

2012

2012 INTERIM REPORT



重庆农村商业银行
CHONGQING RURAL COMMERCIAL BANK

Interim Report

CHONGQING RURAL COMMERCIAL BANK Stock Code: 3618

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

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Financial Summary

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended June 30, 2012	For the six months ended June 30, 2011	Change in amount	Change (%)
Operating results				
Net interest income	6,234.4	4,828.0	1,406.4	29.13
Net fee and commission income	179.1	179.0	0.1	0.06
Operating income	6,503.2	4,937.7	1,565.5	31.71
Profit before tax	3,679.3	2,913.9	765.4	26.27
Net profit	2,810.1	2,237.4	572.7	25.60
Net profit attributable to equity holders of the Bank	2,803.7	2,238.3	565.4	25.26
Basic earnings per share (Expressed in RMB per share)	0.30	0.24	0.06	25.00

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012	As at December 31, 2011	Change in amount	Change (%)
Scale indicators				
Total assets	402,343.5	344,820.0	57,523.5	16.68
Among which: loans and advances to customers, net	157,808.6	138,821.8	18,986.8	13.68
Total liabilities	372,772.0	316,809.1	55,962.9	17.66
Among which: due to customers	270,621.6	246,141.4	24,480.2	9.95
Equity attributable to equity holders of the Bank	29,409.7	27,855.5	1,554.2	5.58
Non-controlling interests	161.8	155.4	6.4	4.12
Total equity	29,571.5	28,010.9	1,560.6	5.57

(Expressed in percentage)	For the six months ended June 30, 2012	For the six months ended June 30, 2011	Change
Profitability indicators			
Annualised return on total assets ⁽¹⁾	1.40	1.41	(0.01)
Annualised return on average total assets ⁽²⁾	1.50	1.48	0.02
Annualised return on equity ⁽³⁾	19.01	17.24	1.77
Net interest spread ⁽⁴⁾	3.25	3.02	0.23
Net interest margin ⁽⁵⁾	3.50	3.22	0.28
Net fee and commission income to operating income	2.75	3.63	(0.88)
Cost-to-income ratio ⁽⁶⁾	<u>33.04</u>	<u>33.58</u>	<u>(0.54)</u>

(Expressed in percentage)	As at June 30, 2012	As at December 31, 2011	Change
Assets quality indicators⁽⁷⁾			
Non-performing loan ratio	1.19	1.44	(0.25)
Allowance to non-performing loans	302.44	265.24	37.20
Allowances to total loans	3.60	3.83	(0.23)
Capital adequacy indicators			
Core capital adequacy ratio ⁽⁸⁾	12.63	13.71	(1.08)
Capital adequacy ratio ⁽⁸⁾	13.66	14.90	(1.24)
Total equity to total assets	<u>7.35</u>	<u>8.12</u>	<u>(0.77)</u>

(Expressed in percentage)	As at June 30, 2012	As at December 31, 2011	Change
Other indicators			
Loan-to-deposit ratio ⁽⁷⁾	<u>60.49</u>	<u>58.64</u>	<u>1.85</u>

Notes:

- (1) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the period-end balance of total assets.
- (2) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets at the beginning and the end of the period.
- (3) Representing the net 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, allowance 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 CBRC.

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, Chongqing Rural Credit Cooperative Union (the “CRCU”) by the Bank on June 27, 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 the use of the management purpose, which are not the same as the carrying amount of these loans and advances to customers stated in the reviewed financial statements of the Group.



Company Information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as “重慶農村商業銀行”)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as Chongqing Rural Commercial Bank)
Legal representative	LIU Jianzhong
Authorised Representatives	TAN Yuansheng SUI Jun
Secretary to the Board	SUI Jun
Joint Company Secretaries	SUI Jun CHENG Pik Yuk
Registered address and postcode	No. 10 East Yanghe Road, Jiangbei District, Chongqing City, the PRC 400020
Principal place of business in Hong Kong	Level 28, Three Pacific Place, 1 Queen’s Road East, Hong Kong
Company’s website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Stock exchange listed, stock name and stock code	The Stock Exchange of Hong Kong Limited Stock name: CQRC Bank Stock code: 3618
Date and authority of first incorporation	June 27, 2008 Administration for Industry and Commerce of Chongqing, the PRC

Registration number of corporate legal person business licence	500000000001239
Code of organisational structure	67612972-8
Financial licence institution number	The Bank holds a financial licence number B0335H250000001 approved by CBRC
Taxation registration number	Yu Guo Shui Zi (渝國稅字) No. 500105676129728 Yu Di Shui Zi (渝地稅字) No. 500105676129728
Auditors	Deloitte Touche Tohmatsu 35th Floor, One Pacific Place, 88 Queensway, Hong Kong Deloitte Touche Tohmatsu CPA Ltd. 30th Floor, No. 222, Yan'an East Road, Shanghai, the PRC
Legal advisor as to the PRC laws	Chongqing Jingsheng Law Firm Level 18, Business Tower, InterContinental Hotel, 101 Minzu Road, Yuzhong District, Chongqing City, the PRC
Legal advisor as to Hong Kong laws	Paul Hastings 21-22/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong



Management Discussion and Analysis

Financial Review

In the first half of 2012, the global economy had not recovered fully from the financial tsunami and the economic recovery was still subject to uncertainties. Up till now, the concern on the outbreak of a double-dip recession has been refuelled in the market, due to the prolonged impact on the global economy left over by the financial crisis, the euro debt crisis haunting the European countries, the uncertainties ahead in the economic recovery of the United States as well as the continuous slowdown in the growth of emerging economies which were deemed as the powerhouses of the global economy.

The global economic downturn this year also put a brake on China's rapid economic growth. In the first half of the year, the national fiscal revenue grew by 12.2% over the same period of the previous year, representing a year-on-year decrease of 19 percentage points. Such dramatic decrease was primarily attributable to factors such as a moderating economic growth, a weakened momentum of price hike, a drop in enterprise profits as well as a structural tax reduction. Domestic macro-control policies were fine-tuned to cope with the downward trend in economic growth rate. Since the beginning of the year, People's Bank of China has made downward adjustments to the deposit reserve ratio and the interest rate, so as to release liquidity, encourage effective credit demand and boost the domestic demand. As at the end of June, outstanding broad money (M2) reached RMB92.50 trillion, up 13.6% year on year; outstanding narrow money (M1) reached RMB28.75 trillion, up 4.7% year on year; and the outstanding currency in circulation (M0) reached RMB4.93 trillion, up 10.8% year on year.

On the other hand, Chongqing achieved robust economic growth in recent years. In the first half of 2012, the gross domestic product (GDP) of Chongqing amounted to RMB530.719 billion, representing a year-on-year increase of 14.0%, which ranked the second among China and the first among the central and west regions. The total import and export value of foreign trade increased by 174.0% to US\$25.044 billion, remaining unrivalled in China. In particular, both of export value and import value maintained a remarkable growth and surged to US\$18.149 billion and US\$6.895 billion, respectively. In the first half of the year, albeit the enduring impact of the global financial crisis and the notable downward trend in domestic economy, Chongqing prevailed against all odds and consolidated the existing strong economic fundamentals. In recent years, the endeavors of the central government in implementing the "Go West" strategy, the "314" General Plan (314總體部署), the Guo Fa No. 3 Document (國發3號文件) as well as the policy of building Chongqing into a bridgehead in inland development gave a strong impetus to the development of Chongqing under a clear objective and brought great development opportunities to the city. The municipal government of Chongqing exerted efforts in building a development environment with "five lows", namely low logistics cost, low tax cost, low factor cost, low land and property cost as well as low financing cost, in a bid to support the development of local enterprises and strive for a fully-coordinated scenario favourable for the sustainable development of Chongqing's economy. We have every reason to believe that the economic development of Chongqing in the second half of the year is worth expecting.

I. Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2012	Six months ended June 30, 2011	Change in amount	Change (%)
Net interest income	6,234.4	4,828.0	1,406.4	29.13
Net fee and commission income	179.1	179.0	0.1	0.06
Net trading gain	83.3	21.1	62.2	294.79
Other operating income(losses), net	6.4	(90.4)	96.8	(107.08)
Operating income	6,503.2	4,937.7	1,565.5	31.71
Operating expenses	(2,586.2)	(1,962.8)	(623.4)	31.76
Impairment on assets	(237.7)	(62.0)	(175.7)	283.39
Net gain on disposal of available-for-sale financial assets	0.01	—	0.01	100.00
Net gain on disposal of debt securities classified as receivables	—	1.0	(1.0)	(100.00)
Profit before tax	3,679.3	2,913.9	765.4	26.27
Income tax expense	(869.2)	(676.5)	(192.7)	28.48
Net profit	2,810.1	2,237.4	572.7	25.60

In the first half of 2012, the Group recorded profit before tax of RMB3,679 million, representing an increase of 26.27% over the same period of the previous year, and net profit of RMB2,810 million, representing an increase of 25.60% over the same period of the previous year. Profit before tax and net profit saw faster growth year on year, which was primarily due to an increase of RMB1,406 million, or 29.13% 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.

(l) Net interest income

In the first half of 2012, the Group recorded a net interest income of RMB6,234 million, representing an increase of RMB1,406 million, or 29.13% over the same period of the previous year, including an increase of RMB965 million of net interest income arising from changes in average balance of various assets and liabilities, and an increase of RMB441 million in net interest income attributable to average yield or average cost rate. Net interest income accounted for 95.87% of the total operating income of the Group.

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

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2012	Six months ended June 30, 2011	Change in amount	Change (%)
Interest income	10,742.6	7,822.5	2,920.1	37.33
Interest expense	(4,508.2)	(2,994.5)	(1,513.7)	50.55
Net interest income	<u>6,234.4</u>	<u>4,828.0</u>	<u>1,406.4</u>	<u>29.13</u>

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

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2012			Six months ended June 30, 2011		
	Average balance	Interest income/expense	Annualised average yield/cost rate (%)	Average balance	Interest income/expense	Annualised average yield/cost rate (%)
Assets						
Loans and advances to customers	153,532.3	5,803.2	7.56	130,773.8	4,344.3	6.64
Debt securities investments	80,987.2	2,261.6	5.59	70,417.8	1,620.2	4.60
Balances with central bank	50,639.6	401.5	1.59	40,793.8	318.0	1.56
Due from banks and other financial institutions	71,034.3	2,276.3	6.41	57,994.2	1,540.0	5.31
Total interest-earning assets	356,193.4	10,742.6	6.03	299,979.6	7,822.5	5.22
Liabilities						
Due to customers	259,811.3	2,723.1	2.10	215,958.3	1,712.6	1.59
Borrowings from central bank	26.4	0.4	3.03	7.6	0.1	2.63
Due to banks and other financial institutions	62,422.6	1,721.5	5.52	54,223.1	1,218.6	4.49
Subordinated bonds	2,300.0	63.2	5.50	2,300.0	63.2	5.50
Total interest-bearing liabilities	324,560.3	4,508.2	2.78	272,489.0	2,994.5	2.20
Net interest income		6,234.4			4,828.0	
Net interest spread			3.25			3.02
Net interest margin			3.50			3.22

Under the influence of interest rate hikes in 2011, and owing to the continuous strengthening of our bargaining power over loans, the average yield on overall interest-earning assets rose by 81 basis points to 6.03% over the same period of the previous year.

Under the influence of the lagging effect of the rise in interest rates in 2011, both the average cost rate of due to 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 58 basis points to 2.78% over the same period of the previous year.

Owing to interest rate hikes in 2011, the average yield of interest-earning assets increased by 81 basis points over the same period of the previous year, the average cost rate for interest-bearing liabilities increased by 58 basis points over the same period of the previous year, resulting in a rise of 23 basis points in net interest spread to 3.25% over the same period of the previous year, whereas the net interest margin was driven up by 28 basis points to 3.50%.

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 interest rate. Changes in volume are measured by the movement of average balance, while changes in interest rate are measured by the movement of average interest rate.

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Changes in interest income/ expense
Assets			
Loans and advances to customers	860.3	598.6	1,458.9
Debt securities investments	295.4	346.0	641.4
Balances with central bank	78.3	5.2	83.5
Due from banks and other financial institutions	417.9	318.4	736.3
Changes in interest income	<u>1,651.9</u>	<u>1,268.2</u>	<u>2,920.1</u>
Liabilities			
Due to customers	460.5	550.0	1,010.5
Due to banks and other financial institutions	226.6	276.6	503.2
Changes in interest expense	<u>687.1</u>	<u>826.6</u>	<u>1,513.7</u>

1. Interest Income

In the first half of 2012, the Group recorded interest income of RMB10,743 million, representing an increase of RMB2,920 million or 37.33% over the same period of the previous year.

(1) Interest Income from Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2012			Six months ended June 30, 2011		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans	98,975.4	3,619.3	7.31	81,853.8	2,389.1	5.84
Retail loans	51,349.2	2,048.0	7.98	45,339.5	1,811.1	7.99
Discounted bills	3,207.7	135.9	8.47	3,580.5	144.1	8.05
Total loans and advances to customers	153,532.3	5,803.2	7.56	130,773.8	4,344.3	6.64

Interest income from loans and advances to customers amounted to RMB5,803 million, representing an increase of RMB1,459 million or 33.58% 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 2012, interest income from debt securities investments of the Group amounted to RMB2,262 million, representing an increase of RMB641 million or 39.59% 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 Balances with Central Bank

In the first half of 2012, the Group's interest income from balances with central bank amounted to RMB402 million, representing an increase of 84 million or 26.26% over the same period of the previous year, which was primarily due to an increase of 24.14% in average balance of balances with central bank over the same period of the previous year, following the increase of due to customers.

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

In the first half of 2012, the interest income from deposits and placements with banks and other financial institutions of the Group amounted to RMB952 million, representing an increase of RMB649 million, or 214.37% over the same period of the previous year, which was primarily due to the enhancement of efficiency in short-term fund usage and market interest rates hikes, which drove the average yield up by 214 basis points over the same period of the previous year.

In the first half of 2012, the interest income from financial assets held under resale agreements of the Group amounted to RMB1,324 million, representing an increase of RMB87 million, or 7.05% over the same period of the previous year, which was primarily due to the enhancement of efficiency in short-term fund usage and market interest rates hikes in the monetary market, which drove the average yield up by 98 basis points over the same period of the previous year.

2. Interest Expense

In the first half of 2012, interest expense of the Group amounted to RMB4,508 million, representing an increase of RMB1,514 million, or 50.55% over the same period of the previous year.

(1) Interest Expense on Due to Customers

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

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2012			Six months ended June 30, 2011		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Corporate deposits						
Demand	46,897.1	125.2	0.53	43,894.8	118.9	0.54
Time	17,139.9	193.9	2.26	14,418.0	118.6	1.64
Subtotal	<u>64,037.0</u>	<u>319.1</u>	<u>1.00</u>	<u>58,312.8</u>	<u>237.5</u>	<u>0.81</u>
Retail deposits						
Demand	54,769.5	127.1	0.46	46,384.0	105.8	0.46
Time	141,004.8	2,276.9	3.23	111,261.5	1,369.3	2.46
Subtotal	<u>195,774.3</u>	<u>2,404.0</u>	<u>2.46</u>	<u>157,645.5</u>	<u>1,475.1</u>	<u>1.87</u>
Total due to customers	<u>259,811.3</u>	<u>2,723.1</u>	<u>2.10</u>	<u>215,958.3</u>	<u>1,712.6</u>	<u>1.59</u>

In the first half of 2012, interest expense on due to customers of the Group amounted to RMB2,723 million, representing an increase of RMB1,011 million, or 59.00% over the same period of the previous year, which was primarily attributable to the growth in due to customers and the lagging effect of interest rate hikes implemented by the central bank in 2011, which drove the average cost rate of due to customers up by 51 basis points to 2.10%.

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

In the first half of 2012, the Group's interest expense on deposits and placements from banks amounted to RMB728 million, representing an increase of RMB366 million, or 101.08% 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 2012, the interest expense on financial assets sold under repurchase agreements amounted to RMB994 million, representing an increase of RMB137 million, or 15.98% 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 2012, the Group posted a net interest spread of 3.25%, representing an increase of 23 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 2012, the net interest margin was 3.50%, representing an increase of 28 basic points over the same period of the previous year.

(II) Non-interest Income

1. Net Fee and Commission Income

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2012	Six months ended June 30, 2011	Change in amount	Change (%)
Fee and commission income	198.8	194.7	4.1	2.11
Settlement and clearing fees	16.8	16.9	(0.1)	(0.59)
Agency commissions	56.9	44.9	12.0	26.73
Bank card fees	50.8	33.2	17.6	53.01
Custodian and other fiduciary service fees	1.9	2.9	(1.0)	(34.48)
Consultancy and advisory fees	70.2	86.1	(15.9)	(18.47)
Others	2.2	10.7	(8.5)	(79.44)
Fee and commission expense	(19.7)	(15.7)	(4.0)	25.48
Net fee and commission income	179.1	179.0	0.1	0.06

In the first half of 2012, the net fee and commission income amounted to RMB179 million, basically remaining at the same level as that for the previous year.

Settlement and clearing fees amounted to RMB17 million, basically remaining at the same level as that for the previous year.

Agency commissions increased by RMB12 million or 26.73% to RMB57 million as compared with the same period of the previous year, which was primarily attributable to the growth in insurance agency business volume over the same period of the previous year.

Bank card fees amounted to RMB51 million, representing an increase of RMB18 million, or 53.01% over the same period of the previous year, which was primarily attributable to a continuous increase in resources invested, rapid development of E-banking business and remarkable improvement in card quality, and a sustained stable growth in amount of settled transaction and inter-bank transactions through self-service facilities.

Custodian and other fiduciary service fees amounted to RMB2 million, representing a decrease of RMB1 million, or 34.48% over the same period of the previous year.

Consultancy and advisory fees amounted to RMB70 million, representing a decrease of RMB16 million, or 18.47% over the same period of the previous year.

2. Net Trading Gain

Net trading 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 2012, the Group's net trading gain amounted to RMB83 million, primarily due to the restructuring of debt securities investment portfolio.

3. Other Operating Income (Losses), Net

In the first half of 2012, other operating income (losses), net, amounted to RMB6 million, representing an increase of RMB97 million over the same period of the previous year, which was primarily due to the exchange losses on foreign exchange settlement of H share proceeds affected by exchange rate fluctuations in the same period of the previous year. There was no similar transaction during the period.

(III) Operating expenses

In the first half of 2012, the operating expenses of the Group amounted to RMB2,586 million, representing an increase of RMB623 million, or 31.76% over the same period of the previous year.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2012	Six months ended June 30, 2011	Change in amount	Change (%)
Staff costs	1,540.5	1,141.6	398.9	34.94
Business tax and surcharges	437.5	304.9	132.6	43.49
Depreciation and amortisation	183.9	179.6	4.3	2.39
Others	424.3	336.7	87.6	26.02
Total operating expenses	2,586.2	1,962.8	623.4	31.76

1. Staff Costs

Staff costs are the largest component of operating expenses of the Group, accounting for 59.57% and 58.16% of its total operating expenses for the six months ended June 30, 2012 and June 30, 2011 respectively.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2012	Six months ended June 30, 2011	Change in amount	Change (%)
Salaries, bonuses and allowances	1,142.9	789.4	353.5	44.78
Staff welfare, social insurance and housing funds	304.3	217.2	87.1	40.10
Others	93.3	135.0	(41.7)	(30.89)
Total staff costs	1,540.5	1,141.6	398.9	34.94

In the first half of 2012, staff costs of the Group amounted to RMB1,541 million, representing an increase of RMB399 million, or 34.94% over the same period of the previous year, which was primarily due to an increase of RMB354 million in salaries, bonuses and allowances over the same period of the previous year as a result of the adjustment to salaries and more strict compliance with the results of quarterly evaluations in granting bonuses and allowances.

