

FINANCIAL SUMMARY

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

* *The Bank holds a financial licence number B0335H2500000001 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 5000000000001239. 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.*

SUMMARY OF INTERIM RESULTS FOR YEAR 2011

(Expressed in RMB million, unless specifically stated)	Six months ended 30 June 2011	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)	0.24	0.26	(0.02)	(7.69)

(Expressed in RMB million, unless specifically stated)	As at June 30, 2011	As at December 31, 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	25,951.7	22,430.4	3,521.3	15.70

(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 June 30, 2011	As at December 31, 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2011

(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June 2011 (Unaudited)	2010 (Audited)	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	4,828.0	3,439.9	1,388.1	40.35
Fee and commission income	194.7	129.2	65.5	50.70
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
Net trading gains	21.1	12.7	8.4	66.14
Other operating (losses) gains, 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 (losses) reversals on assets	(62.0)	142.1	(204.1)	(143.63)

CONDENSED CONSOLIDATED INCOME STATEMENT — continued*FOR THE SIX MONTHS ENDED 30 JUNE 2011**(Amounts in millions of Renminbi, unless otherwise stated)*

	Six months ended 30 June 2011 (Unaudited)	2010 (Audited)	Change in amount	Change (%)
Net gains on disposal of available-for-sale financial assets	—	108.0	(108.0)	(100.00)
Net gains on disposal of debt securities classified as receivables	<u>1.0</u>	<u>—</u>	<u>1.0</u>	<u>100.00</u>
Profit before tax	2,913.9	2,197.1	716.8	32.62
Income tax expense	<u>(676.5)</u>	<u>(536.7)</u>	<u>(139.8)</u>	<u>26.05</u>
Profit for the period	<u>2,237.4</u>	<u>1,660.4</u>	<u>577.0</u>	<u>34.75</u>
Attributable to:				
Equity holders of the Bank	2,238.3	1,662.8	575.5	34.61
Non-controlling interests	<u>(0.9)</u>	<u>(2.4)</u>	<u>1.5</u>	<u>(62.50)</u>
	<u>2,237.4</u>	<u>1,660.4</u>	<u>577.0</u>	<u>34.75</u>
Earnings per share (Expressed in RMB per share)				
— Basic	<u>0.24</u>	<u>0.26</u>	<u>(0.02)</u>	<u>(7.69)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June 2011 (Unaudited)	2010 (Audited)	Change in amount	Change (%)
Profit for the period	<u>2,237.4</u>	<u>1,660.4</u>	<u>577.0</u>	<u>34.75</u>
Other comprehensive income:				
Fair value (losses) gains on available-for-sale financial assets				
— fair value (losses) gains arising during the period	(20.4)	64.5	(84.9)	(131.63)
— amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	—	(108.0)	108.0	(100.00)
Income tax relating to available-for-sale financial assets	<u>5.1</u>	<u>10.9</u>	<u>(5.8)</u>	<u>(53.21)</u>
Other comprehensive income for the period (net of tax)	<u>(15.3)</u>	<u>(32.6)</u>	<u>17.3</u>	<u>(53.07)</u>
Total comprehensive income for the period	<u><u>2,222.1</u></u>	<u><u>1,627.8</u></u>	<u><u>594.3</u></u>	<u><u>36.51</u></u>
Total comprehensive income attributable to:				
Equity holders of the Bank	2,223.0	1,630.2	592.8	36.36
Non-controlling interests	<u>(0.9)</u>	<u>(2.4)</u>	<u>1.5</u>	<u>(62.50)</u>
Total comprehensive income for the period	<u><u>2,222.1</u></u>	<u><u>1,627.8</u></u>	<u><u>594.3</u></u>	<u><u>36.51</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

(Amounts in millions of Renminbi, unless otherwise stated)