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 and provision of other financial products and services. In the first half of 2012, business tax and surcharges amounted to RMB438 million, representing an increase of RMB133 million, or 43.49% over the same period of the previous year.

3. Depreciation and Amortisation

Depreciation and amortisation expenses for the six months ended June 30, 2012 were basically on par with those for the same period of the previous year as the value of properties and equipment recorded a moderate change over the same period of the previous year.

4. Others

For the six months ended June 30, 2012, other expenses increased by 26.02% to RMB424 million over RMB337 million for the same period of the previous year, primarily due to business expansion and additional cost in security measures.

(IV) Impairment on Assets

Impairment on assets consists primarily of provisions charged on loans and advances to customers and other assets. Provisions charged for impairment on assets recorded an expense of RMB238 million for the six months ended June 30, 2012, representing an increase of RMB176 million or 283.39% over the same period of the previous year.

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

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2012	Six months ended June 30, 2011	Change in amount	Change (%)
Loans and advances to customers	237.7	62.4	175.3	280.93
Other assets	—	(0.4)	0.4	(100.00)
Total impairment on assets	237.7	62.0	175.7	283.39

In the first half of 2012, provisions for impairment on loans and advances to customers were RMB238 million, representing an increase of RMB175 million over the same period of the previous year, primarily due to an increase in loans and a strengthened portfolio of provisions on loans as the Group fully took account of the uncertainties hanging over the macro economy.

(V) *Income Tax Expense*

In the first half of 2012, income tax expense amounted to RMB869 million, representing an increase of RMB193 million over the same period of the previous year. The effective tax rate was 23.62%, which was lower than the statutory tax rate due to the fact that the interest income from government bonds held by the Group was tax-free pursuant to tax regulations and the revenue from small-amount loans to farmers was partially exempted.

II. **Analysis on Statement of Financial Position**

(I) *Assets*

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

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	% of Total	Amount	% of Total
Loans and advances to customers, gross ⁽¹⁾	163,707.3	40.69	144,344.4	41.86
Allowances for impairment on loans and advances to customers ⁽¹⁾	(5,898.7)	(1.47)	(5,522.6)	(1.60)
Loans and advances to customers, net	157,808.6	39.22	138,821.8	40.26
Investment securities ⁽²⁾	71,854.7	17.86	68,907.5	19.98
Cash and balances with central bank	54,728.4	13.60	50,662.8	14.69
Deposits with banks and other financial institutions	12,640.8	3.14	11,445.0	3.32
Placements with banks and other financial institutions	30,208.9	7.51	11,460.7	3.32
Financial assets held under resale agreements	49,998.0	12.43	42,296.8	12.27
Financial assets held for trading	4,187.7	1.04	400.9	0.12
Financial assets designated as at fair value through profit or loss	12,757.0	3.17	13,033.6	3.78
Goodwill	440.1	0.11	440.1	0.13
Other assets ⁽³⁾	7,719.3	1.92	7,350.8	2.13
Total assets	402,343.5	100.00	344,820.0	100.00

Notes:

- (1) Gross loans and advances to customers and allowances for impairment on loans and advances to customers were disclosed on 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, debt securities classified as receivables.
- (3) Other assets consist of property and equipment, deferred tax assets and other assets.

As at June 30, 2012, the Group's total assets amounted to RMB402,344 million, representing an increase of RMB57,524 million, or 16.68% as compared to the end of the previous year. Among which:

the amount of gross loans and advances to customers increased by RMB19,363 million, or 13.41%, as compared to 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 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 RMB2,947 million or 4.28% as compared to the end of the previous year, primarily due to increased holdings of public sector, quasi-government bonds and corporate bonds with high ratings;

cash and balances with central bank increased by RMB4,066 million, or 8.02% as compared to the end of the previous year, primarily because of the growth in reserve deposits with central bank following the increase in due to customers;

the total amount of deposits with banks and other financial institutions and placements with banks and other financial institutions increased by RMB19,944 million or 87.07%, whilst the proportion to total assets increased by 4.01 percentage points as compared to the end of the previous year, primarily due to the enhancement of utilization efficiency of surplus funds under the premise of ensuring sufficiency of liquidity;

financial assets held under resale agreements increased by RMB7,701 million or 18.21% and their proportion to total assets increased by 0.16 percentage point as compared to the end of the previous year. This was mainly because the Group increased holdings of bills held under resale agreements to enhance capital utilisation efficiency.

1. Loans and advances to customers (Contractual amount)

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	% of Total	Amount	% of Total
Corporate loans	101,429.0	61.96	92,553.4	64.12
Short-term loans ⁽¹⁾	16,618.0	10.15	11,310.3	7.84
Medium-and long-term loans ⁽²⁾	84,811.0	51.81	81,243.1	56.28
Retail loans	55,769.3	34.06	51,538.8	35.71
Residential mortgage and personal commercial property loans ⁽³⁾	32,398.4	19.79	30,835.4	21.36
Loans to private business and employment assistance loans ⁽⁴⁾	16,910.4	10.33	14,403.3	9.98
Loans to farmers ⁽⁵⁾	1,874.2	1.14	2,101.5	1.46
Others ⁽⁶⁾	4,586.3	2.80	4,198.6	2.91
Discounted bills	6,509.0	3.98	252.2	0.17
Loans and advances to customers, gross	163,707.3	100.00	144,344.4	100.00

Notes:

- (1) Short-term loans primarily consist of loans with contractual maturities of one year or less.
- (2) Medium-and-long-term loans primarily consist of loans with contractual maturities over one year.
- (3) Residential mortgage and personal commercial property loans primarily consist of personal mortgage loans, second mortgage loans and loans to retail customers to acquire property for small business purposes, such as store premises.
- (4) Loans to private business and employment assistance 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) Other loans include personal car loans, loans for personal durable consumption goods, credit card loans and personal education loans.

As at June 30, 2012, the amount of gross loans and advances to customers of the Group increased by RMB19,363 million, or 13.41%, to RMB163,707 million as compared to the end of the previous year.

Corporate loans (excluding discounted bills) increased by RMB8,876 million, or 9.59%, to RMB101,429 million as compared to the end of the previous year. During the period, the Group actively adjusted the credit structure in support of the State's industrial policy, and focused on real economic development. As at June 30, 2012, loans to industries of wholesale and retail, water resources, environment and public utility management, manufacturing as well as the production and supply of electricity, gas and water increased by RMB1,466 million, RMB1,371 million, RMB1,135 million and RMB715 million respectively over the end of the previous year, the total of which accounted for 52.81% of additional corporate loans.

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 loans to financing platforms.

Retail loans increased by RMB4,231 million, or 8.21%, to RMB55,769 million as compared to the end of the previous year, among which, the residential and commercial property mortgage loans, mainly to finance self-occupied home purchases, rose by RMB1,563 million, or 5.07% as compared to the end of the previous year; personal loans for business purposes grew by RMB2,507 million, or 17.41% as compared to the end of the previous year; and loans to farmers and other loans increased by RMB160 million, or 2.55% as compared to the end of the previous year. In face of complicated market changes, the Group took active measures to avoid systemic risks in markets, and stressed on meeting credit needs of premium personal customers.

Discounted bills increased by RMB6,257 million, or 2,480.89%, to RMB6,509 million as compared to the end of the previous year, largely due to the increase in the discounted bills of counter-parties with high credit ratings.

Distribution of loans and advances by type of collateral (Contractual amount)

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

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	% of Total	Amount	% of Total
Unsecured loans	14,993.8	9.16	14,721.9	10.20
Guaranteed loans	31,970.0	19.53	28,671.4	19.86
Collateralised loans	102,055.2	62.34	93,051.2	64.47
Pledged loans	14,688.3	8.97	7,899.9	5.47
Loans and advances to customers, gross	163,707.3	100.00	144,344.4	100.00

Allowance for Impairment on Loans and Advances to Customers (Contractual amount)

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

(Expressed in RMB million, unless otherwise stated)	Allowance for impairment on loans and advances which is collectively assessed ⁽¹⁾	Allowance for impairment on identified impaired loans and advances ⁽²⁾		Total
		For which allowance is collectively assessed	For which allowance is individually assessed	
As at January 1, 2012	4,147.0	900.4	475.2	5,522.6
Charge for the period	1,729.3	101.2	177.6	2,008.1
Reverse for the period	(1,370.9)	(240.5)	(159.0)	(1,770.4)
Recovery of loans and advances previously written off	—	136.1	35.9	172.0
Unwinding of discount on allowance	—	(9.2)	(24.4)	(33.6)
The balance as at June 30, 2012	<u>4,505.4</u>	<u>888.0</u>	<u>505.3</u>	<u>5,898.7</u>

Notes:

- (1) Loans and advances to customers 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.

In the first half of 2012, 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, 2012, balance of allowances for impairment on loans and advances to customers increased by RMB376 million to RMB5,899 million over the end of the previous year. The coverage ratio for provisions was 302.44%, representing an increase of 37.20 percentage points as compared with the end of the previous year.

2. Investments

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

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	% of Total	Amount	% of Total
Financial assets held for trading	4,187.7	4.72	400.9	0.49
Financial assets designated as at fair value through profit or loss	12,757.0	14.37	13,033.6	15.83
Available-for-sale financial assets	3,216.9	3.62	1,617.8	1.96
Held-to-maturity investments	44,838.4	50.49	40,236.4	48.87
Debt securities classified as receivables	23,799.4	26.80	27,053.3	32.85
Total investments	88,799.4	100.00	82,342.0	100.00

As at June 30, 2012, total investments increased by RMB6,457 million to RMB88,799 million as compared to the end of the previous year, among which, financial assets held for trading increased by RMB3,787 million to RMB4,188 million as compared with the end of the previous year, which was mainly attributable to the Bank's increase in the holdings of corporate bonds with controllable risks and higher yield to adapt the market. Financial assets designated as at fair value through profit or loss of the period decreased by RMB277 million or 2.12% as compared to the end of the previous year, primarily due to the achievement of higher profit resulting from the Group's timely seizing of the market opportunities and proactive adjustment of the investment structure. Available-for-sale financial assets increased by RMB1,599 million as compared to the end of previous year, primarily due to increase in holdings of corporate bonds with controllable risk and higher yield. Held-to-maturity investments, increased by RMB4,602 million as compared to the end of previous year, primarily due to increased holdings of corporate bonds and public sector, quasi-government bonds with comparatively higher yields within the credit facility limits. Debt securities classified as receivables decreased by RMB3,254 million as compared to the end of the previous year, primarily due to strict control of credit risk and adjustment in investment structure upon the maturity of certain wealth management products.

Debt Securities Investments

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

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	% of Total	Amount	% of Total
Government bonds	8,862.0	9.99	9,263.2	11.26
Public sector, quasi-government bonds	17,662.7	19.90	15,692.4	19.07
Financial institution bonds	3,099.2	3.49	2,443.3	2.97
Corporate bonds	24,507.1	27.61	16,645.5	20.23
Debt instruments issued by financial institutions	34,617.6	39.01	38,243.9	46.47
Total	88,748.6	100.00	82,288.3	100.00

(II) *Liabilities*

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

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	% of Total	Amount	% of Total
Due to customers	270,621.6	72.60	246,141.4	77.69
Deposits and placements from banks and borrowings from central bank	37,900.6	10.17	27,286.9	8.61
Financial assets sold under repurchase agreements	51,548.0	13.83	32,759.7	10.34
Debt securities issued	2,300.0	0.62	2,300.0	0.73
Other liabilities ⁽¹⁾	10,401.8	2.78	8,321.1	2.63
Total liabilities	372,772.0	100.00	316,809.1	100.00

Note:

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

As at June 30, 2012, total liabilities increased by RMB55,963 million, or 17.66%, to RMB372,772 million as compared to the end of the previous year. Due to customers are the Group's largest source of capital, which grew by RMB24,480 million or 9.95%. Deposits from banks and other financial institutions and financial assets sold under repurchase agreements increased by RMB29,402 million or 48.97% over the end of the previous year.

Due to Customers

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	% of Total	Amount	% of Total
Corporate deposits	64,898.6	23.98	63,751.8	25.90
Demand deposits	50,926.7	18.82	49,798.6	20.23
Time deposits	13,971.9	5.16	13,953.2	5.67
Retail deposits	202,207.5	74.72	179,213.2	72.81
Demand deposits	54,153.6	20.01	49,949.5	20.29
Time deposits	148,053.9	54.71	129,263.7	52.52
Pledged deposits	3,463.3	1.28	3,132.8	1.27
Other deposits	52.2	0.02	43.6	0.02
Total due to customers	270,621.6	100.00	246,141.4	100.00

As at June 30, 2012, due to customers increased by RMB24,480 million or 9.95% to RMB270,622 million as compared to the end of the previous year. Corporate deposits increased by RMB1,147 million or 1.80% as compared to the end of the previous year, the percentage of which in due to customers dropped by 1.92 percentage points to 23.98% as compared to the end of the previous year, primarily due to the relatively tight corporate funding under the impact of macroeconomic adjustment. Demand deposits recorded at RMB105,080 million, representing an increase of RMB5,332 million or 5.35% as compared to the end of the previous year. Its proportion in total due to customers decreased by 1.69 percentage points to 38.83% as compared to the end of the previous year, primarily triggered by the fact that customers shifted to time deposit in order to obtain higher profitability.

(III) Shareholders' Equity

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

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	% of Total	Amount	% of Total
Share capital	9,300.0	31.45	9,300.0	33.20
Capital reserve	9,201.9	31.12	9,201.9	32.85
Investment revaluation reserve	33.6	0.11	(18.9)	(0.07)
Surplus reserve	5,263.2	17.80	3,650.9	13.03
General reserve	2,847.9	9.63	1,919.8	6.85
Retained earnings	2,763.1	9.34	3,801.8	13.59
Equity attributable				
to equity holders of the Bank	29,409.7	99.45	27,855.5	99.45
Non-controlling interests	161.8	0.55	155.4	0.55
Total equity	29,571.5	100.00	28,010.9	100.00

As at June 30, 2012, paid-in capital recorded RMB9,300 million. Capital reserve reached RMB9,202 million. Surplus reserve increased by RMB1,612 million as compared to the end of the previous year, primarily resulting from the provisions made for discretionary surplus reserve for the period. General reserve increased by RMB928 million as compared to the end of the previous year, as the general reserve was required to be not less than an addition reserve of 1% of balance of risk assets at the end of the previous year.

III. Loan Quality Analysis (the Group)

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

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

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	% of Total	Amount	% of Total
Normal	156,374.3	95.52	135,502.4	93.88
Special mention	5,382.6	3.29	6,759.9	4.68
Substandard	612.8	0.37	632.1	0.44
Doubtful	1,337.6	0.82	1,450.0	1.00
Loss	—	—	—	—
Total loans and advances to customers	163,707.3	100.00	144,344.4	100.00
Amount of non-performing loans	1,950.4		2,082.1	
Non-performing loan ratio (%)		1.19		1.44

In the first half of 2012, 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, 2012, the balance of non-performing loans dropped by RMB132 million from the end of the previous year to RMB1,950 million; while the non-performing loan ratio posted 1.19%, 0.25 percentage point down from the end of the previous year. The proportions of substandard and doubtful loans were on a decline, while the balance of special mention loans decreased by RMB1,377 million to RMB5,383 million, accounting for 3.29%, 1.39 percentage points down from the end of the previous year.

(II) Concentration of Loans

1. Concentration by industry and non-performing loans

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

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012				As at December 31, 2011			
	Loan amount	Percentage of total (%)	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Percentage of total (%)	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans	101,429.0	61.95	979.9	0.97	92,553.4	64.12	1,040.8	1.12
Manufacturing	26,564.3	16.23	196.2	0.74	25,429.8	17.62	210.7	0.83
Production and supply of electricity, gas and water	6,630.7	4.05	10.4	0.16	5,915.4	4.10	11.2	0.19
Real estate	16,774.6	10.25	450.6	2.69	13,574.8	9.40	452.5	3.33
Leasing and commercial services	3,863.0	2.36	25.7	0.67	4,332.7	3.00	31.7	0.73
Water, environment and public utilities management	17,307.4	10.57	0.4	—	15,936.7	11.04	0.4	—
Construction	7,109.9	4.34	24.0	0.34	6,582.7	4.56	24.0	0.36
Wholesale and retail	5,688.6	3.47	44.3	0.78	4,222.3	2.93	49.7	1.18
Others	17,490.5	10.68	228.3	1.31	16,559.0	11.47	260.6	1.57
Personal Loans	55,769.3	34.07	970.5	1.74	51,538.8	35.71	1,041.3	2.02
Discounted bills	6,509.0	3.98	—	—	252.2	0.17	—	—
Total	163,707.3	100.00	1,950.4	1.19	144,344.4	100.00	2,082.1	1.44

In 2012, 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, giving an increase in loans for industries, except for the leasing and commercial service industry. Personal loans 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 RMB2 million and RMB15 million whilst the non-performing loan ratios dropped by 0.64 percentage point and 0.09 percentage point as compared with the end of the previous year, respectively.

2. Concentration of borrowers

In the first half of 2012, the Group's total loans to its largest single borrower accounted for 6.53% of its net capital while total loans to its top ten clients accounted for 49.63% of its net capital, both are in compliance with regulatory requirements. As at June 30, 2012, 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, 2012	As at December 31, 2011
Loan concentration ratio for the largest single borrower (%)	≤10	6.53	6.95
Loan concentration ratio for a single group borrower (%)	≤15	7.59	8.41

(2) Loans to top ten single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	Amount	Percentage of the total amount of loans (%)
Borrower A	Real estate	2,382.0	1.46
Borrower B	Water, environmental and public utility management	2,050.0	1.25
Borrower C	Water, environmental and public utility management	1,947.0	1.19
Borrower D	Real estate	1,915.6	1.17
Borrower E	Water, environmental and public utility management	1,455.0	0.89
Borrower F	Construction	1,269.2	0.78
Borrower G	Water, environmental and public utility management	1,232.0	0.75
Borrower H	Manufacturing	1,162.9	0.71
Borrower I	Water, environmental and public utility management	1,089.5	0.67
Borrower J	Manufacturing	1,075.0	0.66

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

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

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012			As at December 31, 2011		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	101,429.0	979.9	0.97	92,553.4	1,040.8	1.12
Short-term loans	16,618.0	83.7	0.50	11,310.3	99.7	0.88
Medium- and long-term loans	84,811.0	896.2	1.06	81,243.1	941.1	1.16
Retail Loans	55,769.3	970.5	1.74	51,538.8	1,041.3	2.02
Residential mortgage and personal commercial property loans	32,398.4	55.1	0.17	30,835.4	60.5	0.20
Loan to private business and employment assistance loans	16,910.4	404.0	2.39	14,403.3	422.8	2.94
Loans to farmers	1,874.2	381.1	20.33	2,101.5	419.8	19.98
Others ⁽¹⁾	4,586.3	130.3	2.84	4,198.6	138.2	3.29
Discounted bills	6,509.0	—	—	252.2	—	—
Total	163,707.3	1,950.4	1.19	144,344.4	2,082.1	1.44

Note: (1) Other loans include personal car loans, loans for personal durable consumption goods, credit card loans and personal education loans.

As at June 30, 2012, non-performing loan ratio of corporate loans (excluding discounted bills) decreased by 0.15 percentage point to 0.97% as compared with the end of the previous year, whereas non-performing ratio of retail loans decreased by 0.28 percentage points to 1.74% as compared with the end of the previous year.

(IV) *Rescheduled loans and advances to customers*

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

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	% of the total loans and advances	Amount	% of the total loans and advances
Rescheduled loans and advances to customers	<u>262.8</u>	<u>0.16</u>	<u>294.4</u>	<u>0.20</u>

(V) *Overdue loans and advances to customers*

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

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	% of the total loans and advances	Amount	% of the total loans and advances
Past due within 3 months	1,534.2	0.94	1,633.0	1.14
Past due for 3 months to 1 year	343.5	0.21	392.8	0.27
Past due for over 1 year and within 3 years	788.5	0.48	1,225.5	0.85
Past due for more than 3 years	<u>827.0</u>	<u>0.51</u>	<u>438.2</u>	<u>0.30</u>
Total overdue loans and advances to customers	<u>3,493.2</u>	<u>2.14</u>	<u>3,689.5</u>	<u>2.56</u>

As at June 30, 2012, the total overdue loans and advances amounted to RMB3,493 million, representing a decrease of RMB196 million over the end of the previous year. Overdue loans and advances accounted for 2.14%, representing a decrease of 0.42 percentage point from the end of the previous year.

IV. Analysis of Capital Adequacy Ratio

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

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012	As at December 31, 2011
Core capital adequacy ratio (%)	12.63	13.71
Capital adequacy ratio (%)	13.66	14.90
Core capital:		
Share capital	9,300.0	9,300.0
Capital reserve	9,201.9	9,201.9
Surplus reserve and general reserve	8,111.0	5,570.7
Unappropriated profit	2,707.1	2,499.5
Non-controlling shareholders' interests	161.7	155.4
Total core capital	<u>29,481.7</u>	26,727.5
Deductions:		
Goodwill	(440.1)	(440.1)
Other deductible items	(18.8)	(42.6)
Net core capital	<u>29,022.8</u>	26,244.8
Supplementary capital:		
Long-term subordinated bonds	2,300.0	2,300.0
Other supplementary capital	87.2	0.3
Total capital base before deductions	<u>31,868.9</u>	29,027.8
Deductions:		
Goodwill	(440.1)	(440.1)
Other deductible items	(37.6)	(66.4)
Total capital base after deductions	<u>31,391.2</u>	28,521.3
Risk-weighted assets and market risk capital adjustment	<u><u>229,841.1</u></u>	<u><u>191,473.1</u></u>

As at June 30, 2012, the capital adequacy ratio of the Group decreased by 1.24 percentage points as compared with beginning of the year to 13.66%. The core capital adequacy ratio decreased by 1.08 percentage points as compared with the beginning of the year to 12.63%. The change in capital adequacy ratio for the first half of 2012 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 June 30, 2012		As at December 31, 2011	
	County Area	Urban Area	County Area	Urban Area
Deposits	66.84	33.16	66.79	33.21
Loans	45.76	54.24	46.80	53.20
Assets	44.80	55.20	46.67	53.33
Loan-to-deposit ratio	39.25	96.75	41.09	93.94
Non-performing loan ratio	2.33	0.23	2.75	0.29
Allowance to non-performing loans	<u>225.03</u>	<u>954.56</u>	<u>208.13</u>	<u>746.14</u>

(Expressed in percentage)	For the six months ended June 30, 2012		For the six months ended June 30, 2011	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.40	1.58	1.10	1.84
Net fee and commission income to operating income	2.81	2.70	2.29	4.60
Cost-to-income ratio	<u>41.21</u>	<u>25.11</u>	<u>44.96</u>	<u>25.29</u>

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

(II) Summary of Business Segment

Operating Income

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2012		Six months ended June 30, 2011	
	Amount	% of Total	Amount	% of Total
Corporate banking business	2,255.1	34.68	1,854.9	37.57
Personal banking business	2,307.1	35.48	1,577.8	31.95
Treasury operations business	1,934.1	29.74	1,442.2	29.21
Unallocated	6.9	0.10	62.8	1.27
Total operating income	<u>6,503.2</u>	<u>100.00</u>	<u>4,937.7</u>	<u>100.00</u>

VI. Analysis of Off-balance-sheet Items

Off-balance-sheet items of the Group include acceptance, letters of credit issued, letters of guaranteed funds issued, receivables under export letters of credit, foreign exchange funds receivables collected, foreign exchange funds collected, foreign letters of credit by faith and wealth management, among which, acceptance and letters of credit issued were deemed as key business segments. As at June 30, 2012, the balances of acceptance and letters of credit issued were RMB3,216 million and RMB336 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, the Group makes estimates and judgments in certain aspects according to its accounting policies. These estimates and judgments involve assumptions about items such as risk adjustment to cash flows or discount rates used, and future changes in prices 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: provision for loans and advances to customers, supplementary retirement benefit and early retirement benefit obligation, fair value of financial instruments, held-to-maturity investments, provision for debt securities classified as receivables, and income taxes.

Business Operation

I. Corporate Banking Business

The following table sets forth the major operating figures of the corporate banking business and changes thereof.

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2012	Six months ended June 30, 2011	Change (%)
Net interest income	2,182.1	1,811.0	20.49
Net fee and commission income	73.0	43.9	66.29
Operating income	2,255.1	1,854.9	21.58
Operating expenses	(1,074.0)	(970.3)	10.69
Impairment on assets	(281.6)	(165.1)	70.56
Profit before tax	899.5	719.5	25.02
	As at June 30, 2012	As at December 31, 2011	Change (%)
Segment assets	99,062.0	90,235.6	9.78

In the first half of 2012, the total profit before tax from the corporate banking business accounted for 24.45% of the Bank's profit before tax. The overall growth in corporate loan business of the Bank had driven the net interest income of corporate banking business to increase by 20.49% over the same period of the previous year. Meanwhile, due to ongoing credit expansion of the Bank and more prudent corporate business operation, impairment on assets increased by RMB117 million as compared with the same period of the previous year.

1. *Corporate deposits*

The Bank strived to capture the corporate deposits market, thereby maintaining a growth momentum in corporate deposits. As at June 30, 2012, the balance of corporate deposits, including pledged deposits and other deposits, reached RMB68,414 million, representing an increase of RMB1,486 million or 2.22% over the end of the previous year.

2. *Corporate loans*

The Bank 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” (有保有壓). The Bank 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, 2012, the balance of corporate loans (excluding discounted bills) amounted to RMB101,429 million, representing an increase of RMB8,876 million or 9.59% over the end of the previous year. Meanwhile, asset quality of corporate loans continued to improve, with a balance of non-performing loans (excluding discounted bills) of RMB980 million and a non-performing loan ratio of 0.97%, representing a decrease of RMB61 million and 0.15 percentage point as compared with the end of the previous year, respectively.

The structure of credit assets continued to improve. On industry structure, the Bank adhered to Chongqing’s industry strategy of “making substantial investments, building large bases and developing pillar industries” (大投資、大基地、大支柱) and a regional layout of Five Major RMB1 Trillion Industrial Segments focusing on “6+1” pillar industries, namely IT, automobiles and motorcycles, equipment manufacturing, chemicals and pharmacy, materials, textiles and energy. The Bank primarily extended loans to industries of manufacturing, water and environment and public utility management, real estate, construction as well as production and supply of electricity, gas and water, which accounted for 26.19%, 17.06%, 16.54%, 7.01% and 6.54% of the total amount of corporate loans (excluding discounted bills), respectively. In working on its customer portfolio, the Bank 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. As at June 30, 2012, the Bank had a total of 2,466 SME customers with RMB80,638 million loans outstanding (including discounted bills), accounting for 73.70% of the balance of loans. The Bank continued to increase the loans granted to quality customers with sound credit record.

3. *Corporate banking products*

A more established system of corporate banking products has taken shape. The Bank, benefited from effective marketing campaigns of its existing deposit, loan and intermediary business products, enhanced its research and development on trade financing products. The Bank will further promote online operation of domestic factoring business whilst gathering pace in the innovation work on products relating to businesses of inventory mortgage, domestic letter of credit, order financing and bonded sales financing. Such endeavors will perfect the product lines of the Bank's corporate banking business.

4. *Corporate customer managers*

Preliminary achievements have been made in the establishment of the corporate customer manager mechanism. Since the launch of the corporate customer manager mechanism in July 2009, the Bank stepped up efforts in their education and training whilst strengthening the management on the admission and exit criteria as well as assessment of these managers, thus increased the number of corporate customer managers and improved their comprehensive quality. As at June 30, 2012, the number of corporate customer managers increased by 10.61% over the beginning of the year. The expansion and growth of the team will substantially facilitate the growth of corporate business.

5. *Small and micro enterprise business*

The Bank strictly adhered to the principle of vigorously developing small and micro enterprises advocated by the State Council and the Chongqing municipal government, and fully met the working requirements of “Two Minimum Thresholds” (「兩個不低於」) for small and micro enterprise loans as promulgated by the People's Bank of China and CBRC. By improving the financial services for small and micro enterprises, expediting the innovation on products and services, enhancing its risk prevention and control ability and upgrading its service mode, the Bank exerted every effort in supporting real economies.

The Bank continued to improve the service network and renovate its marketing model. After setting up the first small enterprise loan centre ahead of other medium- and small-sized rural financial institutions in the country, the Bank further established a “trinity and interrelated” (「三位一體·上下聯動」) financial service network for small and micro enterprises. Meanwhile, the Bank penetrated into local markets and business circles and conducted sales in batch to small and micro enterprises and reinforced marketing efforts in markets and districts with abundant small and micro enterprises by holding on-site product promotions and banks and enterprises matchmaking conferences.

The Bank stepped up efforts in the innovation on exclusive products. In order to meet customers' needs, the Bank provided tailor-made credit products for small and micro enterprises at different development stages and with different capital requirements. On the condition of controllable risks, the Bank established and perfected six exclusive small and micro enterprise credit products under the "Easy Commercial Loans" (「商易貸」) series and formulated corresponding operation rules. Meanwhile, based on an in-depth study of the specialised markets, industry associations and industrial zones, the Bank kept abreast of the latest needs from customers and endeavored to innovate small credit products to align with the characteristics of small and micro enterprises.

The Bank further optimised its business procedures. In order to prop up its competitiveness among its peers and working efficiency, the Bank adopted time-efficient procedures to cater to the capital requirements of small and micro enterprises, which are "short-term, small-sized, frequent and urgent" in nature. By optimising the credit rating, credit approval and credit utilisation procedures and vigorously promoting "investigation in parallel with review whilst submitting application for expenditure and billing simultaneously" (調查、審查平行作業；支用、出帳同時申請) among small and micro enterprise business, it managed to develop exclusive procedures for the small and micro enterprise business that cater to the conditions of the Bank. In addition, the Bank delegated the authority of loan approval for micro enterprises to its branches, which further improved its working efficiency.

6. *International business*

The international business experienced a rapid growth. In the first half of 2012, the volume of agency international settlement and agency sale and purchase of foreign exchange handled by the Bank increased by 20.42% and 20.08% year on year to US\$461 million and US\$287 million, respectively, ranking first among local legal person financial institutions in Chongqing City. By resorting to business promotions and marketing campaigns, the Bank strived to build its international business into a brand with core competitiveness and distinctive characteristics. The Bank recorded a robust growth in the trade financing business. For the six months ended June 30, 2012, the finance amount reached US\$196 million, representing an increase of 45.00% over the same period of the previous year. As the network of correspondent banks further expanded, the Bank has established correspondent banking relationship with 300 well-known banks at home and abroad and obtained credit extension from overseas banks including Bank of Montreal and Wing Lung Bank, thus broadening the channels for capital utilisation. Leveraging on continuous improvement of the product system of the international business, the Bank spared no efforts in developing new products of the foreign exchange business and facilitated the development of businesses of smart deposit of foreign exchange, international letter of guarantee, cooperative handling of forward settlement and sale of foreign exchange as well as export refinancing. Meanwhile, the Bank initiated the application for the cross-border RMB trade qualification in response to the diversified needs from customers.

7. Investment Banking Business

The Bank achieved breakthroughs in the wealth management business. Under the precondition that the capital was utilised in compliance with the requirements of the national macro-control and regulatory policies, the Bank strived to satisfy the needs of the investors. In the first half of 2012, the Bank designed and issued 98 tranches of wealth management products in total and raised proceeds of RMB20,338 million, 118.06% higher than that for the previous year. The balance of wealth management products amounted to RMB13,263 million, representing an increase of 183.88% over the end of the previous year. Two major series of wealth management products targeting at the general public, namely “Jiangyu Wealth — Building up your fortune” (「江渝财富—天添金」) and “Jiangyu Wealth — Happy life in the Ba-Yu Region” (「江渝财富—幸福巴渝」) were developed.

II. Personal Banking Business

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

(Expressed in RMB million, unless otherwise stated)	Six months ended June 30, 2012	Six months ended June 30, 2011	Changes (%)
Net interest income	2,266.6	1,518.1	49.31
Net fee and commission income	40.5	59.7	(32.16)
Operating income	2,307.1	1,577.8	46.22
Operating expense	(928.0)	(748.6)	23.96
Reversals of impairment on assets	43.9	103.1	(57.42)
Profit before tax	<u>1,423.0</u>	<u>932.3</u>	<u>52.63</u>
	As at June 30, 2012	As at December 31, 2011	Changes (%)
Segment assets	<u>54,091.1</u>	<u>48,918.5</u>	<u>10.57</u>

The personal banking business recorded a profit before tax of RMB1,423 million, up 52.63% over the same period of the previous year, representing an increase to 38.68% as a proportion of the Bank's profit. The average balance of retail loans increased by 13.25% over the same period of the previous year, and the net interest income increased by 49.31%.

1. *Retail Deposits*

To address China's macro economic adjustment and intense market competitions, the Bank positioned itself by aligning its brand value services with key marketing campaigns, taking full advantage of the regional competitiveness of its brands whilst strengthening its active liability management together with targeted sales and marketing strategies. Based on the provision of classification guidance, the transformation of branch outlets in urban areas as well as the promotion of the value of branch outlets, the Bank dedicated itself to extending the base of middle- and high-end customers. As the campaign of bringing financial knowledge to the rural area was extensively carried out by the County Area branches, the Bank consolidated its customer base in the rural area and reinforced its leading edge in the rural market. For the product and service strategies, the Bank diversified its retail banking products and stepped up efforts in the sales of non-deposit products and the distribution of automatic service machines, in an attempt to secure and attract deposit customers. Moreover, given its efforts in refining the "anonymous" inspection system, enhancing the quality of counter services, enhancing the team-building of marketing personnel, setting up and improving the differentiated customer service system, boosting customer satisfaction and increasing the proportion of the financial assets owned by middle- and high-end customers, the Bank maintained a stable and rapid growth in retail deposits, which amounted to RMB202,208 million, representing an increase of RMB22,994 million or 12.83% in retail deposits over the end of the previous year. The Bank set itself apart from its regional counterparts in terms of the amount, growth and market share of retail deposits.

2. Retail Loans

With a view to becoming the largest and the best local retail bank, the Bank 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, strengthening its capability of price negotiation and price level subject to negotiation whilst actively developing employment assistance loans, jointly-guaranteed loans for specialised individual proprietors (專業市場經營戶聯保貸款) and personal automobile loans (個人汽車消費貸款). The Bank also proactively promoted residential mortgage loans for first housing and further strengthened its ties with leading real estate developers and large-scale automobile distributors in Chongqing City. 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, 2012, the balance of retail loans amounted to RMB55,769 million, representing an increase of RMB4,231 million or 8.21% over the end of the previous year. In particular, residential mortgage loans and commercial mortgage loans amounted to RMB32,398 million, posting a growth of RMB1,563 million or 5.07% over the end of the previous year.

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 Bank. In the first half of 2012, the Bank deepened its communication with regional fiscal and employment departments and adjusted the cap of credit line for a single household, which effectively eliminated the setback against business development due to the low cap of credit line and in turn led to a significant growth in employment and re-employment related small amount loans. As at June 30, 2012, the balance of employment and re-employment related small amount loans reached RMB3,133 million, representing an increase of RMB591 million or 23.25% over the end of the previous year.

3. *Bank Cards*

The Bank saw a steady increase in the quantity and quality of newly-issued bank cards. For the six months ended June 30, 2012, the total number of debit cards reached 9,788,200, representing an increase of 822,600 or 8.40% as compared with that at the end of the previous year; spending amounted to RMB15,647 million; the fee income reached RMB50.834 million, representing an increase of 53.28% over the same period of the previous year. The number of credit cards in issue had accumulated to 49,300, an increase of 6,400 or 14.92% over the end of the previous year; while spending amounted to RMB2,082.4812 million, representing an increase of 563.82% over the same period of the previous year; the balance of loans amounted to RMB734.7214 million, representing an increase of 77.33% over the end of the previous year.

With commitment to creating a unique bank card business, the Bank continued to diversify its bank card product series whilst pressing ahead with the implementation of preferential merchant scheme and a variety of preferential card consumption activities, aspiring to improve the value-added service system of bank cards. The Bank also leveraged the opportunity of transforming the branch outlets to promote cutting-edge specialised products such as Jiangyu Xiangqing Card and Farmer's Fortune Card (福農卡) as well as VIP debit card products with differentiated services, namely gold, platinum and diamond cards. As at June 30, 2012, the Bank issued 4,355,600 Jiangyu Xiangqing Cards, 580,500 Farmer's Fortune Cards (福農卡) and 56,400 VIP debit cards in total.

4. *Agency Business*

The Bank's distribution businesses of trusts, insurances and rare metals commenced in full swing. In January 2012, the Bank commissioned the repurchase business of rare metals and became the first rural commercial bank in the PRC to commence such business. Following the launch of its first featured product "Golden Bullion of the Year of Dragon" (「生肖龍年金條」), the Bank achieved a sales volume of RMB12.1299 million from the distribution of rare metals and a fee income of RMB273,500 from intermediary businesses. For the six months ended June 30, 2012, the net fee and commission income from intermediary businesses accumulated to RMB40.52 million.

III. Treasury Business

The following table sets forth the major operating figures of the treasury business of the Bank and the changes thereof.

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012	As at June 30, 2011	Changes (%)
Net interest income	1,785.7	1,498.9	19.13
Net fee and commission income	65.6	75.4	(13.00)
Net trading gain	83.3	21.1	294.79
Other operating losses, net	(0.5)	(153.2)	(99.67)
Operating income	1,934.1	1,442.2	34.11
Operating expense	(584.2)	(219.6)	166.03
Impairment on assets	—	—	—
Net gain on disposal of available-for-sale financial assets	0.01	—	100.00
Net gain on disposal of debt securities classified as receivables	—	1.0	(100.00)
Profit before tax	<u>1,349.9</u>	<u>1,223.6</u>	<u>10.32</u>
	June 30, 2012	December 31, 2011	Changes (%)
Segment assets	<u>244,057.5</u>	<u>200,486.2</u>	<u>21.73</u>

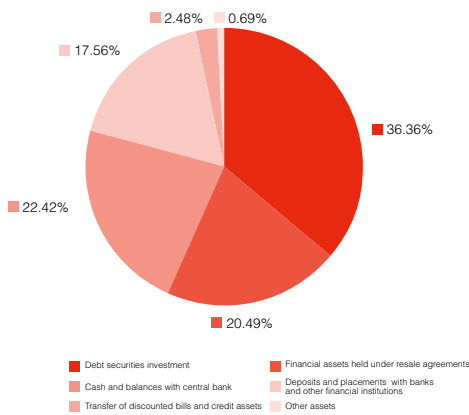
In line with the changes in the financial market, the macro economy, policies and capital, the treasury business of the Bank aims to strike a balance among the security, liquidity and profitability of its asset portfolio, which mainly covers debt securities investment, discounted bills, business under resale agreements, deposits from banks and other financial institutions and placements to banks and other financial institutions.