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)	Change in amount	Change (%)
ASSETS				
Cash and balances with central bank	49,491.7	37,321.6	12,170.1	32.61
Deposits with banks and other financial institutions	6,766.9	17,220.2	(10,453.3)	(60.70)
Placements with banks and other financial institutions	5,649.9	2,000.0	3,649.9	182.50
Financial assets held for trading	50.0	482.2	(432.2)	(89.63)
Financial assets designated as at fair value through profit or loss	6,948.6	8,046.0	(1,097.4)	(13.64)
Financial assets held under resale agreements	45,938.9	37,158.0	8,780.9	23.63
Loans and advances to customers	129,565.2	117,114.0	12,451.2	10.63
Available-for-sale financial assets	1,614.4	1,444.4	170.0	11.77
Held-to-maturity investments	38,237.4	36,708.9	1,528.5	4.16
Debt securities classified as receivables	25,791.9	21,219.9	4,572.0	21.55
Property and equipment	2,373.5	2,341.3	32.2	1.38
Deferred tax assets	1,273.4	1,307.6	(34.2)	(2.62)
Goodwill	440.1	440.1	—	—
Other assets	3,153.1	2,741.5	411.6	15.01
Total assets	317,295.0	285,545.7	31,749.3	11.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

— continued

AS AT 30 JUNE 2011

(Amounts in millions of Renminbi, unless otherwise stated)

	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)	Change in amount	Change (%)
LIABILITIES				
Borrowing from central bank	20.0	—	20.0	100.00
Deposits from banks and other financial institutions	15,678.3	11,711.8	3,966.5	33.87
Financial liabilities designated as at fair value through profit or loss	456.8	444.8	12.0	2.70
Financial assets sold under repurchase agreements	37,501.3	35,762.7	1,738.6	4.86
Due to customers	227,941.2	205,563.0	22,378.2	10.89
Accrued staff costs	1,818.0	2,166.2	(348.2)	(16.07)
Tax liabilities	469.3	443.4	25.9	5.84
Debt securities issued	2,300.0	2,300.0	—	—
Other liabilities	5,158.4	4,723.4	435.0	9.21
Total liabilities	291,343.3	263,115.3	28,228.0	10.73
EQUITY				
Share capital	9,300.0	9,000.0	300.0	3.33
Capital reserve	9,201.9	8,202.7	999.2	12.18
Investment revaluation reserve	1.2	16.5	(15.3)	(92.73)
Surplus reserve	3,224.1	575.5	2,648.6	460.23
General reserve	1,919.8	1,904.2	15.6	0.82
Retained earnings	2,220.4	2,646.3	(425.9)	(16.09)
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	25,951.7	22,430.4	3,521.3	15.70
Total equity and liabilities	317,295.0	285,545.7	31,749.3	11.12

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

(Amounts in millions of Renminbi, unless otherwise stated)

	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	Subtotal		
As at 1 January 2011	9,000.0	8,202.7	575.5	1,904.2	2,646.3	16.5	22,345.2	85.2	22,430.4
Profit for the period	—	—	—	—	2,238.3	—	2,238.3	(0.9)	2,237.4
Other comprehensive income	—	—	—	—	—	(15.3)	(15.3)	—	(15.3)
Total comprehensive income for the period	—	—	—	—	2,238.3	(15.3)	2,223.0	(0.9)	2,222.1
Shares issued									
— H shares offering	300.0	999.2	—	—	—	—	1,299.2	—	1,299.2
Appropriation to surplus reserve	—	—	2,648.6	—	(2,648.6)	—	—	—	—
Appropriation to general reserve	—	—	—	15.6	(15.6)	—	—	—	—
As at 30 June 2011	<u>9,300.0</u>	<u>9,201.9</u>	<u>3,224.1</u>	<u>1,919.8</u>	<u>2,220.4</u>	<u>1.2</u>	<u>25,867.4</u>	<u>84.3</u>	<u>25,951.7</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

— continued

FOR THE SIX MONTHS ENDED 30 JUNE 2011

(Amounts in millions of Renminbi, unless otherwise stated)