In the first half of 2012, the primary objective of the macro-economy policy shifted from “controlling inflation” to “maintaining growth”. The two consecutive reductions in the general reserve ratio by the central bank, together with the gradual easing up of the monetary policy and supply of capital, further increased the inter-bank liquidity. Beset by the continuous decline in the interest margins of products as compared to that of the previous year and the mounting competition within the same industry, the Bank proactively adjusted the investment portfolio, took the initiative to strengthen market analysis and tapped into the potential of business innovation in compliance with rules and regulations, thus maintaining a steady growth momentum in its treasury business. The treasury business recorded profit before tax of RMB1,350 million, representing an increase of RMB126 million or 10.32% as compared with the same period of the previous year. The treasury operations contributed to 36.69% of the Bank’s profit and became an important source of profit.

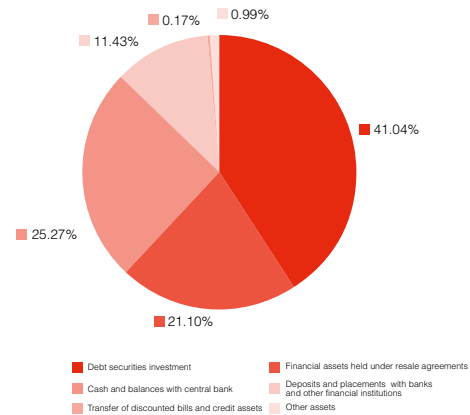
1. Segment Assets

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt securities investments	88,748.6	36.36	82,288.3	41.04
Financial assets held under resale agreements	49,998.0	20.49	42,296.8	21.10
Cash and balances with the central bank	54,728.4	22.42	50,662.8	25.27
Deposits and placements with banks and other financial institutions	42,849.7	17.56	22,905.7	11.43
Transfer of discounted bills and credit assets	6,051.8	2.48	334.2	0.17
Other assets	1,681.0	0.69	1,998.4	0.99
Total assets	244,057.5	100.00	200,486.2	100.00

The operating assets structure as at June 30, 2012



The operating assets structure as at December 31, 2011



As at June 30, 2012, the total size of operating assets was RMB244,058 million, representing an increase of RMB43,571 million or 21.73% as compared with the end of the previous year. In particular, debt securities investments increased by RMB6,460 million but decreased by 4.68% in proportion; cash and balances with central bank increased by RMB4,066 million but decreased by 2.85% in proportion; financial assets held under resale agreements increased by RMB7,701 million but decreased by 0.61 percentage points in proportion; deposits and placements with banks and other financial institutions increased by RMB19,944 million or 6.13 percentage points in proportion. Transfer of discounted bills and credit assets increased by RMB5,718 million or 2.31 percentage points in proportion.

2. Debt Securities Investments

(1) Distribution of Debt Securities Investments by Holding Purpose

(Expressed in RMB million, unless otherwise stated)	June 30, 2012		December 31, 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Held-to-maturity debt securities	44,838.4	50.52	40,236.4	48.90
Debt securities classified as receivables	23,799.4	26.82	27,053.3	32.88
Debt securities at fair value through profit or loss	16,944.7	19.09	13,434.5	16.33
Available-for-sale debt securities	3,166.1	3.57	1,564.1	1.89
Total	<u>88,748.6</u>	<u>100.00</u>	<u>82,288.3</u>	<u>100.00</u>

In the first half of 2012, the Bank fully implemented the classification management of its debt securities investment accounts. Apart from taking held-to-maturity debt securities as the major investment target, the Bank moderately invested in certain debt securities classified as receivables and debt securities at fair value through profit or loss with reference to market conditions. As at June 30, 2012, the Bank saw an increase of RMB4,602 million or 1.62 percentage points in proportion in held-to-maturity debt securities as compared with the end of the previous year, a decrease of RMB3,254 million or 6.06 percentage points in proportion in debt securities classified as receivables over the end of the previous year as well as an increase of RMB3,510 million or 2.76 percentage points in proportion in debt securities at fair value through profit or loss over the end of the previous year.

(2) Distribution of Debt Securities Investments by Credit Rating

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
AAA	16,269.9	18.33	14,256.6	17.33
AA	8,429.6	9.50	4,832.3	5.87
Unrated	64,049.1	72.17	63,199.4	76.80
Total	88,748.6	100.00	82,288.3	100.00

In the first half of 2012, the Bank further optimised its product portfolio by moderately increasing its holding of credit bonds and financial bonds with higher coupon rates, relatively higher investment value and higher ratings to boost the yield of its investment portfolio. As at June 30, 2012, bonds with a rating above AA held by the Bank increased by RMB5,611 million or 4.63 percentage points in proportion over the end of the previous year, while unrated bonds increased by RMB850 million but decreased by 4.63 percentage points in proportion as compared with the end of the previous year. Unrated bonds are mainly government bonds, public sector and quasi-government bonds, certificate treasury bonds and debt instruments issued by financial institutions.

(3) Distribution of Debt Securities Investments by Remaining Maturity

(Expressed in RMB million, unless otherwise stated)	As at June 30, 2012		As at December 31, 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 3 months	5,894.6	6.64	12,998.7	15.80
3 to 12 months	21,126.9	23.81	9,283.1	11.28
1 to 5 years	34,255.0	38.60	40,497.0	49.21
Over 5 years	27,472.1	30.95	19,509.5	23.71
Total	88,748.6	100.00	82,288.3	100.00

As at June 30, 2012, the Bank's investments in debt securities with a remaining maturity of less than 12 months increased by RMB4,740 million or 3.37 percentage points in proportion from the end of the previous year. The Bank's investments in debt securities with a remaining maturity of over 5 years increased by RMB7,963 million or 7.24 percentage points in proportion as compared with the end of the previous year, mainly due to the Bank's improvement in the maturity structure of the investment portfolio given a proper build-up of investments in long-term debt securities with higher coupon rates and relatively higher investment value in accordance with the changes in the bond market and the reasonable allocation of the maturity and yield of its investment portfolio.

(4) Investment in Financial Bonds

Financial bonds refer to the marketable securities issued by policy banks, banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. As at June 30, 2012, the balance of financial bonds of the Bank was RMB23,054 million, which were mainly the financial bonds issued by policy banks. The table below sets out, for the dates indicated, the top ten financial bonds in term of nominal value held by the Bank.

(Expressed in RMB million, unless otherwise stated)

Name of debt securities	Nominal value	Interest rate per annum	Maturity date	Impairment
Debt securities issued by policy banks in 2010	700.0	4.09%	2020-2-25	—
Debt securities issued by policy banks in 2005	650.0	3.60%	2020-11-29	—
Debt securities issued by policy banks in 2010	620.0	3.14%	2015-9-17	—
Debt securities issued by policy banks in 2010	600.0	4.20%	2040-9-20	—
Debt securities issued by policy banks in 2006	570.0	3.79%	2021-6-28	—
Debt securities issued by commercial banks in 2006	530.0	3.75%	2016-12-19	—
Debt securities issued by policy banks in 2005	510.0	3.42%	2015-8-2	—
Debt securities issued by policy banks in 2006	450.0	3.60%	2026-4-11	—
Debt securities issued by policy banks in 2010	400.0	4.30%	2030-3-17	—
Debt securities issued by policy banks in 2012	400.0	4.11%	2017-4-23	—

IV. Distribution Channels

1. *Physical outlets*

Operating outlets are the primary distribution channels of the Bank. As at June 30, 2012, the Bank had 1,766 branches of various kinds, including 1 headquarters, 1 main branch of the Bank, 42 branches, 2 sub-branches and 1,720 branch outlets. The network of branches covers all the 38 administrative districts and counties of Chongqing with 1,460 distribution outlets in the County Area of Chongqing, including 1,244 villages and towns, and 306 outlets in the city's urban area. The Bank ranked first in the number of branches among its peers in both County Area and the urban area.

The Bank will strategically develop its distribution channels, optimise the layout of outlets and step up restructuring to improve its service coverage, service capabilities and operational efficiency. In the first half of 2012, the Bank presses ahead with the construction work of its branches pursuant to the plan of relocating 76 existing branches and refurbishing 209 existing branches throughout the year, craving for an improvement in the overall image of the outlets.

2. *Self-service channels*

In order to expand the scope of customer services and provide customers with more convenient services, as at June 30, 2012, the Bank established nine 24-hour self-service centres and increased the number of ATMs and self-service enquiry terminals to 1,902, of which the number of ATMs increased by 260 to 1,483 and the number of self-service enquiry terminals increased by 52 to 419 over the end of the previous year. 338 units of convenient rural financial self-service terminals have been newly launched this year. As at June 30, 2012, 342 convenient rural financial self-service centres had been established and commenced on-line operation while the rest ones are under construction and will commence operation in the year. As such, the Bank greatly extended its financial service coverage whilst bringing convenience and benefits to the people in the rural area, with both social and economic benefits well-received.

3. *E-banking*

In the first half of 2012, the Bank, being fully aware of the significance of the supporting role of E-channel business, leveraged its comprehensive E-banking business to build an all-round E-banking service system, in the hope of extending the scope of services to match the customers' interests. Given the efforts in providing convenient and responsive financial services and promoting the sound development of green finance, the Bank further bolstered up customers' satisfaction to its services.

(1) Corporate internet banking

To meet customised capital management needs of corporate customers, the corporate internet banking business newly launched the function of “control and management by account under user’s authorisation (「用戶權限分賬戶控管」)”, which improved the capability of providing corporate internet banking services for corporate customers. Meanwhile, as for customers classified as trading centres, the Bank newly introduced the function of deposit management for the tenders and biddings management system of public resource trading centres into the systems of inter-link services between banks and enterprises, thereby providing high-end clients with more specialised services and effectively extending the application scope of the Bank’s E-banking business.

As at June 30, 2012, the number of corporate internet banking customers accumulated to 3,929, representing an increase of 1,370 or 53.54% over the end of the previous year. The transaction volume of the period amounted to RMB69,526 million, representing an increase of 105.49% over the same period of the previous year and the number of financial transactions incurred during the period amounted to 199,200, representing an increase of 80.74% over the same period of the previous year.

(2) Personal internet banking

On personal internet banking, the product portfolio of the business was continuously enriched, including the launch of a new wealth management service for personal internet banking and the services of Tenpay and directory. With the introduction of a series of products that match the customers’ interest, the number of personal internet banking customers reached 68,900 as at June 30, 2012, representing an increase of 39,100 or 131.52% over the end of the previous year. The number of financial transactions of the period aggregated to 189,900, representing an increase of 755.41% as compared with the same period of the previous year with an aggregate transaction amount up to RMB7,876 million, an increase of 947.34% over the same period of the previous year.

(3) Mobile banking

The business scope of mobile banking has been continuously extending since its official promotion and operation in July 2011. With the commencement of financial wealth management mobile service, the service functions of its three-dimensional banking had been further expanded. As at June 30, 2012, the number of mobile banking customers reached 317,600, representing an increase of 162,000 or 104.11% over the end of the previous year. The number of financial transaction for the period aggregated to 4.1191 million, representing an increase of 276.31% over the previous year. The amount of transactions of the period was RMB48.739 billion, representing an increase of 285.11% over the previous year.

(4) Telephone banking and SMS banking

The functions of telephone banking have been improved continuously with reinforced effort in channel consolidation. The Bank integrated the services of internet banking and mobile banking, including provisional reporting of loss, resetting of login passwords, introducing the payment function of “Baiyitong” to improve payment functions whilst introducing SMS ordering and cancelling functions that significantly facilitated customers’ utilisation. For the six months ended June 30, 2012, it served customers for 4,357,500 times, with an average response rate up to 93% from our customer service representatives. Given such sound development, the growth of SMS banking is promising. As at June 30, 2012, the accounts of SMS had been accumulated to 2.2533 million, representing an increase of 812,900 or 56.43% as compared with the end of the previous year, while contracts signed by high-end customers accounted for 50.44%, an increase of 17.88 percentage points as compared with the same period of the previous year.

V. Principal Subsidiaries

Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd., established in April, 2010 with a registered capital of RMB200 million, is owned as to 51% by the Bank. As at June 30, 2012, its total assets amounted to RMB636 million.

Sichuan Dazhu Longyuan Village and Township Bank Co., Ltd., established in November, 2010 with a registered capital of RMB60 million, is owned as to 51% by the Bank. As at June 30, 2012, its total assets amounted to RMB248 million.

Yunnan Dali Haidong Village and Township Bank Co., Ltd., established in December, 2010 with a registered capital of RMB60 million, is owned as to 51% by the Bank. As at June 30, 2012, its total assets amounted to RMB338 million.

VI. Information Technology

1. *Strengthening the optimisation of core business system and enhancement of the capability of 24-hour services*

To promote characteristic operation and refine management, the Bank will focus on realising 24-hour services. With the aim to optimize its core business system by reducing the service outages of processing procedures of “daily settlement and daily conclusion”(日結和日切) every night to zero interruption, the Bank had spared no efforts in streamlining the structure of its core system, arranged the renovation plans and solutions and completed the renovation of phase 1.

2. *Establishment of a financial IC card system project*

In October 2011, the Bank commenced the establishment of a financial IC card system project. In the first half of 2012, the renovation of counter and self-service acceptance channels of financial IC cards, the online set-up of financial IC card issuance system (金融發卡系統) as well as the renovation of its core system had been accomplished.

3. *Establishment of the projects of two-dimension codes and interactive PIN pad*

To further enhance counters' capability of fending off operational risks and reduce operational risks for counter personnel, the Bank implemented a project of adopting an automatic system of verifying and printing two-dimension codes for notes and an interactive multi-functional PIN pad. The development of two-dimension code printing and identification of public account notes of the project had been completed. Two-dimension code identification function had been integrated into the platform of the Bank's new comprehensive counters whilst the testing and verification of interactive multi-functional PIN pads had been conducted for new counters.

VII. Employees and Human Resources Management

1. *Basic Information on Employees*

As at June 30, 2012, the Bank had 13,603 regular employees, 6,934 of whom held Bachelor's degrees or above, representing 50.97% of all the Bank's regular employees. In addition, the Bank had 2,043 internally retired employees, 3,925 retired employees and 1,572 service dispatch workers.

2. *Overview of Human Resources Management*

During the first half of 2012, the Bank, with focuses on its development strategies and key tasks, solidly promoted the optimisation of human resource allocation and continuously improved management quality and development efficiency. By stepping up efforts in introducing a full range of professional personnel and improving their promotion channels, the Bank strived to equip operation and management teams with talents from all the sectors. It also set up a system of backup talent pool based on the team building of "Four Personnel", namely management personnel, backup management personnel, professional personnel and skilled personnel. Leveraging on the refined employee assessment and incentive mechanism and the provision of positive guidelines, the Bank remarkably increased its core competitiveness. Moreover, by forging ahead with the building of human resource management system and the utilisation of information technologies, the Bank kept on improving the human resource management system.

3. Training

The Bank adhered to its education and training programme. It further improved the staff education and training system and enhanced the staff management during the process of education and training and the evaluation thereafter, in a bid to make such education and training targeted and practicable. It implemented a tiered and classified operational management mechanism where employee training on business marketing, compliance management and business operation were vigorously promoted. Besides, the intensified management over the online E-learning and evaluation further improved the quality of training. In the first half of 2012, the Bank held 587 sessions of training of all kinds with attendances of 42,300 and provided training through online learning system with attendances of 32,000.

Financial Business in County Area

The banking business in County Area has been a long-term strategic focus, and also one of the Bank's major sources of revenue. The Bank provides diversified financial services for customers in County Area through 31 branches located in County Area and their 1,460 distribution outlets as well as three village and township banks. During the reporting period, the Bank took the advantage of interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, stimulated innovation in financial services, and kept on increasing the total financial supply in County Area, all of which have led to the rapid growth of financial services in County Area. As at June 30, 2012, the loan balance of the banking business in County Area amounted to RMB74,914 million, representing an increase of RMB7,355 million or 10.89% over the end of the previous year; non-performing loan ratio stood at 2.33%, down 0.42 percentage points from the end of the previous year; the deposit balance amounted to RMB180,889 million, representing an increase of RMB16,489 million or 10.03% over the end of the previous year.

I. Reform and Innovation

1. Organisational Structure

During the reporting period, the Bank further improved its management structure. With guidance from Sannong Financial Service Committee (三農金融服務委員會), Sannong Department (三農事業部) provided professional operation and management for financial business in County Area. The three centers namely "financial service centre for farmers, financial service centre of agriculture industrialisation and Sannong business management centre" carried out their respective duties effectively, vigorously spurring the rapid development of the Bank's financial businesses in County Area.

2. *Credit Management*

During the reporting period, the Bank further revised and improved the systems for management measures, operation standards and authorisation of credit business, and standardised the business process of Sannong credit business. By arranging dedicated staff to examine and approve loans, and building the team of customer managers, the Bank effectively stepped up efforts in investigation, review and examination of loans of County Area in a bid to improve lending efficiency and enhance loan management.

3. *Assessment and Incentives*

To further improve the comprehensive assessment system of branches in County Area, the Bank 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.

4. *Product Innovation*

During the reporting period, the Bank launched the new rural housing mortgage loans on trail. Meanwhile, it further improved and perfected the management practices and operational procedures of certain credit products, so as to make them more applicable and user-friendly.

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

During the reporting period, concentrating on agricultural industrialisation, countryside urbanisation, commodity circulation of County Area and infrastructure construction of the countryside, the Bank continued to, with leading enterprises in such industries as its main target customers, tighten classified management of corporate customers, step up efforts in marketing and strive to foster core customer groups. For flagship companies of different industries, the Bank developed integrated banking services plans, improved its banking services, consolidated and deepened its cooperative relations with enterprises.

As at June 30, 2012, the corporate loan balance (including discounted bills) of the Bank's banking business in County Area stood at RMB37,931 million, representing 35.14% of the corporate loan balance (including discounted bills), up RMB3,490 million or 10.13% over the end of the previous year.

III. Personal Banking Business in County Area

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

As at June 30, 2012, as the only bank in Chongqing offering the new type of pension insurance services in rural areas, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11 million people. Departments of finance and social insurance of the city and district/county have opened 124 social insurance accounts with the Bank, with a capital balance of RMB2,544 million. In the first half of 2012, the number of individual pensions withheld by the Bank amounted to 3,661,100, totaling RMB568 million; the number of individual pensions paid by the Bank as an agent amounted to 19,521,000, totalling RMB1,774 million. These services provided the Bank with an extensive customer base and helped stabilise the customer resources and facilitate the development of our businesses.

The Bank made greater efforts in the construction of electronic channels in County Area and vigorously marketed the Jiangyu Card, the Jiangyu Xiangqing Card, the Farmer's Fortune Card (福農卡), credit card and personal internet banking. As at June 30, 2012, the Bank owned 1,029 ATMs, and 333 multi-media enquiry machines in County Area and set up 342 convenient rural financial self-service centres. The number of debit cards and credit cards issued by the Bank in County Area also increased by 652,100 and 5,300 over the end of the previous year, respectively to 7,733,300 and 37,500, respectively, which accounted for 79.01% of the debit cards issued by the Bank and 76.17% 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 Bank 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, 2012, the personal loan balance of the Bank's banking business in County Area stood at RMB36,983 million, representing 66.31% of the total personal loan balance of the Bank, up RMB3,865 million or 11.67% 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 June 30, 2012			Six months ended June 30, 2011		
	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	927.2	5,307.2	6,234.4	951.5	3,876.5	4,828.0
Net fee and commission income	89.9	89.2	179.1	47.6	131.4	179.0
Net trading gain	—	83.3	83.3	—	21.1	21.1
Other operating income (losses), net	45.3	(38.9)	6.4	38.1	(128.4)	(90.3)
Total operating income	1,062.4	5,440.8	6,503.2	1,037.2	3,900.6	4,937.8
Internal transfer of income and expense	2,141.6	(2,141.6)	—	1,043.9	(1,043.9)	—
Gain after adjustment	<u>3,204.0</u>	<u>3,299.2</u>	<u>6,503.2</u>	<u>2,081.1</u>	<u>2,856.7</u>	<u>4,937.8</u>

For the six months ended June 30, 2012, the gain of County Area branch after adjustment was RMB3.204 billion, increasing by 53.96% in comparison with that for the same period of the previous year, which was mainly attributable to increases in net fee and commission income and internal transfer of income.