	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	Subtotal		
As at 1 January 2010	6,000.0	586.2	263.9	491.8	2,069.7	65.7	9,477.3	—	9,477.3
Profit for the period	—	—	—	—	1,662.8	—	1,662.8	(2.4)	1,660.4
Other comprehensive income	—	—	—	—	—	(32.6)	(32.6)	—	(32.6)
Total comprehensive income for the period	—	—	—	—	1,662.8	(32.6)	1,630.2	(2.4)	1,627.8
Shares issued									
— Private placement	1,000.0	910.0	—	—	—	—	1,910.0	—	1,910.0
Contribution from non-controlling shareholders	—	—	—	—	—	—	—	29.4	29.4
Appropriation to general reserve	—	—	—	1,412.4	(1,412.4)	—	—	—	—
Dividends recognised as distribution	—	—	—	—	(360.0)	—	(360.0)	—	(360.0)
As at 30 June 2010	<u>7,000.0</u>	<u>1,496.2</u>	<u>263.9</u>	<u>1,904.2</u>	<u>1,960.1</u>	<u>33.1</u>	<u>12,657.5</u>	<u>27.0</u>	<u>12,684.5</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Audited)
Operating activities		
Profit before tax	2,913.9	2,197.1
Adjustments for:		
Depreciation and amortisation	179.6	179.4
Impairment losses (reversals) on assets	62.0	(142.1)
Interest income arising from debt securities	(1,383.8)	(1,071.8)
Interest income arising from impaired financial assets	(38.5)	(75.7)
Interest expense arising from debt securities issued	63.3	63.3
Net gains on disposal of investment securities	(1.0)	(108.0)
Dividend income from investment securities	(0.8)	(1.3)
Net (gains) losses on disposal of property and equipment	(13.7)	2.2
Exchange losses	154.6	0.1
Operating cash flows before movements in working capital	1,935.6	1,043.2
Increase in balances with central bank, deposits with banks and other financial institutions	(11,038.0)	(8,901.8)
Increase in placement with banks and other financial institutions	(2,999.9)	—
Decrease (increase) in financial assets held under resale agreements	13,454.2	(5,258.3)
Decrease (increase) in financial assets held for trading	452.8	(3,544.7)
Increase in loans and advances to customers	(12,475.0)	(12,399.2)
Increase in financial assets sold under repurchase agreements	1,738.6	17,741.2
Increase in due to customers, deposits from banks and other financial institutions	26,345.1	39,286.6
Increase in borrowing from central bank	20.0	—
Decrease (increase) in other operating assets	802.1	(11,415.2)
Increase (decrease) in other operating liabilities	426.6	(221.2)
Cash generated by operating activities	18,662.1	16,330.6
Income tax paid	(611.3)	(218.6)
Net cash from operating activities	18,050.8	16,112.0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2011

(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Audited)
Investing activities		
Cash received from disposal and redemption of investment securities	9,235.6	13,952.6
Cash received from disposal of property and equipment	80.6	143.1
Cash paid for purchase of investment securities	(15,468.0)	(23,723.0)
Cash paid for purchase of property and equipment	(260.5)	(237.3)
Interest income received from investment securities	1,182.1	1,042.4
	<u>(5,230.2)</u>	<u>(8,822.2)</u>
Net cash used in investing activities		
Financing activities		
Net proceeds from issuance of shares		
— Private placement	—	1,910.0
— H shares offering	1,299.2	—
Contribution from non-controlling shareholders	—	29.4
Dividends paid to shareholders of the Bank	(403.6)	(338.4)
	<u>895.6</u>	<u>1,601.0</u>
Net cash from financing activities		
Net increase in cash and cash equivalents	13,716.2	8,890.8
Cash and cash equivalents as at 1 January	30,750.5	28,722.9
Effect of foreign exchange rate changes	(152.4)	(0.4)
	<u>(152.4)</u>	<u>(0.4)</u>
Cash and cash equivalents as at 30 June	<u>44,314.3</u>	<u>37,613.3</u>

Notes:

1. The consolidated financial statements of the Group for the period ended 30 June 2011 will be available on the website of The Stock Exchange of Hong Kong Limited. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
2. The Group had adopted the new and effective IFRS and amendments and prepared this results announcement on such basis.
3. The following financial information are expressed in Renminbi million, unless otherwise stated.

4. OPERATING EXPENSES

		Six months ended 30 June	
	NOTE	2011	2010
		(Unaudited)	(Audited)
Staff costs	(1)	1,141.6	904.8
General operating and administrative expenses		287.3	273.4
Business tax and surcharges		304.9	249.8
Depreciation and amortisation		179.6	179.4
Auditor's remuneration		1.2	1.0
Others		48.2	41.9
		<u>1,962.8</u>	<u>1,650.3</u>
Total		<u>1,962.8</u>	<u>1,650.3</u>

Note (1):

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Audited)
Salaries, bonuses and allowances		789.4	565.5
Staff welfare		23.6	45.3
Social insurance		124.3	70.4
Housing funds		69.4	53.3
Labor union fees and staff education expenses		27.5	26.8
Supplementary retirement benefits		30.9	50.2
Early retirement benefits		76.5	93.3
		<u>1,141.6</u>	<u>904.8</u>
Total		<u>1,141.6</u>	<u>904.8</u>

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Audited)
Income tax expense comprises:		
Current income tax		
— PRC Enterprise Income Tax	637.2	374.2
Deferred tax	39.3	162.5
	<u> </u>	<u> </u>
Total	<u>676.5</u>	<u>536.7</u>

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	2,913.9	2,197.1
Tax calculated at applicable statutory tax rate of 25%	728.5	549.3
Tax effect of expenses not deductible for tax purpose	15.6	22.9
Tax effect of income not taxable for tax purpose	(67.6)	(35.5)
	<u> </u>	<u> </u>
Income tax expense	<u>676.5</u>	<u>536.7</u>

6. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Audited)
2009 Final - RMB6 cents per share ⁽¹⁾	<u>—</u>	<u>360,000</u>

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.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Audited)
Earnings:		
Profit for the period attributable to equity holders of the Bank	<u>2,238.3</u>	<u>1,662.8</u>
Numbers of shares		
Weighted average number of shares in issue (<i>million</i>)	<u>9,291.7</u>	<u>6,508.3</u>
Basic earnings per share (<i>RMB yuan</i>)	<u>0.24</u>	<u>0.26</u>

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

8. DUE TO CUSTOMERS

		As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
	NOTE		
Demand deposits			
Corporate customers		47,010.2	45,290.7
Individual customers		45,822.9	43,946.0
Time deposits			
Corporate customers		12,889.2	10,228.9
Individual customers		117,769.4	101,200.5
Pledged deposits	(1)	4,331.1	4,846.7
Others (including outward remittance and remittance outstanding)		<u>118.4</u>	<u>50.2</u>
Total		<u>227,941.2</u>	<u>205,563.0</u>

Note:

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

		As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
	<i>NOTE</i>		
Acceptances		3,056.1	3,614.4
Letters of guarantee		25.6	35.6
Letters of credit		31.0	70.0
Others	(i)	1,218.4	1,126.7
Total		4,331.1	4,846.7

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

9. SEGMENT ANALYSIS

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.

Six months ended 30 June 2011 (Unaudited)

	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	2,440.7	1,811.1	3,570.7	7,822.5	—	7,822.5
External interest expense	(237.5)	(1,475.1)	(1,281.9)	(2,994.5)	—	(2,994.5)
Inter-segment interest (expense) income	(392.2)	1,182.1	(789.9)	—	—	—
Net interest income	1,811.0	1,518.1	1,498.9	4,828.0	—	4,828.0
Fee and commission income	47.7	64.9	82.1	194.7	—	194.7
Fee and commission expense	(3.8)	(5.2)	(6.7)	(15.7)	—	(15.7)
Net fee and commission income	43.9	59.7	75.4	179.0	—	179.0
Net trading gain	—	—	21.1	21.1	—	21.1
Other operating (losses) gains, net	—	—	(153.2)	(153.2)	62.8	(90.4)
Operating income	1,854.9	1,577.8	1,442.2	4,874.9	62.8	4,937.7
Operating expenses	(970.3)	(748.6)	(219.6)	(1,938.5)	(24.3)	(1,962.8)
Impairment (losses) reversals on assets	(165.1)	103.1	—	(62.0)	—	(62.0)
Net gains on disposal of debt securities classified as receivables	—	—	1.0	1.0	—	1.0
Profit before tax	719.5	932.3	1,223.6	2,875.4	38.5	2,913.9
Income tax expense						(676.5)
Profit for the period						2,237.4
Depreciation and amortisation included in operating expenses	96.3	74.5	8.8	179.6	—	179.6
Capital expenditure	139.6	108.0	12.9	260.5	—	260.5

As at 30 June 2011 (Unaudited)

Segment assets	82,650.4	46,157.4	183,893.8	312,701.6	4,593.4	317,295.0
Segment liabilities	66,425.8	167,638.4	56,705.7	290,769.9	573.4	291,343.3
Credit commitments	4,426.5	—	—	4,426.5	—	4,426.5

Six months ended 30 June 2010 (Audited)