Risk Management

The Bank further improved its risk management system in the first half of 2012. Guided by the New Basel Capital Accord and in compliance with the requirements of the CBRC in the “Guidelines for the Establishment of the Risk Management System of Small-and-Medium-sized Rural Financial Institutions” (《農村中小金融機構風險管理機制建設指引》), the Bank deepened the cultural and organisational construction of risk management system, refined various policy guidelines and procedures of risk management and expedited the development and application of risk management instruments, with an aim to ensuring capital adequacy, optimising its asset quality and strengthening the comprehensive risk management capability gradually.

I. Credit Risk Management

Credit risks refer to the risk of the failure of the borrower of the Bank or the other party to fulfil the corresponding responsibilities in compliance with contracted provisions.

In the first half of 2012, the Bank further optimised and perfected credit risk management policies, deepened the adjustment to credit structure, enhanced post loan management, carried forward the application of tools equipped with advanced technologies and constantly improved the credit risk management.

The Bank adopted a differentiated credit policy and deepened its structure adjustment. On the basis of a comprehensive and systematic analysis of the current economic and financial trends and through collation of financial risks in the macro economy as well as their impacts on the Bank, the Bank's credit policy, with the basic access policy as its bottom line, has taken into account the demands of customers, industries and regions and serves as guidance for an impartial and efficient use of credit resources, thus achieving a balanced development in terms of efficiency, quality, structure and scale.

The Bank strengthened risk surveillance over key sections and deepened "Refined Management" on credit risks. The Bank reinforced the risk surveillance of property development loans, financing platform loans and sections with excess production capacity so as to provide risk warning alerts timely. By optimising the credit management system, it improved the completeness and reliability of management data.

The Bank enhanced the management on weak links to consolidate the base of risk management. It streamlined and improved the basic rules and procedures of risk management in a systematic manner. By carrying out assessment after the implementation of policies and systems and intensifying the management over areas such as internal control, compliance and risk reporting, the Bank managed to promote a sound development of all the businesses.

II. Liquidity Risk Management

Liquidity risk refers to the risk of inability in financing or liquidating a position at reasonable costs in a timely manner to cope with increase in assets or debt obligations on maturity. The Bank's objective in liquidity risk management is to ensure that it is able to meet all payment obligations and fund all operations in accordance with its development strategy. To this end, the Bank gradually and effectively identifies, measures, monitors and controls its liquidity risk over its major operations to strike a balance between risk and income.

The Asset and Liability Management Commission of the Bank is responsible for establishing policies and strategies relating to our overall management of liquidity risk. The Risk Management Department and Financial Planning Department of the Bank are responsible for implementing the liquidity risk management policies and strategies, monitoring and evaluating the liquidity risks. In the first half of 2012, the Bank had adopted a series of measures to effectively improve its liability structure, helped boost the growth of deposits, and enhanced the stability of deposits, reducing its potential liquidity risks.

The Bank and five domestic leading rural commercial banks jointly signed the Memorandum of Cooperation on the Establishment of A Liquidity Contingency Plan (《關於建立流動性應急機制的合作備忘錄》), which offers mutual convenience of liquidity, facilitates all the parties to cope with liquidity risks jointly and enhances their capacity in preventing liquidity risks.

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

At the end of June 2012, all main indicators reflecting the Bank's liquidity conditions met the regulatory requirements. The Bank increased the amount of core liabilities by adjusting its deposits structure, and improved its core liabilities ratios through measures such as reducing short-term non-core liabilities derived from the capital market, like financial assets sold under repurchase agreements and deposits from banks. The indicator as at the end of June 2012 increased by 1.06 percentage points over the end of last year to 58.55%, thus further narrowing the gap between the Bank's liquidity conditions and the regulatory standards.

Analysis of Remaining Maturity:

(RMB million)	As at June 30, 2012							Total
	Past due/ Undated	On demand	1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Net position of assets and liabilities	49,792.9	(115,816.1)	(18,053.1)	(7,557.5)	(22,009.6)	60,785.6	80,297.2	27,439.4

At the end of June 2012, the accumulated gap of various maturities of the Bank was RMB27,440 million, representing an increase of RMB1,149 million from the end of the previous year. Despite the negative gap for repayment on demand of RMB115,816 million, the Bank enjoyed a stable funding source with its strong and expansive deposit customer base and the relatively high proportion of core demand deposits.

III. Market Risk Management

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

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

(1) Interest Rate Risk

The major market risk of the Bank is mainly the interest rate risk. Since 2012, monetary easing policies implemented by the People's Bank of China indicating its relatively obvious intention in boosting market confidence. The impact of re-pricing of interest rate sensitive assets and liabilities gradually emerged. The Bank kept a keen eye on changes in macro monetary policy and domestic and foreign financial markets and took effective measures to strengthen the research and analysis on the trend of interest rate and exchange rate, so as to improve the management of interest rate pricing, duly adjust the pricing of funds and reasonably control the fall of loan interest rates and interest costs, with a view to prop up the pro-activeness of risk management and ensure the sustained growth of the Bank's profit.

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

(RMB million)	As at June 30, 2012					Non-interest bearing	Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Cash and balances with central bank	52,117.6	—	—	—	—	2,610.8	54,728.4
Deposits with banks and other financial institutions	5,957.1	2,096.9	1,763.7	2,240.0	—	583.1	12,640.8
Placements with banks and other financial institutions	2,777.0	7,270.4	16,081.7	4,079.8	—	—	30,208.9
Financial assets held for trading	—	—	1,091.5	1,971.3	1,124.9	—	4,187.7
Financial assets designated							
as at fair value through profit or loss	2,882.9	1,151.7	6,396.4	2,326.0	—	—	12,757.0
Financial assets held under resale							
agreements	12,155.4	20,681.2	17,161.4	—	—	—	49,998.0
Loans and advances to customers	28,064.8	8,337.7	119,017.4	2,150.1	238.6	—	157,808.6
Available-for-sale financial assets	—	151.1	—	507.2	2,507.7	32.7	3,198.7
Held-to-maturity investments	—	1,281.5	3,086.6	18,390.1	22,080.2	—	44,838.4
Debt securities classified as receivables	5,748.4	1,279.3	7,519.5	8,443.6	808.6	—	23,799.4
Other financial assets	—	—	—	—	—	2,826.4	2,826.4
Total financial assets	109,703.2	42,249.8	172,118.2	40,108.1	26,760.0	6,053.0	396,992.3
Borrowings from central bank	—	—	30.0	—	—	—	30.0
Deposits from banks and other financial institutions	—	13,025.8	6,909.7	12,616.3	3,399.9	—	35,951.7
Placements from banks	1,859.0	—	60.0	—	—	—	1,919.0
Financial liabilities designated as at fair value through							
profit or loss	375.0	521.1	1,623.2	—	—	—	2,519.3
Financial assets sold under repurchase agreements	19,562.9	20,214.8	11,770.3	—	—	—	51,548.0
Due to customers	131,807.8	19,672.1	91,732.0	27,409.7	—	—	270,621.6
Debt securities issued	—	—	—	2,300.0	—	—	2,300.0
Other financial liabilities	—	—	—	—	—	4,663.3	4,663.3
Total financial liabilities	153,604.7	53,433.8	112,125.2	42,326.0	3,399.9	4,663.3	369,552.9
Interest rate gap	(43,901.5)	(11,184.0)	59,993.0	(2,217.9)	23,360.1	1,389.7	27,439.4

At the end of June 2012, accumulated gaps for all maturities amounted to RMB27.44 billion, representing an increase of RMB1.15 billion from the end of the previous year.

(2) *Exchange rate risk*

Exchange rate risk primarily results from mismatches in the currency denomination of our assets and liabilities, either on- or off-balance sheet, and currency position mismatches caused by foreign currency transactions. The Bank is mainly engaged in the Renminbi business with certain transactions related to US dollars and HK dollars but seldom conducts transactions in other currencies. In the first half of 2012, in the view of a more flexible exchange rate, the Bank maintained foreign currency-denominated operating funds at USD5 million. Most of its foreign currency transactions are valet exchange settlement and sales business of the Bank. During the business operations, the Bank reinforced the research and control over exchange rate risks, exerted strict control on the open position in the settlement and sale of foreign exchange, arranged the raised foreign exchange funds in a rational manner and explored the use of financial instruments to hedge against exchange rate risk.

IV. Operational Risk Management

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

With a view to meeting the demands of the *New Basel Capital Accord* and the establishment of process-based banking as well as complying with the requirement for a comprehensive risk management as a long-term target, the Bank further strengthened its implementation of the internal control system and improved its control and management over operational risks. By applying an information system in each stage of the business processing procedures, ranging from teller management to business control, the Bank effectively controlled and averted operational risks, sparing no efforts in enhancing its centralised risk control. In the first half of 2012, the Bank took rolling risk inspection on cases which have full exposure of all kinds of potential hazards in the process of operation. The Bank demanded a meticulous rectification of the identified risk exposures and potential hazards within a limited period, thus ensuring the steady operation of all the businesses in compliance with the rules and regulations. Besides, it also had “zero tolerance” against major risks.

V. Anti-money Laundering

In the first half of 2012, the Bank thoroughly implemented the newly proposed international standards of anti-money laundering (反洗錢國際標準新建議), carried out in-depth study of the anti-money laundering prevention measures, established and perfected a long-term and effective prevention mechanism and underpinned the keynote of fighting against money-laundering criminal activities. During the reporting period, the Bank optimised business operational procedures, supplemented controlling measures for sectors with risks, and effectively held operational risks in business procedures under control. It also refined the internal control system of anti-money laundering to increase applicability, compliance and controllability, thus promoting the sustainable development of all the business segments. Given the effective identification of institutional customers through the institutional economic identity cards, the Bank prevented rendering financial businesses for false institutional customers. By conducting specialised training on anti-money laundering, the Bank improved practitioners' skills of preventing money laundering and enhanced the management on anti-money laundering constantly.

Internal Audit

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

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

The Bank has built up a full-fledged internal audit system which combines on-site inspections and off-site inspections and integrated special audit with regular audit. In addition, it also conducted all-round appraisals over internal control at branch level. In the first half of 2012, by means of on-site special audit, audit for resignation, special inspection and internal control assessment, the Bank conducted supervision and inspection over the internal control and risk management of operating institutions, which involved corporate credit, personal credit, financial planning, accounting management, information technology, capital operation, capital settlement and international business. Based on a full review of the risks in business and procedures, the Bank improved the internal control and its management standards of the Bank.

Outlook

Looking into the second half of 2012, under the support of the joint bailout policy held by countries around the world, the Euro zone debt crisis has been eased up and the risk of the global economy falling into the second deep recession may be mitigated. Thanks to the improvement in external environment and the effect of pre-emptive adjustment and fine-tuning of policies, the Chinese economy will continue to maintain a steady and rapid development with rapid economic growth of the western regions and a more balanced development among regions. The implementation of the “314” General Plan (「314」總體部署) and the Guo Fa No. 3 Document (國發3號文件), the coordinated reform on the development of urban and rural areas (統籌城鄉綜合配套改革), the construction of Liangjiang New District (兩江新區建設), and the proposition of “realising common prosperity in Chongqing through scientific development (「科學發展、富民興渝」)” put forward at the Fourth Party Congress (第四次黨代會) injected a strong impetus to the development of Chongqing economy and had further created a favourable operation conditions for the Bank’s development. Meanwhile, complex and grave as the international economic landscape is the recovery of the world’s economy remains uncertain and the domestic economy burdens a growing downward pressure. The outlook on factors safeguarding the growth momentum of Chongqing’s economy, such as funds, energy resources and labour, is not optimistic. Thus, the Bank will be prepared and strengthen its strategic planning, focusing on transformation and enhancement, pushing forward a second venture in all-out effort, attach more attention to adapt local conditions in the aspect of characteristic operation, and place greater emphasis on the establishment and transformation of systems in streamlining the management. In the aspect of fostering the corporate culture, to stress more in forging ahead steadily to seek progress and striving for breakthroughs on all fronts.

Changes in Share Capital and Particulars of Shareholders

Movements in Shares

Unit: share, %

	January 1, 2012		Increase/(decrease) +/- during the reporting period						June 30, 2012	
	Number of shares	Percentage	Private placement	Issue of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
I. Shares subject to trading restrictions	—	—	—	—	—	—	—	—	—	—
II. Shares not subject to trading restrictions										
1. Non-overseas listed shares held										
by legal persons	5,227,930,059	56.21							5,227,930,059	56.21
Including: ① Shares held by state-owned legal person shareholders ¹	2,084,033,959	22.41							2,084,033,959	22.41
② Shares held by private legal person shareholders	3,143,896,100	33.80							3,143,896,100	33.80
2. Non-overseas listed shares held										
by natural persons	1,558,733,900	16.76							1,558,733,900	16.76
Including: ① Shares held by employee natural persons	148,440,720	1.60					(44,730)	(44,730)	148,395,990	1.60
② Shares held by natural persons other than employees	1,408,986,815	15.15					67,010	67,010	1,409,053,825	15.15
③ Shares held by shareholders without affirmed ownership ²	1,306,365	0.01					(22,280)	(22,280)	1,284,085	0.01
3. Overseas listed foreign shares	2,513,336,041	27.03							2,513,336,041	27.03
III. Total number of shares	9,300,000,000	100.00							9,300,000,000	100.00

- Notes: 1. Non-overseas listed shares of the Bank were held by 13 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司).
2. Shares held by shareholders without affirmed ownership refer to untraceable shareholders of the Bank. Share interests held by them are shares of the former rural credit cooperatives, and they have not confirmed their ownership in the shares of the Bank. (During the reporting period, 22,280 shares of the former rural credit cooperatives were confirmed as shares of the Bank whilst the number of shares held by shareholders without affirmed ownership amounted to 1,284,085).

Issue, Purchase, Sale and Redemption of Securities

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

Issue of Bonds

During the reporting period, there had been no default by the Bank in respect of either repayment of the principal and interests of the RMB2.3 billion callable subordinated bonds issued on December 29, 2009 in the PRC inter-bank bonds market or any matters in connection therewith.

Particulars of Shareholdings

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

Particulars of Shareholdings of the Top Ten Shareholders of Non-overseas Listed Shares

Unit: share, %

No.	Name of shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage	Number of shares pledged or frozen	Type of shares
01	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	state-owned	629,304,418	6.77	—	non-overseas listed shares
02	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	state-owned	621,435,221	6.68	—	non-overseas listed shares
03	Loncin Holdings Limited (隆鑫控股有限公司)	private enterprise	570,000,000	6.13	470,000,000	non-overseas listed shares
04	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅游投資集團有限公司)	state-owned	423,431,972	4.55	—	non-overseas listed shares
05	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	private enterprise	300,000,000	3.23	250,000,000	non-overseas listed shares
06	Xiamen Laierfu Trading Co., Ltd. (廈門來爾富貿易有限責任公司)	private enterprise	200,000,000	2.15	100,000,000	non-overseas listed shares
07	Chongqing Emperor Science & Technology Co., Ltd. (重慶愛普科技有限公司)	private enterprise	190,000,000	2.04	170,000,000	non-overseas listed shares
08	Chongqing Tianqi Industry Management Company Limited (重慶天麒產業管理有限公司)	private enterprise	160,000,000	1.72	160,000,000	non-overseas listed shares
09	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	private enterprise	150,000,000	1.61	—	non-overseas listed shares
10	Jiangsu Huaxi Group Corporation (江蘇華西集團公司)	private enterprise	150,000,000	1.61	—	non-overseas listed shares
Total			3,394,171,611	36.50	1,150,000,000	

Note: As at June 30, 2012, the aforesaid shareholding percentage of non-overseas listed shares is based on the total share capital of the Bank of 9.3 billion shares. In addition, the aforesaid pledged shares held by shareholders are pledged only and not subject to judicial moratorium.

Substantial Interests and Short Positions

As at June 30, 2012, the interests and short positions of substantial shareholders (within the meaning of the SFO), other than directors and supervisors, in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Domestic Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial owner	629,304,418	9.27	6.77
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial owner	621,435,221	9.16	6.68
Loncin Holdings Limited (隆鑫控股有限公司)	Beneficial owner	570,000,000	8.40	6.13
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅游投資集團有限公司)	Beneficial owner	423,431,972	6.24	4.55

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held ⁽¹⁾	% of the total issued H share capital of the Bank	% of the total share capital of the Bank
Capital Research and Management Company	Investment manager	328,259,000(L)	13.06(L)	3.53(L)
GAM Hong Kong Limited	Investment manager	150,622,000(L)	5.99(L)	1.62(L)
Al Nehayan Mansoor Bin Zayed Bin Sultan	Interest of controlled corporations	147,995,000(L)	5.89(L)	1.59(L)
Morgan Stanley ⁽²⁾	Interest of controlled corporations	137,530,232(L)	5.47(L)	1.48(L)
		139,037,323(S)	5.53(S)	1.50(S)
GAM Star China Equity (a sub-fund of GAM Star Fund p.l.c.)	Beneficial Owner	126,590,000(L)	5.04(L)	1.36(L)

Notes: 1. (L) — Long Position, (S) — Short Position

2. 1,682,000 (L) H shares and 3,000 (S) H shares comprised therein were cash settled unlisted derivatives.

Major Shareholders of the Bank

At the end of the reporting period, Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Loncin Holdings Limited (隆鑫控股有限公司) held 629,304,418 shares, 621,435,221 shares and 570,000,000 shares of the Bank respectively, representing 6.77%, 6.68% and 6.13% of total share capital of the Bank respectively, and are substantial shareholders of the Bank.

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

Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) is a solely state-owned comprehensive assets operating and management company organised under the approval of Chongqing Municipal Government. It was established on March 18, 2004, with registered capital of RMB1,900 million. It was under the direct supervision of Chongqing State-owned Assets Supervision and Administration Commission.

Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) is a solely state-owned enterprise organised under the approval of Chongqing Municipal Government in April 1994 and authorised to raise and manage funds for city construction. It has a registered capital of RMB6,000 million.

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

At the end of the reporting period, there were no substantial shareholders holding 10% or more of the shares (as defined under the Listing Rules) of the Bank.

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

As at June 30, 2012, the interests or short positions of the directors and supervisors of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules were as follows:-

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total issued share capital of the Bank
Tan Yuansheng	Beneficial owner	6,300	0.00009	0.00007
Sui Jun	Beneficial owner	75,400	0.00111	0.00081
Zuo Ruilan	Beneficial owner	11,900	0.00017	0.00013
Zhu Yuzhou	Beneficial owner	37,600	0.00055	0.00040

Note:

Other than as disclosed above, none of the directors or supervisors of the Bank nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at June 30, 2012.

Directors, Supervisors and Senior Management

Directors of the Bank

The board of directors of the Bank comprised a total of 15 directors, including 3 executive directors, namely Mr. Liu Jianzhong (Chairman of the Board, Secretary to the Party Committee), Mr. Tan Yuansheng (President) and Mr. Sui Jun (Secretary to the Board, Vice President); 7 non-executive directors, namely Mr. Tao Jun, Mr. Hua Yusheng, Mr. Tu Minghai, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng; and 5 independent non-executive directors, namely Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili.

Supervisors of the Bank

The board of supervisors of the Bank comprised a total of 9 supervisors, including 2 shareholder representative supervisors, namely Mr. Zeng Jianwu and Ms. Zuo Ruilan; 4 external supervisors, namely Ms. Dong Yunling, Mr. Chen Huiming, Mr. Zhang Xinyu and Mr. Shi Bentong; and 3 employee representative supervisors, namely Ms. Yang Mingping, Mr. Zheng Yi and Mr. Zhu Yuzhou.

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct regarding securities transactions by directors and supervisors and relevant employees on terms no less exacting than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquires, all directors and supervisors of the Bank confirmed that they have complied with the aforesaid code throughout the six months ended June 30, 2012.

Corporate Governance

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

Amendments to corporate governance documents. During the reporting period, in accordance with the relevant laws and regulations and the Listing Rules, and in line with corporate governance practices of the Bank, the Bank made amendments to documents of policies including the “Articles of Association of Chongqing Rural Commercial Bank Co., Ltd.” (《重慶農村商業銀行股份有限公司章程》), the “Rules of Procedures of the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.” (《重慶農村商業銀行股份有限公司董事會議事規則》), the “Terms of Reference For Nomination Committee Under the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.” (《重慶農村商業銀行股份有限公司董事會提名委員會工作細則》), the “Terms of Reference For Remuneration Committee Under the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司董事會薪酬委員會工作細則) and the “Terms of Reference For Audit Committee Under the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.” (《重慶農村商業銀行股份有限公司董事會審計委員會工作細則》).

Corporate Governance Code. For the six months ended June 30, 2012, the Bank had been observing and complying with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Bank purchased Directors' Liability Insurance, commenced training for the Directors and published discloseable documents and information onto the websites of the Bank and HKEx pursuant to the newly amended code provisions. Meanwhile, the Bank had been observing and complying with most of the recommended best practices in the aforementioned code.

Distribution of Dividends

Upon the approval of the 2011 annual general meeting of the Bank, on June 21, 2012 the Bank distributed final dividend for 2011 of RMB0.14 per share (tax inclusive) and RMB1,302 million (tax inclusive) in aggregate to the holders of H shares and the holders of domestic shares whose names appeared on the register of members of the Bank as at May 18, 2012.

The Bank will not distribute interim dividend for 2012, and will not convert capital reserve to share capital.

Material Related Party Transactions

During the reporting period, the material related party transactions between the Bank and related parties have no negative impact on operating results and the financial position of the Bank. Please refer to note 37 to the consolidated financial statements for related party transactions carried out in accordance with relevant accounting standards as at the end of the reporting period.

Material Legal Proceedings and Arbitrations

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

As at the end of the reporting period, pending legal proceedings in which the Bank was involved as a defendant or a third party amounted to RMB39,730,000. In the opinion of the Bank, it would not have any material impact on the Bank's operating activities.

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

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

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

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

Material Contracts and Their Performance

During the reporting period, the Bank had not entered into any material contracts nor performed such contracts.

Material Acquisition and Disposal of Assets and Merger of Enterprises

During the reporting period, the Bank had no material acquisition and disposal of assets and merger of enterprises.

The Audit Review

The Bank's interim financial report for the year 2012 prepared in accordance with International Financial Reporting Standards had been reviewed by Deloitte Touche Tohmatsu, who had issued an unqualified review opinion.

The Bank's interim report for the year 2012 had been reviewed by the Audit Committee under the Board of the Bank and the Board.



Report on Review of Interim Financial Information

Deloitte.

德勤

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

重慶農村商業銀行股份有限公司

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

Introduction

We have reviewed the interim financial information of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 81 to 139, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

17 August 2012



Condensed Consolidated Income Statement

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Six months ended 30 June	
		2012 (Unaudited)	2011 (Unaudited)
Interest income	4	10,742,606	7,822,508
Interest expense	4	(4,508,159)	(2,994,537)
Net interest income	4	6,234,447	4,827,971
Fee and commission income	5	198,799	194,731
Fee and commission expense	5	(19,743)	(15,732)
Net fee and commission income	5	179,056	178,999
Net trading gain	6	83,296	21,106
Other operating income (losses), net	7	6,394	(90,332)
Operating income		6,503,193	4,937,744
Operating expenses	8	(2,586,235)	(1,962,843)
Impairment on assets	9	(237,702)	(62,023)
Net gain on disposal of available-for-sale financial assets		8	—
Net gain on disposal of debt securities classified as receivables		—	999
Profit before tax		3,679,264	2,913,877
Income tax expense	10	(869,203)	(676,511)
Profit for the period		2,810,061	2,237,366
Attributable to:			
Equity holders of the Bank		2,803,707	2,238,297
Non-controlling interests		6,354	(931)
		2,810,061	2,237,366
Earnings per share (Expressed in RMB per share)			
— Basic	12	0.30	0.24



Condensed Consolidated Statement of Comprehensive Income

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Profit for the period	2,810,061	2,237,366
Other comprehensive income:		
Fair value gain (losses) on available-for-sale financial assets		
— fair value gain (losses) arising during the period	70,041	(20,386)
— amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	(8)	—
Income tax relating to available-for-sale financial assets	(17,508)	5,097
Other comprehensive income for the period (net of tax)	52,525	(15,289)
Total comprehensive income for the period	<u>2,862,586</u>	<u>2,222,077</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	2,856,232	2,223,008
Non-controlling interests	6,354	(931)
Total comprehensive income for the period	<u>2,862,586</u>	<u>2,222,077</u>



Condensed Consolidated Statement of Financial Position

At 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
ASSETS			
Cash and balances with central bank	13	54,728,425	50,662,768
Deposits with banks and other financial institutions	14	12,640,777	11,444,958
Placements with banks and other financial institutions	15	30,208,921	11,460,716
Financial assets held for trading	16	4,187,746	400,880
Financial assets designated as at fair value through profit or loss	17	12,756,991	13,033,648
Financial assets held under resale agreements	18	49,997,997	42,296,805
Loans and advances to customers	19	157,808,574	138,821,830
Available-for-sale financial assets	20	3,216,870	1,617,749
Held-to-maturity investments	21	44,838,407	40,236,422
Debt securities classified as receivables	22	23,799,436	27,053,280
Property and equipment		2,797,208	2,711,120
Deferred tax assets	29	1,361,058	1,517,672
Goodwill		440,129	440,129
Other assets	23	3,560,953	3,122,044
Total assets		402,343,492	344,820,021
LIABILITIES			
Borrowings from central bank		30,000	30,000
Deposits from banks and other financial institutions	24	35,951,657	25,107,105
Placements from banks		1,918,956	2,149,818
Financial liabilities designated as at fair value through profit or loss	25	2,519,304	365,625
Financial assets sold under repurchase agreements	26	51,547,971	32,759,721
Due to customers	27	270,621,562	246,141,374
Accrued staff costs	28	2,074,630	2,398,050
Tax liabilities		791,930	905,384
Debt securities issued		2,300,000	2,300,000
Other liabilities	30	5,016,005	4,652,053
Total liabilities		372,772,015	316,809,130

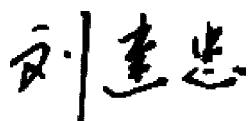
Condensed Consolidated Statement of Financial Position - continued

At 30 June 2012

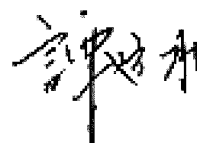
(Amounts in thousands of Renminbi, unless otherwise stated)

		At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
	<i>NOTES</i>		
EQUITY			
Share capital	31	9,300,000	9,300,000
Capital reserve	32	9,201,954	9,201,954
Investment revaluation reserve		33,646	(18,879)
Surplus reserve	33	5,263,188	3,650,944
General reserve	34	2,847,848	1,919,803
Retained earnings		<u>2,763,105</u>	<u>3,801,687</u>
Equity attributable to equity holders of the Bank		<u>29,409,741</u>	27,855,509
Non-controlling interests		<u>161,736</u>	<u>155,382</u>
Total equity		<u>29,571,477</u>	<u>28,010,891</u>
Total equity and liabilities		<u>402,343,492</u>	<u>344,820,021</u>

The condensed consolidated financial statements on pages 81 to 139 were approved and authorised for issue by the Board of Directors on 17 August 2012 and are signed on its behalf by:



LIU JIANZHONG
Chairman



TAN YUANSHENG
Executive Director
And President



Condensed Consolidated Statement of Changes in Equity

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Attributable to equity holders of the Bank (Unaudited)						Non-controlling interests	Total	
		Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Investment revaluation reserve			
As at 1 January 2012		9,300,000	9,201,954	3,650,944	1,919,803	3,801,687	(18,879)	27,855,509	155,382	28,010,891
Profit for the period		—	—	—	—	2,803,707	—	2,803,707	6,354	2,810,061
Other comprehensive income		—	—	—	—	—	52,525	52,525	—	52,525
Total comprehensive income for the period		—	—	—	—	2,803,707	52,525	2,856,232	6,354	2,862,586
Appropriation to surplus reserve	33	—	—	1,612,244	—	(1,612,244)	—	—	—	—
Appropriation to general reserve	34	—	—	—	928,045	(928,045)	—	—	—	—
Dividend distribution	11	—	—	—	—	(1,302,000)	—	(1,302,000)	—	(1,302,000)
As at 30 June 2012		9,300,000	9,201,954	5,263,188	2,847,848	2,763,105	33,646	29,409,741	161,736	29,571,477

Condensed Consolidated Statement of Changes in Equity - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Attributable to equity holders of the Bank (Unaudited)						Subtotal	Non-controlling interests	Total
		Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Investment revaluation reserve			
As at 1 January 2011		9,000,000	8,202,717	575,473	1,904,193	2,646,308	16,454	22,345,145	85,244	22,430,389
Profit for the period		—	—	—	—	2,238,297	—	2,238,297	(931)	2,237,366
Other comprehensive income		—	—	—	—	—	(15,289)	(15,289)	—	(15,289)
Total comprehensive income for the period		—	—	—	—	2,238,297	(15,289)	2,223,008	(931)	2,222,077
Shares issued										
— H shares offering		300,000	1,039,390	—	—	—	—	1,339,390	—	1,339,390
— Transaction cost of H share offering		—	(40,153)	—	—	—	—	(40,153)	—	(40,153)
Appropriation to surplus reserve	33	—	—	2,648,550	—	(2,648,550)	—	—	—	—
Appropriation to general reserve	34	—	—	—	15,610	(15,610)	—	—	—	—
As at 30 June 2011		9,300,000	9,201,954	3,224,023	1,919,803	2,220,445	1,165	25,867,390	84,313	25,951,703



Condensed Consolidated Statement of Cash Flows

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Operating activities		
Profit before tax	3,679,264	2,913,877
Adjustments for:		
Depreciation and amortisation	183,917	179,589
Impairment on assets	237,702	62,023
Interest income arising from debt securities	(1,934,850)	(1,383,765)
Interest income arising from impaired financial assets	(16,138)	(38,543)
Interest expense arising from debt securities issued	63,250	63,250
Net gain on disposal of investment securities	(8)	(999)
Dividend income from investment securities	(105)	(815)
Net gain on disposal of property and equipment	(7,931)	(13,732)
Exchange losses	5,605	154,643
Operating cash flows before movements in working capital	2,210,706	1,935,528
Increase in balances with central bank, deposits with banks and other financial institutions	(3,560,067)	(11,038,014)
Increase in placements with banks and other financial institutions	(16,916,463)	(2,999,924)
(Increase) decrease in financial assets held under resale agreements	(7,701,192)	13,454,171
(Increase) decrease in financial assets held for trading	(3,712,533)	452,803
Increase in loans and advances to customers	(19,190,827)	(12,475,002)
Decrease in financial assets designated as at fair value through profit or loss	276,657	1,097,423
Increase in financial assets sold under repurchase agreements	18,788,250	1,738,591
Increase in due to customers, deposits from banks and other financial institutions	35,332,637	26,345,099
Increase in borrowings from central bank	—	20,000

Condensed Consolidated Statement of Cash Flows - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Decrease in placements from banks	(230,880)	—
Increase in financial liabilities designated as at fair value through profit or loss	2,153,679	12,000
Increase in other operating assets	(277,813)	(307,300)
(Decrease) increase in other operating liabilities	(49,338)	426,783
Cash generated by operating activities	7,122,816	18,662,158
Income tax paid	(843,552)	(611,340)
Net cash from operating activities	6,279,264	18,050,818
Investing activities		
Cash received from disposal and redemption of investment securities	6,913,999	9,235,597
Cash received from disposal of property and equipment and other assets	53,637	80,582
Cash paid for purchase of investment securities	(9,736,000)	(15,468,000)
Cash paid for purchase of property and equipment and other assets	(333,306)	(260,507)
Interest income received from investment securities	1,640,532	1,182,071
Net cash used in investing activities	(1,461,138)	(5,230,257)

Condensed Consolidated Statement of Cash Flows - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Six months ended 30 June	
		2012 (Unaudited)	2011 (Unaudited)
Financing activities			
Net proceeds from issuance of shares			
— H shares offering		—	1,339,390
— Transaction cost of H shares offering		—	(40,153)
Dividends paid to shareholders of the Bank		(1,283,259)	(403,600)
Net cash (used in) from financing activities		(1,283,259)	895,637
Net increase in cash and cash equivalents		3,534,867	13,716,198
Cash and cash equivalents at 1 January		18,402,618	30,750,454
Effect of foreign exchange rate changes		847	(152,380)
Cash and cash equivalents at 30 June	35	21,938,332	44,314,272



Notes To The Condensed Consolidated Financial Statements

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

The Bank has financial services certificate No. B0335H250000001 issued by the China Banking Regulatory Commission (the “CBRC”), and business license No.500000000001239 issued by the Chongqing Administration of Industry and Commerce.

The principal activities of the Bank and its subsidiaries (together referred to as the “Group”) comprise the provision of banking services, which includes deposits, loans, payment and settlement services, and other services as approved by the CBRC.

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

2. BASIS OF PREPARATION

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES

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

During the interim period, the Group has applied the amendments to the standards that are effective for the Group's financial year beginning on 1 January 2012 and the adoption of these amendments to standards had no material effect on the results, financial position and disclosure of the Group in the current interim period.

However, the directors considered that the application of the amendments to IFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the annual financial statements for the year ending 31 December 2012.

Except for the above amendments, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011. The condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES — continued

The Group has not early applied the following new or revised International Financial Reporting standards, amendments to standards and interpretations that have been issued but are not yet effective.

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle ¹
Amendments to IFRS 1	Government Loans ¹
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities ¹
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
IFRS 9	Financial Instruments ²
IFRS 10	Consolidated Financial Statements ¹
IFRS 11	Joint Arrangements ¹
IFRS 12	Disclosure of Interests in Other Entities ¹
IFRS 13	Fair Value Measurement ¹
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income ³
IAS 19 (Revised 2011)	Employee Benefits ¹
IAS 27 (Revised 2011)	Separate Financial Statements ¹
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ¹
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ⁴
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine ¹

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

² Effective for annual periods beginning on or after 1 January 2015

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2014

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES — continued

Except for the application of IFRS 9, IFRS 13 and IAS 19, the adoption of the above new or revised standards is not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning on or after 1 January 2015 and that the application of IFRS 9 will affect the classification and measurement of the Group's available-for-sale investments and may have impact on the Group's other financial assets and the Group's financial liabilities. The directors of the Company have not yet completed the assessment of financial impact to the Group.

The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and may have impact on amounts reported in respect of the Groups' defined benefit plans.

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

4. NET INTEREST INCOME

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Interest income		
Loans and advances to customers	5,803,238	4,344,291
Including: Corporate loans and advances	3,619,316	2,389,131
Personal loans and advances	2,048,013	1,811,090
Discounted bills	135,909	144,070
Financial assets held under resale agreements	1,324,406	1,237,237
Held-to-maturity investments	950,676	813,214
Debt securities classified as receivables	935,733	528,875
Placements with banks and other financial institutions	575,313	73,527
Balances with central bank	401,526	318,049
Deposits with banks and other financial institutions	376,549	229,283
Financial assets designated as at fair value through profit or loss	235,346	230,038
Financial assets held for trading	91,378	6,318
Available-for-sale financial assets	48,441	41,676
Subtotal	<u>10,742,606</u>	<u>7,822,508</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

4. NET INTEREST INCOME — continued

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Interest expense		
Due to customers	(2,723,059)	(1,712,595)
Financial assets sold under repurchase agreements	(993,541)	(856,597)
Deposits from banks and other financial institutions	(701,547)	(358,860)
Debt securities issued	(63,250)	(63,250)
Placements from banks	(26,315)	(3,107)
Borrowings from central bank	(447)	(128)
Subtotal	(4,508,159)	(2,994,537)
Net interest income	<u>6,234,447</u>	<u>4,827,971</u>
Included: interest income on impaired financial assets	<u>16,138</u>	<u>38,543</u>
Included within interest income		
Interest income on listed investments	1,113,692	893,907
Interest income on unlisted investments	<u>1,147,882</u>	<u>726,214</u>
	<u>2,261,574</u>	<u>1,620,121</u>

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Fee and commission income		
Consultancy and advisory fees	70,208	86,152
Agency commissions	56,878	44,991
Bank card fees	50,834	33,165
Settlement and clearing fees	16,760	16,877
Custodian and other fiduciary service fees	1,875	2,884
Others	2,244	10,662
Subtotal	198,799	194,731
Fee and commission expense		
Bank card fees	(13,275)	(13,045)
Settlement and clearing fees	(3,781)	(518)
Other service fees	(2,687)	(2,169)
Subtotal	(19,743)	(15,732)
Total	179,056	178,999

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET TRADING GAIN

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Net gain on held-for-trading debt securities	83,296	21,106

7. OTHER OPERATING INCOME (LOSSES), NET

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Net gain on disposal of property and equipment	7,931	13,732
Rental income	5,057	6,051
Dividend income from unlisted available-for-sale investments	105	815
Net gain on disposal of foreclosed assets	103	23,496
Exchange losses	(628)	(153,705)
Others	(6,174)	19,279
Total	6,394	(90,332)

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

8. OPERATING EXPENSES

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Staff costs (Note)	1,540,476	1,141,635
Business tax and surcharges	437,490	304,941
General operating and administrative expenses	360,588	287,271
Depreciation and amortisation	183,917	179,589
Auditor's remuneration	1,400	1,200
Others	62,364	48,207
Total	2,586,235	1,962,843

Note: Staff costs

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Salaries, bonuses and allowances	1,142,871	789,358
Social insurance	194,187	124,263
Housing funds	80,589	69,351
Labor union fees and staff education expenses	35,569	27,511
Staff welfare	29,490	23,592
Supplementary retirement benefits	48,650	30,860
Early retirement benefits	9,120	76,700
Total	1,540,476	1,141,635

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

9. IMPAIRMENT ON ASSETS

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Loans and advances to customers		
Net additions	470,101	418,650
Recovery of loans	(232,399)	(356,276)
Subtotal	237,702	62,374
Foreclosed assets	—	(351)
Total	<u>237,702</u>	<u>62,023</u>

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Income tax expense comprises:		
Current income tax		
— PRC Enterprise Income Tax	730,097	637,248
Deferred tax (Note 29)	139,106	39,263
Total	<u>869,203</u>	<u>676,511</u>

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

10. INCOME TAX EXPENSE — continued

The tax charges for the six months ended 30 June 2012 and 30 June 2011 can be reconciled to the profit per the condensed consolidated income statement as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Profit before tax	<u>3,679,264</u>	<u>2,913,877</u>
Tax calculated at applicable statutory tax rate of 25%	919,816	728,469
Tax effect of expenses not deductible for tax purpose	15,422	15,623
Tax effect of income not taxable for tax purpose	<u>(66,035)</u>	<u>(67,581)</u>
Income tax expense	<u>869,203</u>	<u>676,511</u>

11. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
2011 Final — RMB14 cents per share (Note)	<u>1,302,000</u>	<u>—</u>

Note: A final dividend of RMB14 cents per share in respect of the year ended 31 December 2011 in total of RMB1,302 million has been proposed by the board of directors on 19 March 2012, and was approved by the annual general meeting in 2011 on 7 May 2012.