	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	2,060.5	1,117.2	2,060.6	5,238.3	—	5,238.3
External interest expense	(144.9)	(1,109.2)	(544.3)	(1,798.4)	—	(1,798.4)
Inter-segment interest (expense) income	(389.4)	1,068.6	(679.2)	—	—	—
Net interest income	1,526.2	1,076.6	837.1	3,439.9	—	3,439.9
Fee and commission income	31.7	43.0	54.5	129.2	—	129.2
Fee and commission expense	(1.5)	(2.0)	(2.6)	(6.1)	—	(6.1)
Net fee and commission income	30.2	41.0	51.9	123.1	—	123.1
Net trading gain	—	—	12.7	12.7	—	12.7
Other operating (losses) gains, net	—	—	(0.1)	(0.1)	21.7	21.6
Operating income	1,556.4	1,117.6	901.6	3,575.6	21.7	3,597.3
Operating expenses	(874.3)	(591.4)	(160.2)	(1,625.9)	(24.4)	(1,650.3)
Impairment reversals on assets	85.6	56.5	—	142.1	—	142.1
Net gain on disposal of available-for-sale financial assets	—	—	105.4	105.4	2.6	108.0
Profit before tax	767.7	582.7	846.8	2,197.2	(0.1)	2,197.1
Income tax expense						(536.7)
Profit for the period						<u>1,660.4</u>
Depreciation and amortisation included in operating expenses	101.4	70.3	7.6	179.3	—	179.3
Capital expenditure	<u>134.2</u>	<u>93.0</u>	<u>10.1</u>	<u>237.3</u>	<u>—</u>	<u>237.3</u>

As at 31 December 2010 (Audited)

Segment assets	74,940.9	41,263.5	164,728.5	280,932.9	4,612.8	285,545.7
Segment liabilities	62,520.4	149,058.6	50,616.0	262,195.0	920.3	263,115.3
Credit commitments	<u>5,229.6</u>	<u>—</u>	<u>—</u>	<u>5,229.6</u>	<u>—</u>	<u>5,229.6</u>

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

10. 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 RMB3.9 million and RMB5.8 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

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
Contracted but not provided for	226.8	170.8
Authorised but not contracted for	557.1	265.8
Total	783.9	436.6

Credit commitments

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
Letters of credit issued	302.1	337.5
Letters of guarantee	41.8	48.0
Acceptances	4,082.6	4,844.1
Total	4,426.5	5,229.6

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

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
Credit commitments	<u>1,192.3</u>	<u>1,405.0</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.

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:

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
Within 1 year	20.4	21.2
1 to 2 years	17.2	17.6
2 to 3 years	15.7	15.7
Above 3 years	<u>65.8</u>	<u>79.4</u>
Total	<u>119.1</u>	<u>133.9</u>

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

Collateral

Assets pledged

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

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
Bonds	31,221.2	25,508.8
Bills	7,130.9	10,285.1
Total	<u>38,352.1</u>	<u>35,793.9</u>

As at 30 June 2011, the net book value of financial assets sold under repurchase agreements by the Group was RMB37,501 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.

11. LOANS AND ADVANCES TO CUSTOMERS (CONTRACTUAL AMOUNT)

- (1) Distributions of loans and advances to customers by corporate 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	86,202.2	79,544.7
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	48,578.2	42,600.4
Total loans and advances to customers	134,780.4	122,145.1
Allowance for impairment losses	(5,215.2)	(5,031.1)
Include: Individually assessed	(577.5)	(624.3)
Collectively assessed	(4,637.7)	(4,406.8)
Loans and advances to customers, net	129,565.2	117,114.0

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

	Identified impaired 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	Total	Identified impaired loans and advances as a % of gross total loans and advances
As 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, net	128,831.1	175.40	558.7	734.1	129,565.2	

	Identified impaired loans and advances					Identified
	Loans and	For which	For which			impaired loans
	advances for	allowance is	allowance is			and advances
	which allowance	collectively	collectively			as a % of gross
	is collectively	assessed	individually			total loans
	assessed		assessed	Sub-total	Total	and advances
As 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, net	115,971.5	364.3	778.2	1,142.5	117,114.0	

(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
Written off	—	—	—
Recovery of loans and advances written off in previous years	52.8	127.3	180.1
Unwinding of discount on allowance	(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>
	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 on allowance	(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>

Liquidity ratios

	At 30 June 2011	At 31 December 2010
<i>(Expressed in percentage)</i>		
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

	At 30 June 2011	At 31 December 2010
<i>(Expressed in percentage)</i>		
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 China Banking Regulatory Commission.