The Bank will not distribute interim dividend for 2012.

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

12. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	<u>Six months ended 30 June</u>	
	2012 (Unaudited)	2011 (Unaudited)
Earnings:		
Profit for the period attributable to equity holders of the Bank	<u><u>2,803,707</u></u>	<u><u>2,238,297</u></u>
Numbers of shares		
Weighted average number of shares in issue (<i>thousand</i>)	<u><u>9,300,000</u></u>	<u><u>9,291,667</u></u>
Basic earnings per share (<i>RMB yuan</i>)	<u><u>0.30</u></u>	<u><u>0.24</u></u>

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

13. CASH AND BALANCES WITH CENTRAL BANK

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Cash	2,485,595	2,660,974
Mandatory reserve deposits with central bank (Note)	48,008,914	45,875,372
Surplus reserve deposits with central bank	3,771,448	1,537,730
Other deposits with central bank	462,468	588,692
Total	<u>54,728,425</u>	<u>50,662,768</u>

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

As at 30 June 2012, mandatory reserve deposits with the PBOC were calculated at 18% (31 December 2011: 19%) of eligible RMB deposits for the Bank, while for the subsidiaries at a range of 12%-14% (31 December 2011: 13%-15%); and 5% of foreign currency deposits from customers (31 December 2011: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

14. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Deposits with:		
Domestic banks	12,610,813	11,392,054
Overseas banks	29,964	52,904
Total	<u>12,640,777</u>	<u>11,444,958</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

15. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Placements with:		
Domestic banks	1,989,761	2,820,955
Other domestic financial institutions	28,219,160	8,639,761
Total	<u>30,208,921</u>	<u>11,460,716</u>

16. FINANCIAL ASSETS HELD FOR TRADING

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Debt securities issued by:		
Corporations	4,187,746	400,880
Total	<u>4,187,746</u>	<u>400,880</u>
Analysed as:		
Listed outside Hong Kong (Note)	4,187,746	400,880
Total	<u>4,187,746</u>	<u>400,880</u>

Note: Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

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

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Unlisted debt instruments issued by financial institutions	<u>12,756,991</u>	<u>13,033,648</u>

18. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Analysed by collateral type:		
Bills	49,997,997	37,156,805
Bonds	—	5,140,000
Total	<u>49,997,997</u>	<u>42,296,805</u>

19. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Gross loans and advances	163,537,884	144,097,177
Individually assessed	(448,298)	(407,790)
Collectively assessed	<u>(5,281,012)</u>	<u>(4,867,557)</u>
Allowance for impairment losses	<u>(5,729,310)</u>	<u>(5,275,347)</u>
Loans and advances to customers	<u>157,808,574</u>	<u>138,821,830</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

19. LOANS AND ADVANCES TO CUSTOMERS — continued

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

	Loans and advances for which allowance is collectively assessed (a)	Identified impaired loans and advances (b)		Sub-total	Total	Identified impaired loans and advances as a % of total gross loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed			
At 30 June 2012 (Unaudited)						
Gross loans and advances	161,718,276	995,093	824,515	1,819,608	163,537,884	1.11
Allowance for impairment losses	<u>(4,466,801)</u>	<u>(814,211)</u>	<u>(448,298)</u>	<u>(1,262,509)</u>	<u>(5,729,310)</u>	
Loans and advances to customers, net	<u>157,251,475</u>	<u>180,882</u>	<u>376,217</u>	<u>557,099</u>	<u>157,808,574</u>	
At 31 December 2011 (Audited)						
Gross loans and advances	142,208,468	966,883	921,826	1,888,709	144,097,177	1.31
Allowance for impairment losses	<u>(4,092,682)</u>	<u>(774,875)</u>	<u>(407,790)</u>	<u>(1,182,665)</u>	<u>(5,275,347)</u>	
Loans and advances to customers, net	<u>138,115,786</u>	<u>192,008</u>	<u>514,036</u>	<u>706,044</u>	<u>138,821,830</u>	

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

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

19. LOANS AND ADVANCES TO CUSTOMERS — continued

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

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2012	407,790	4,867,557	5,275,347
Charge for the period	177,554	1,815,871	1,993,425
Reverse for the period	(126,734)	(1,396,590)	(1,523,324)
Unwinding of discount on allowance	(10,312)	(5,826)	(16,138)
As at 30 June 2012	<u>448,298</u>	<u>5,281,012</u>	<u>5,729,310</u>
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2011	496,983	3,413,552	3,910,535
Charge for the year	110,060	2,738,545	2,848,605
Reverse for the year	(109,522)	(980,417)	(1,089,939)
Written off	(62,438)	(279,998)	(342,436)
Unwinding of discount on allowance	(27,293)	(24,125)	(51,418)
As at 31 December 2011	<u>407,790</u>	<u>4,867,557</u>	<u>5,275,347</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

19. LOANS AND ADVANCES TO CUSTOMERS — continued

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

	At 30 June 2012 (Unaudited)		At 31 December 2011 (Audited)	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Production and supply				
of electricity, gas and water	6,630,710	6.14	5,915,762	6.37
Real estate	16,774,580	15.54	13,574,844	14.63
Construction	7,154,317	6.63	6,592,532	7.10
Financial concerns	5,695,007	5.28	92,688	0.10
Retail and wholesale	5,844,942	5.42	4,311,967	4.65
Water, environment and public				
utilities management	17,307,350	16.03	15,936,700	17.17
Manufacturing	27,020,971	25.03	25,476,950	27.45
Leasing and commercial services	3,862,982	3.58	4,332,645	4.67
Transportation, logistics				
and postal service	1,949,683	1.81	2,161,229	2.33
Education	2,954,979	2.74	2,924,506	3.15
Others	12,742,464	11.80	11,485,776	12.38
Subtotal	107,937,985	100.00	92,805,599	100.00
Personal loans and advances				
Residential mortgage and				
personal commercial				
property loans	32,398,442	58.09	30,835,434	59.83
Loans to private business and				
employment assistance loans	16,910,352	30.32	14,403,281	27.95
Loans to farmers	1,874,187	3.36	2,101,465	4.08
Others	4,586,311	8.23	4,198,592	8.14
Subtotal	55,769,292	100.00	51,538,772	100.00
Contractual amount of loans				
and advances to customers	163,707,277		144,344,371	

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

19. LOANS AND ADVANCES TO CUSTOMERS — continued

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

	At 30 June 2012 (Unaudited)			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	2,672,192	7,452,499	4,869,050	14,993,741
Guaranteed loans	10,376,633	14,212,689	7,380,682	31,970,004
Collateralised and other secured loans				
— loans secured by property and other immovable assets	11,986,005	46,958,178	43,111,011	102,055,194
— other pledged loans	7,070,546	3,955,805	3,661,987	14,688,338
Total	32,105,376	72,579,171	59,022,730	163,707,277

	At 31 December 2011 (Audited)			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	1,486,730	8,438,376	4,796,799	14,721,905
Guaranteed loans	6,893,866	14,485,756	7,291,814	28,671,436
Collateralised and other secured loans				
— loans secured by property and other immovable assets	9,224,423	43,514,020	40,312,638	93,051,081
— other pledged loans	916,783	3,843,042	3,140,124	7,899,949
Total	18,521,802	70,281,194	55,541,375	144,344,371

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

19. LOANS AND ADVANCES TO CUSTOMERS — continued

(6) Past due loans at contractual amount

	At 30 June 2012 (Unaudited)				Total
	Up to 90 days	91-360 days	361 days to 3 years	Over 3 years	
Unsecured loans	173,864	103,094	242,213	156,987	676,158
Guaranteed loans	128,566	40,743	50,316	126,660	346,285
Collateralised and other secured loans					
— loans secured by property and other immovable assets	1,199,875	159,668	477,205	484,678	2,321,426
— other pledged loans	31,900	39,970	18,767	58,639	149,276
Total	1,534,205	343,475	788,501	826,964	3,493,145

	At 31 December 2011 (Audited)				Total
	Up to 90 days	91-360 days	361 days to 3 years	Over 3 years	
Unsecured loans	392,410	177,867	295,397	104,983	970,657
Guaranteed loans	152,076	44,711	108,989	67,047	372,823
Collateralised and other secured loans					
— loans secured by property and other immovable assets	1,078,193	168,214	772,625	235,747	2,254,779
— other pledged loans	10,339	2,035	48,505	30,380	91,259
Total	1,633,018	392,827	1,225,516	438,157	3,689,518

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

19. LOANS AND ADVANCES TO CUSTOMERS — continued

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

	NOTES	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Neither past due nor impaired	(i)	160,169,998	140,576,336
Past due but not impaired	(ii)	1,586,913	1,686,456
Impaired	(iii)	1,950,366	2,081,579
Subtotal		163,707,277	144,344,371
Less: Allowance for impairment losses of loans and advances to customers		(5,898,703)	(5,522,541)
Loans and advances to customers		157,808,574	138,821,830

(i) Loans and advances neither past due nor impaired

	At 30 June 2012 (Unaudited)		
	Normal	Special mention	Total
Corporate loans and advances	102,756,704	4,049,343	106,806,047
Personal loans and advances	53,103,583	260,368	53,363,951
Total	155,860,287	4,309,711	160,169,998

	At 31 December 2011 (Audited)		
	Normal	Special mention	Total
Corporate loans and advances	85,824,489	5,641,173	91,465,662
Personal loans and advances	48,783,189	327,485	49,110,674
Total	134,607,678	5,968,658	140,576,336

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

19. LOANS AND ADVANCES TO CUSTOMERS — continued

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

(ii) Loans and advances past due but not impaired

	As at 30 June 2012 (Unaudited)				
	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Corporate loans and advances	63,915	21,873	19,080	47,200	152,068
Personal loans and advances	1,174,911	147,543	88,626	23,765	1,434,845
Total	1,238,826	169,416	107,706	70,965	1,586,913

	As at 31 December 2011 (Audited)				
	Up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Corporate loans and advances	260,296	12,500	11,800	14,552	299,148
Personal loans and advances	1,079,550	165,427	69,682	72,649	1,387,308
Total	1,339,846	177,927	81,482	87,201	1,686,456

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

19. LOANS AND ADVANCES TO CUSTOMERS — continued

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

(iii) Impaired loans and advances

	At 30 June 2012 (Unaudited)		
	Book value	Impairment	Net value
Individually assessed	881,510	(505,293)	376,217
Collectively assessed	1,068,856	(887,974)	180,882
Total	<u>1,950,366</u>	<u>(1,393,267)</u>	<u>557,099</u>

	At 31 December 2011 (Audited)		
	Book value	Impairment	Net value
Individually assessed	989,253	(475,217)	514,036
Collectively assessed	1,092,326	(900,318)	192,008
Total	<u>2,081,579</u>	<u>(1,375,535)</u>	<u>706,044</u>

Including:

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Individually assessed and impaired	<u>881,510</u>	<u>989,253</u>
Individually assessed and impaired %	<u>0.54%</u>	<u>0.69%</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

		At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
	<i>NOTES</i>		
Debt securities issued by			
— Financial institutions		100,113	99,572
— Corporations		<u>3,065,904</u>	<u>1,464,478</u>
Subtotal		<u>3,166,017</u>	<u>1,564,050</u>
Equity instruments			
— at fair value		21,588	24,434
— at cost	(1)	<u>29,265</u>	<u>29,265</u>
Subtotal		<u>50,853</u>	<u>53,699</u>
Total		<u><u>3,216,870</u></u>	<u><u>1,617,749</u></u>
Analysed as:			
Listed outside Hong Kong	(2)	3,187,605	1,588,484
Unlisted		<u>29,265</u>	<u>29,265</u>
Total		<u><u>3,216,870</u></u>	<u><u>1,617,749</u></u>

Notes:

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

21. HELD-TO-MATURITY INVESTMENTS

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Debt securities issued by:		
Public sector and quasi-governments	17,615,117	15,644,879
Corporations	16,763,474	14,780,176
Government	8,221,770	8,228,223
Financial institutions	2,238,046	1,583,144
Total	<u>44,838,407</u>	<u>40,236,422</u>

Notes:

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

22. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Debt instruments issued		
by financial institutions (Note)	22,153,850	25,503,489
Financial institution bonds	761,020	760,600
Corporate bonds	489,966	—
Certificate treasury bonds	640,210	1,034,934
Debt securities issued by public sector and quasi-governments	47,606	47,473
Less: Collectively assessed allowance for impairment losses	<u>(293,216)</u>	<u>(293,216)</u>
 Total	 <u><u>23,799,436</u></u>	 <u><u>27,053,280</u></u>

Note:

The debt instruments issued by financial institutions are non-callable before maturity with fixed interest rate and not quoted in active market.

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

23. OTHER ASSETS

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Interest receivable	2,559,342	2,255,380
Land use rights	470,566	452,733
Foreclosed assets	182,620	182,129
Intangible assets	45,762	39,982
Others	302,663	191,820
Total	<u>3,560,953</u>	<u>3,122,044</u>

24. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Deposits from domestic banks	32,168,478	22,307,695
Deposits from other domestic financial institutions	3,783,179	2,799,410
Total	<u>35,951,657</u>	<u>25,107,105</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

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

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Principal guaranteed wealth management products (Note)	<u>2,519,304</u>	<u>365,625</u>
Total	<u><u>2,519,304</u></u>	<u><u>365,625</u></u>

Note:

The Group designates the amounts received through the principal protected guaranteed return wealth management products sold to their customers as financial liabilities at fair value through profit or loss. As at 30 June 2012, the fair value of these products issued by the Group approximates the contractual amount payable upon maturity to the holders of these products.

There were no significant changes in the Group's credit risk and therefore there were no significant gain or losses attributed to changes in credit risk for those financial liabilities designated at fair value through profit or loss during the period ended 30 June 2012 and the year ended 31 December 2011.

26. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Analysed by collateral type:		
Bonds	<u>36,882,842</u>	22,968,997
Bills	<u>14,665,129</u>	9,790,724
Total	<u><u>51,547,971</u></u>	<u><u>32,759,721</u></u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

27. DUE TO CUSTOMERS

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Demand deposits		
Corporate customers	50,926,649	49,798,636
Individual customers	54,153,553	49,949,474
Time deposits		
Corporate customers	13,971,923	13,953,210
Individual customers	148,053,925	129,263,711
Pledged deposits (Note)	3,463,348	3,132,788
Others (including outward remittance and remittance outstanding)	52,164	43,555
Total	<u>270,621,562</u>	<u>246,141,374</u>

Note: Analysed by products for which deposit is required:

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Acceptances	2,089,280	1,894,765
Loans and receivables	1,256,151	1,132,739
Letters of credit	55,404	53,272
Letters of guarantee	15,733	5,885
Others	46,780	46,127
Total	<u>3,463,348</u>	<u>3,132,788</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

28. ACCRUED STAFF COSTS

		At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
	<i>NOTES</i>		
Salaries, bonuses and allowances		630,847	916,907
Social insurance		39	—
Housing funds		8	—
Supplementary retirement benefits	(1)	878,110	864,560
Early retirement benefits	(2)	484,160	545,000
Labor union fees and staff education expenses		81,466	71,583
Total		<u>2,074,630</u>	<u>2,398,050</u>

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

Notes:

(1) Supplementary retirement benefits

Supplementary retirement benefits include supplementary pension and medical benefits.

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

As at 1 January 2012	864,560
Amounts recognised in the condensed consolidated income statement:	
— Interest cost	14,660
— Present value of benefit obligation for participants entering the plan during the period	33,990
Benefits paid	<u>(35,100)</u>
As at 30 June 2012	<u>878,110</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

28. ACCRUED STAFF COSTS — continued

Notes: — continued

(1) Supplementary retirement benefits — continued

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

	At 30 June 2012	At 31 December 2011
Discount rate	3.50%	3.50%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiary	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2000-2003	

(2) Early retirement benefits

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

As at 1 January 2012	545,000
Amounts recognised in the condensed consolidated income statement:	
— Interest cost	7,660
— Present value of benefit obligation for participants entering the plan during the period	1,460
Benefits paid	(69,960)
As at 30 June 2012	<u>484,160</u>

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

	At 30 June 2012	At 31 December 2011
Discount rate	3.00%	3.00%
Annual average medical expenses inflation rate	7.00%	7.00%
Annual subsidies inflation rate	1.00%	1.00%
Normal retirement age		
— Male	60	60
— Female	50	50

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

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29. DEFERRED TAXATION

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

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

	Allowances of impairment losses	Early retirement benefits	Accrued salaries, bonuses and allowances	Provision	Fair value changes of financial instruments	Interest income/ expense	Fair value changes of net assets including debt securities investment, property and equipment and other assets relating to acquisition of Business	Total
As at 1 January 2012 (Audited)	1,016,134	136,250	227,989	3,188	6,204	15,216	112,691	1,517,672
Credit (Charge) to profit or loss	34,063	(15,210)	(70,266)	97	(18,584)	(60,563)	(8,643)	(139,106)
Charge to other comprehensive income	—	—	—	—	(17,508)	—	—	(17,508)
As at 30 June 2012 (Unaudited)	<u>1,050,197</u>	<u>121,040</u>	<u>157,723</u>	<u>3,285</u>	<u>(29,888)</u>	<u>(45,347)</u>	<u>104,048</u>	<u>1,361,058</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

29. DEFERRED TAXATION — continued

	Allowances of impairment losses	Early retirement benefits	Accrued salaries, bonuses and allowances	Provision	Fair value changes of financial instruments	Interest income/ expense	Fair value changes of net assets including debt securities investment, property and equipment and other assets relating to acquisition of Business	Total
As at 1 January 2011 (Audited)	902,206	108,318	206,740	1,458	(324)	(44,432)	133,638	1,307,604
Credit (charge) to profit or loss	113,928	27,932	21,249	1,730	(5,250)	59,648	(20,947)	198,290
Credit to other comprehensive income	—	—	—	—	11,778	—	—	11,778
As at 31 December 2011 (Audited)	<u>1,016,134</u>	<u>136,250</u>	<u>227,989</u>	<u>3,188</u>	<u>6,204</u>	<u>15,216</u>	<u>112,691</u>	<u>1,517,672</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

30. OTHER LIABILITIES

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Interest payable	3,408,293	2,443,659
Other payables	1,254,989	1,837,354
Business and other tax payables	244,915	227,859
Deferred income	54,888	109,388
Dividends payable	39,780	21,039
Provision	13,140	12,754
Total	<u>5,016,005</u>	<u>4,652,053</u>

31. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 1 January 2012 and 31 December 2011(Audited)	<u>9,300,000</u>	<u>9,300,000</u>
As at 30 June 2012(Unaudited)	<u>9,300,000</u>	<u>9,300,000</u>

32. CAPITAL RESERVE

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

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33. SURPLUS RESERVE

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

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under the generally accepted accounting principles of the PRC ("PRC GAAP") to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

Pursuant to the approved 2011 profit appropriation resolution by the general meeting on 7 May, 2012, the Bank appropriated RMB1,612 million to discretionary surplus reserve (Six months ended 30 June 2011: RMB2,649 million).