Currency concentrations

	Equivalent in RMB			Total
	US Dollars	Hong Kong 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 long/(short) position	47.4	230.3	1.3	279.0

	Equivalent in RMB			Total
	US Dollars	Hong Kong Dollars	Others	
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 long/(short) position	4,008.0	5,520.5	2.2	9,530.7

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 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 specifically 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.

(I) 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 specifically stated)	Six months ended	Six months ended	Change in amount	Change (%)
	30 June 2011	30 June 2010		
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).

	Six months ended 30 June 2011			Six months ended 30 June 2010		
		Annualised			Annualised	
		Interest	yield/cost		Interest	yield/cost
(Expressed in RMB million, unless specifically stated)	Average balance	income/expense	rate (%)	Average balance	income/expense	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 in 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	<u>1,270.5</u>	<u>1,313.7</u>	<u>2,584.2</u>
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	<u>523.7</u>	<u>672.4</u>	<u>1,196.1</u>

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 specifically stated)	Six months ended 30 June 2011			Six months ended 30 June 2010		
	Average	Interest	Annualised average	Average	Interest	Annualised average
	balance	income	yield (%)	balance	income	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:

	Six months ended 30 June 2011			Six months ended 30 June 2010		
			Annualised			Annualised
(Expressed in RMB million, unless specifically stated)	Average balance	Interest expense	average cost rate (%)	Average balance	Interest expense	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	58,312.8	237.5	0.81	41,712.0	144.9	0.69
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	157,645.5	1,475.1	1.87	128,241.6	1,109.2	1.73
Total due to customers	215,958.3	1,712.6	1.59	169,953.6	1,254.1	1.48

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 specifically 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 specifically stated)	Six months ended	Six months ended	Change in	
	30 June 2011	30 June 2010	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 June 30, 2011 and June 30, 2010 respectively.

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

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)

	As at June 30, 2011		As at December 31, 2010	
(Expressed in RMB million, unless specifically stated)	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 June 30, 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 specifically stated)	As at June 30, 2011		As at December 31, 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	<u>134,780.4</u>	<u>100.00</u>	<u>122,145.1</u>	<u>100.00</u>

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 June 30, 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 June 30, 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 specifically stated)	As at June 30, 2011		As at December 31, 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)

(Expressed in RMB million)	Six months ended 30 June 2011 Allowance for impairment losses on identified impaired loans and advances ⁽²⁾			Total
	Allowance for impairment losses on loans and advances which is collectively assessed ⁽¹⁾	For which allowance for impairment losses is collectively assessed	For which allowance is individually assessed	
As at January 1, 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 June 30, 2011	3,298.2	1,339.5	577.5	5,215.2

- (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 June 30, 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 specifically stated)	As at June 30, 2011		As at December 31, 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 June 30, 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 specifically stated)	As at June 30, 2011		As at December 31, 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	<u>72,579.9</u>	<u>100.00</u>	<u>67,838.4</u>	<u>100.00</u>

(II) Liabilities

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

(Expressed in RMB million, unless specifically stated)	As at June 30, 2011		As at December 31, 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 June 30, 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 specifically stated)	As at June 30, 2011		As at December 31, 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	100.0	205,563.0	100.00

As at June 30, 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 specifically stated)	As at June 30, 2011		As at December 31, 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 June 30, 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 The Stock Exchange of Hong Kong Limited ("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 specifically stated)	As at June 30, 2011		As at December 31, 2011	
	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 June 30, 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.

	As at June 30, 2011				As at December 31, 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 (%)
(Expressed in RMB million, unless specifically stated)								
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 June 30, 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 June 30, 2011	As at December 31, 2010	As at December 31, 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

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

(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 specifically stated)	As at June 30, 2011		As at December 31, 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	<u>600.0</u>	<u>0.44</u>	<u>733.3</u>	<u>0.60</u>
Total overdue loans and advances to customers	<u>4,640.8</u>	<u>3.44</u>	<u>4,573.6</u>	<u>3.74</u>

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 specifically stated)	As at June 30, 2011	As at December 31, 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 and statutory reserve	5,143.8	2,479.7
Unappropriated profit	2,366.5	2,768.1
Non-controlling shareholders' interests	84.3	85.2
Total core capital	25,509.9	21,949.5
Deductible items	(38.6)	(44.6)
Net core capital	25,471.3	21,904.9
Supplementary capital:		
Long-term subordinated bonds	2,300.0	2,300.0
Other supplementary capital	17.6	8.2
Total capital	27,827.5	24,257.7
Deductions:		
Other deduotible items	(53.7)	(89.2)
Uncombined equity investment	—	—
Net capital	27,773.8	24,168.5
Total on-or-off balance sheet risk-weighted assets	173,686.4	148,206.7

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公司).

(II) Summary of Business Segment

(Expressed in RMB million)	As at June 30,			
	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 June 30, 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. For relevant accounting estimates and judgments of the aforesaid items, please refer to the Note "Critical accounting judgments and key sources of estimated uncertainty" to the unaudited financial statements of the interim report.

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 specifically stated)	Six months ended 30 June 2011	Six months ended 30 June 2010	Changes (%)
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	719.5	767.7	(6.28)
	As at June 30, 2011	As at December 31, 2010	Changes (%)
Segment assets	82,650.4	74,940.9	10.29

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 June 30, 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 June 30, 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 June 30, 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 June 30, 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 June 30, 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 specifically 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	932.3	582.7	60.00
	As at 30, 2011	As at December 31, 2010	Changes (%)
Segment assets	46,157.3	41,263.5	11.86

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 June 30, 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 June 30, 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 June 30, 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 8.46 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 RMB314 million, representing an increase of 361.46% over the same period of the previous year. The balance of loans amounted to RMB110 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 April 11, 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 June 30, 2011, the Bank's sales volumes from the distribution of rare metals amounted to RMB22 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 specifically 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	1,223.6	846.8	44.50
	As at June 30, 2011	As at December 31, 2010	Changes (%)
Segment assets	183,893.8	164,728.5	11.63

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.

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 June 30, 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 June 30, 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 June 30, 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 June 30, 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 June 30, 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	Six months ended 30 June 2011			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 (loss)	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	<u>2,081.1</u>	<u>2,856.7</u>	<u>4,937.8</u>	<u>1,815.4</u>	<u>1,781.9</u>	<u>3,597.3</u>

For the six months ended June 30, 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.

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.

OTHER INFORMATION

I. Purchase, Sale and Redemption of Shares

On January 12, 2011, as a result of the exercise of the over-allotment option pursuant to the global offering of the Bank's shares, the Bank issued and allotted additional 300,000,000 H shares, and disposed of on behalf of National Council for Social Security Fund of the PRC, 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 thus 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 shares of the Bank during the reporting period.

II. Corporate Governance Practices

For the six months ended June 30, 2011, 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, save for code provision A.4.2, and also most of the recommended best practices therein. 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, each director (including directors appointed for specific term) shall retire by rotation at least once every three years. As approval is required for the Bank to elect new directors and supervisors in accordance with approval procedures of supervisory departments and regulatory authorities, the Bank is now facilitating 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.

III. The Audit Committee

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 of the Bank.

IV. Publication of the Announcement of Interim Results and the Interim Report

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank's website (www.cqrcb.com) respectively.

The Bank will dispatch to holders of H shares at appropriate time the interim report for 2011 incorporating the complete information under the requirements of the Listing Rules, and publish it on the websites of the Bank and The Stock Exchange of Hong Kong Limited.

By order of the Board
Chongqing Rural Commercial Bank Co., Ltd.
重慶農村商業銀行股份有限公司
Liu Jianzhong
Chairman

August 12, 2011

As at the date of this announcement, the Executive Directors of the Bank are Mr. Liu Jianzhong and Mr. Tan Yuansheng; the Non-Executive Directors are Mr. Tao Jun, Mr. Tu Jianhua, Mr. Wen Honghai, Mr. Wang Yongshu, Mr. Gao Xiaodong and Mr. Wu Xiufeng; and the Independent Non-Executive Directors are Mr. Xu Bin, Mr. Pu Yongjian and Ms. Ran Hua.