34. GENERAL RESERVE

Pursuant to the Measures on General Provision for Bad and Doubtful Debts for Financial Institutions (Cai Jin [2005] No. 49) and Application Guidance of Financing Measures for Financial Institutions (Cai Jin [2007] No. 23) issued by The Ministry of Finance of the People's Republic of China ("MOF") in addition to the specific and collective allowances for impairment losses, the Bank is required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1% of the aggregate amount of risk assets as defined by the above measures.

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

During the six months ended 30 June 2012, the Group transferred RMB928 million to general and regulatory reserve pursuant to regulatory requirement in the PRC (six months ended 30 June 2011: RMB15.61 million).

Pursuant to the newly promulgated "Administrative Measures for the Provisioning of Financial Enterprises" (Caijin [2012] No. 20) issued by the MOF on 30 March 2012, the Group will make general reserve for the risk assets as defined thereof after its effective date of 1 July 2012.

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

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35. CASH AND CASH EQUIVALENTS

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

	At 30 June 2012 (Unaudited)	At 30 June 2011 (Unaudited)
Cash	2,485,595	2,164,409
Balances with central bank	3,771,448	3,992,505
Deposits with banks and other financial institutions	6,599,216	3,070,475
Placements with banks and other financial institutions	2,080,000	650,000
Financial assets held under resale agreements	7,002,073	34,436,883
Total	<u>21,938,332</u>	<u>44,314,272</u>

36. SEGMENT ANALYSIS

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

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

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

36. SEGMENT ANALYSIS — *continued*

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

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

Operating Segment

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

Corporate banking

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

Personal banking

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

Treasury operations

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

36. SEGMENT ANALYSIS — continued

Operating Segment — continued

	Period ended 30 June 2012 (Unaudited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
External interest income	3,636,313	2,048,013	5,058,280	10,742,606	—	10,742,606
External interest expense	(688,399)	(2,034,660)	(1,785,100)	(4,508,159)	—	(4,508,159)
Inter-segment interest (expense) income	(765,789)	2,253,303	(1,487,514)	—	—	—
Net interest income	2,182,125	2,266,656	1,785,666	6,234,447	—	6,234,447
Fee and commission income	74,371	55,966	68,462	198,799	—	198,799
Fee and commission expense	(1,421)	(15,446)	(2,876)	(19,743)	—	(19,743)
Net fee and commission income	72,950	40,520	65,586	179,056	—	179,056
Net trading gain	—	—	83,296	83,296	—	83,296
Other operating (losses) income, net	—	—	(495)	(495)	6,889	6,394
Operating income	2,255,075	2,307,176	1,934,053	6,496,304	6,889	6,503,193
Operating expenses	(1,074,059)	(928,037)	(584,139)	(2,586,235)	—	(2,586,235)
(Impairment) reversals of impairment on assets	(281,556)	43,854	—	(237,702)	—	(237,702)
Net gain on disposal of available-for-sale financial assets	—	—	8	8	—	8
Profit before tax	<u>899,460</u>	<u>1,422,993</u>	<u>1,349,922</u>	<u>3,672,375</u>	<u>6,889</u>	<u>3,679,264</u>
Income tax expense						(869,203)
Profit for the period						<u>2,810,061</u>
Depreciation and amortisation included in operating expenses	79,248	72,238	32,431	183,917	—	183,917
Capital expenditure	<u>143,620</u>	<u>130,913</u>	<u>58,773</u>	<u>333,306</u>	<u>—</u>	<u>333,306</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

36. SEGMENT ANALYSIS — continued

Operating Segment — continued

	At 30 June 2012 (Unaudited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
Segment assets	99,061,935	54,091,135	244,057,548	397,210,618	5,132,874	402,343,492
Segment liabilities	70,821,409	205,467,865	95,596,144	371,885,418	886,597	372,772,015
Supplementary information						
Credit commitments	<u>3,621,850</u>	<u>1,171,355</u>	<u>—</u>	<u>4,793,205</u>	<u>—</u>	<u>4,793,205</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

36. SEGMENT ANALYSIS — continued

Operating Segment — continued

	Period ended 30 June 2011 (Unaudited)					Total
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	
External interest income	2,440,775	1,811,090	3,570,643	7,822,508	—	7,822,508
External interest expense	(237,459)	(1,475,136)	(1,281,942)	(2,994,537)	—	(2,994,537)
Inter-segment interest (expense) income	(392,249)	1,182,131	(789,882)	—	—	—
Net interest income	1,811,067	1,518,085	1,498,819	4,827,971	—	4,827,971
Fee and commission income	47,715	64,920	82,096	194,731	—	194,731
Fee and commission expense	(3,855)	(5,245)	(6,632)	(15,732)	—	(15,732)
Net fee and commission income	43,860	59,675	75,464	178,999	—	178,999
Net trading gain	—	—	21,106	21,106	—	21,106
Other operating (losses) income, net	—	—	(153,183)	(153,183)	62,851	(90,332)
Operating income	1,854,927	1,577,760	1,442,206	4,874,893	62,851	4,937,744
Operating expenses	(970,284)	(748,614)	(219,595)	(1,938,493)	(24,350)	(1,962,843)
(Impairment) reversals of impairment on assets	(165,181)	103,158	—	(62,023)	—	(62,023)
Net gain on disposal of debt securities classified as receivables	—	—	999	999	—	999
Profit before tax	<u>719,462</u>	<u>932,304</u>	<u>1,223,610</u>	<u>2,875,376</u>	<u>38,501</u>	<u>2,913,877</u>
Income tax expense						(676,511)
Profit for the period						<u>2,237,366</u>
Depreciation and amortisation included in operating expenses	96,268	74,458	8,863	179,589	—	179,589
Capital expenditure	<u>139,644</u>	<u>108,007</u>	<u>12,856</u>	<u>260,507</u>	<u>—</u>	<u>260,507</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

36. SEGMENT ANALYSIS — continued

Operating Segment — continued

	At 31 December 2011 (Audited)					
	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
Segment assets	90,235,576	48,918,501	200,486,156	339,640,233	5,179,788	344,820,021
Segment liabilities	69,253,005	182,788,995	63,731,318	315,773,318	1,035,812	316,809,130
Supplementary information						
Credit commitment	<u>3,165,112</u>	<u>935,100</u>	<u>—</u>	<u>4,100,212</u>	<u>—</u>	<u>4,100,212</u>

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

37. RELATED PARTY TRANSACTIONS

Related parties of the Group

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

Name of shareholders	Percentage of shares held	
	At 30 June 2012 %	At 31 December 2011 %
	(Unaudited)	(Audited)
Chongqing Yufu Assets Management Group Company Limited	6.77	6.77
Chongqing City Investment (Group) Co., Ltd.	6.68	6.68
Loncin Holding Co., Ltd.	6.13	6.13

There are several entities controlled or jointly controlled by member of the key management personnel of the Group which are considered as related parties of the Group ("other related parties").

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

37. RELATED PARTY TRANSACTIONS — continued

Related party transactions

During six months period ended 30 June 2012, the Group entered into the following material transactions with related parties:

	Interest income For the six-month ended 30 June		Interest expense For the six-month ended 30 June		Operating expenses For the six-month ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)	2012 (Unaudited)	2011 (Unaudited)	2012 (Unaudited)	2011 (Unaudited)
Shareholders of the Bank	53,717	52,617	6,115	6,433	3,520	4,300
Other related parties	<u>52,060</u>	<u>11,970</u>	<u>1,866</u>	<u>506</u>	<u>—</u>	<u>—</u>

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

	Loans and advances to related parties		Customer deposits from related parties	
	30 June 2012 (Unaudited)	31 December 2011 (Audited)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Shareholders of the Bank	2,120,450	2,130,450	435,714	242,841
Other related parties	<u>2,259,500</u>	<u>1,590,900</u>	<u>737,282</u>	<u>745,590</u>

	Interest receivable from related parties		Interest payable to related parties	
	30 June 2012 (Unaudited)	31 December 2011 (Audited)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Shareholders of the Bank	3,643	4,126	63	37
Other related parties	<u>4,096</u>	<u>3,114</u>	<u>71</u>	<u>110</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

37. RELATED PARTY TRANSACTIONS — continued

Related party transactions — continued

As at 30 June 2012, the carrying amount of debt securities issued by the Bank and purchased by a shareholder of the Bank amounted to RMB200 million (31 December 2011: RMB200 million).

As at 30 June 2012, the debt instruments issued by financial institutions of RMB1,000 million (31 December 2011: RMB1,000 million) included in debt securities classified as receivables were used to finance the investments of those financial institutions in which a shareholder of the Bank has an option to acquire such investments from those financial institutions at a predetermined price in future.

As at 30 June 2012, the debt instruments issued by financial institutions of RMB1,000 million (31 December 2011: RMB1,000 million) included in debt securities classified as receivables were used to lend trust loan to a shareholder of the Bank.

Key management personnel

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

The Group enters into banking transactions with key management personnel in the normal course of business. During the six month periods ended 30 June 2012 and 30 June 2011, there were no material transactions with key management personnel.

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

37. RELATED PARTY TRANSACTIONS — continued

Key management personnel — continued

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

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Basic salaries, bonuses and allowances	9,760	8,743
Contribution to pension schemes	723	323
Fees	338	—
Total	<u>10,821</u>	<u>9,066</u>

38. 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 2012 and 31 December 2011, provisions of RMB13.14 million and RMB12.75 million were made based on court judgments or the advice of counsel. The directors of the Bank believe, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	At 30 June	At 31 December
	2012 (Unaudited)	2011 (Audited)
Contracted but not provided for	104,972	146,778
Authorised but not contracted for	551,966	502,445
Total	<u>656,938</u>	<u>649,223</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

38. CONTINGENT LIABILITIES AND COMMITMENTS — continued

Credit commitments

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Acceptances	3,216,262	3,000,442
Undrawn credit card limit	1,171,355	935,100
Letters of credit issued	336,303	154,961
Letters of guarantee	69,285	9,709
Total	<u>4,793,205</u>	<u>4,100,212</u>

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

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

Credit risk weighted amounts for credit commitments

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Credit commitments	<u>1,825,064</u>	<u>1,739,081</u>

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

38. CONTINGENT LIABILITIES AND COMMITMENTS — continued

Operating lease commitment

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

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Within 1 year	32,607	27,043
1 to 2 years	26,304	22,455
2 to 3 years	19,635	20,198
Above 3 years	55,665	57,883
Total	<u>134,211</u>	<u>127,579</u>

The leases are negotiated for a lease term of 1 to 18 years.

Collateral

Assets pledged

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

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
Bonds	37,953,034	24,113,354
Bills	14,665,129	9,790,724
Total	<u>52,618,163</u>	<u>33,904,078</u>

As at 30 June 2012 and 31 December 2011, the carrying amount of financial assets sold under repurchase agreements by the Group was RMB51,548 million and 32,760 million, respectively.

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

38. CONTINGENT LIABILITIES AND COMMITMENTS — continued

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 Group is RMB49,998 million as at 30 June 2012 (31 December 2011: RMB37,157 million). The fair value of collateral sold under repurchase agreement or re-pledged by the Group is RMB12,373 million as at 30 June 2012 (31 December 2011: 8,339 million).

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

39. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

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

	At 30 June 2012 (Unaudited)		At 31 December 2011 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	157,808,574	157,808,396	138,821,830	138,773,741
Held-to-maturity investments	44,838,407	45,580,576	40,236,422	40,586,268
Debt securities classified as receivables	23,799,436	23,951,830	27,053,280	27,240,730
Total	<u>226,446,417</u>	<u>227,340,802</u>	<u>206,111,532</u>	<u>206,600,739</u>
Financial liabilities				
Due to customers	270,621,562	270,642,473	246,141,374	224,893,814
Debt securities issued	2,300,000	2,276,395	2,300,000	2,137,816
Total	<u>272,921,562</u>	<u>272,918,868</u>	<u>248,441,374</u>	<u>227,031,630</u>

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

39. FAIR VALUE OF FINANCIAL INSTRUMENTS — continued

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

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

	Level 1	Level 2	Level 3	Total
At 30 June 2012 (Unaudited)				
Financial assets held for trading	—	4,187,746	—	4,187,746
Financial assets designated as at fair value through profit or loss	—	12,756,991	—	12,756,991
Available-for-sale financial assets	21,588	3,166,017	—	3,187,605
Total assets	21,588	20,110,754	—	20,132,342
Financial liabilities designated as at fair value through profit or loss	—	(2,519,304)	—	(2,519,304)
Total liabilities	—	(2,519,304)	—	(2,519,304)

Notes To The Condensed Consolidated Financial Statements - continued

For The Six Months Ended 30 June 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

39. FAIR VALUE OF FINANCIAL INSTRUMENTS — continued

	Level 1	Level 2	Level 3	Total
At 31 December 2011 (Audited)				
Financial assets held for trading	—	400,880	—	400,880
Financial assets designated as at fair value through profit or loss	—	13,033,648	—	13,033,648
Available-for-sale financial assets	24,434	1,564,050	—	1,588,484
Total assets	24,434	14,998,578	—	15,023,012
Financial liabilities designated as at fair value through profit or loss	—	(365,625)	—	(365,625)
Total liabilities	—	(365,625)	—	(365,625)

There were no transfers between Level 1 and 2 in the current period ended 30 June 2012 and the year ended 31 December 2011.

40. EVENT AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.



Unaudited Supplementary Financial Information

For The Six Months Ended 30 June 2012

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount)

Under the IFRS, the restructuring of the Bank was accounted for as an acquisition of the Business from the 39 Rural Credit Unions and CRCCU by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCCU and the Bank before and after the restructuring.

The following disclosures in relation to loans and advances to customers have been prepared based on the contractual amount of these loans for management purpose, which are not the same as the carrying amount of these loans and advances to customers stated in the condensed consolidated financial statements of the Group.

Unaudited Supplementary Financial Information - continued

For The Six Months Ended 30 June 2012

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) — continued

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

	At June 30 2012	At December 31 2011
Corporate loans and advances		
— Loans	101,156.1	92,422.0
— Discounted bills	6,509.0	252.2
— Trade financing	272.9	131.4
Subtotal	<u>107,938.0</u>	<u>92,805.6</u>
Retail loans and advances		
— Residential mortgage and personal commercial property loans	32,398.4	30,835.4
— Loans to private business and employment assistance loans	16,910.4	14,403.3
— Loans to farmers	1,874.2	2,101.5
— Others	4,586.3	4,198.6
Subtotal	<u>55,769.3</u>	<u>51,538.8</u>
Total loans and advances to customers	<u>163,707.3</u>	<u>144,344.4</u>
Allowance for impairment losses	<u>(5,898.7)</u>	<u>(5,522.6)</u>
Include: Individually assessed	(505.3)	(475.2)
Collectively assessed	<u>(5,393.4)</u>	<u>(5,047.4)</u>
Loans and advances to customers, net	<u><u>157,808.6</u></u>	<u><u>138,821.8</u></u>

Unaudited Supplementary Financial Information - continued

For The Six Months Ended 30 June 2012

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) — continued

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

	Loans and advances for which allowance is collectively assessed (a)	Identified impaired loans and advances (b)			Sub-total	Total	Identified impaired loans and advances as a % of total gross loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed				
At 30 June 2012							
Gross loans and advances	161,756.9	1,068.9	881.5	1,950.4	163,707.3	1.19	
Allowance for impairment losses	(4,505.4)	(888.0)	(505.3)	(1,393.3)	(5,898.7)		
Loans and advances to customers, net	<u>157,251.5</u>	<u>180.9</u>	<u>376.2</u>	<u>557.1</u>	<u>157,808.6</u>		
At 31 December 2011							
Gross loans and advances	142,262.8	1,092.4	989.2	2,081.6	144,344.4	1.44	
Allowance for impairment losses	(4,147.0)	(900.4)	(475.2)	(1,375.6)	(5,522.6)		
Loans and advances to customers, net	<u>138,115.8</u>	<u>192.0</u>	<u>514.0</u>	<u>706.0</u>	<u>138,821.8</u>		

Unaudited Supplementary Financial Information - continued

For The Six Months Ended 30 June 2012

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) — continued

(2) Analysis of loans and advances to customers by collective and individual assessment — continued

- (a) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.
- (b) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

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

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2012	475.2	5,047.4	5,522.6
Charge for the period	177.6	1,830.5	2,008.1
Reverse for the period	(159.0)	(1,611.4)	(1,770.4)
Recovery of loans and advances written off in previous years	35.9	136.1	172.0
Unwinding of discount on allowance	(24.4)	(9.2)	(33.6)
As at 30 June 2012	505.3	5,393.4	5,898.7

Unaudited Supplementary Financial Information - continued

For The Six Months Ended 30 June 2012

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) — continued

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

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2011	624.3	4,406.8	5,031.1
Charge for the year	110.0	1,260.7	1,370.7
Reverse for the year	(319.7)	(496.2)	(815.9)
Written off	(83.8)	(368.1)	(451.9)
Recovery of loans and advances written off in previous years	211.4	280.1	491.5
Unwinding of discount on allowance	(67.0)	(35.9)	(102.9)
As at 31 December 2011	<u>475.2</u>	<u>5,047.4</u>	<u>5,522.6</u>

Liquidity ratios

(Expressed in percentage)	At June 30, 2012	At December 31, 2011
RMB current assets to RMB current liabilities	<u>27.67</u>	<u>28.46</u>
Foreign currency current assets to foreign currency current liabilities	<u>269.16</u>	<u>208.58</u>

Unaudited Supplementary Financial Information - continued

For The Six Months Ended 30 June 2012

(Amounts in millions of Renminbi, unless otherwise stated)

Core liabilities ratios

(Expressed in percentage)	At June 30, 2012	At December 31, 2011
Core liabilities ratios	<u>58.55</u>	<u>57.49</u>

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

Currency concentrations

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
At June 30, 2012				
Spot assets	339.0	170.3	113.1	622.4
Spot liabilities	<u>(212.5)</u>	<u>(3.6)</u>	<u>(113.0)</u>	<u>(329.1)</u>
Net position	<u>126.5</u>	<u>166.7</u>	<u>0.1</u>	<u>293.3</u>

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
At December 31, 2011				
Spot assets	439.0	60.4	99.1	598.5
Spot liabilities	<u>(134.1)</u>	<u>(49.8)</u>	<u>(96.6)</u>	<u>(280.5)</u>
Net position	<u>304.9</u>	<u>10.6</u>	<u>2.5</u>	<u>318.0</u>

Unaudited Supplementary Financial Information - continued

For The Six Months Ended 30 June 2012

(Amounts in millions of Renminbi, unless otherwise stated)

Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross border claims.

Cross-border claims mainly include balances with banks.

Cross-border claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks	Total
At 30 June 2012		
Asia Pacific excluding Mainland China	12.4	12.4
— of which attributed to Hong Kong	12.4	12.4
Europe	9.1	9.1
North America	8.3	8.3
	<hr/>	<hr/>
Total	29.8	29.8
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2011		
Asia Pacific excluding Mainland China	19.0	19.0
— of which attributed to Hong Kong	19.0	19.0
Europe	7.2	7.2
North America	26.7	26.7
	<hr/>	<hr/>
Total	52.9	52.9
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Unaudited Supplementary Financial Information - continued

For The Six Months Ended 30 June 2012

(Amounts in millions of Renminbi, unless otherwise stated)

Overdue assets

Total loans and advances to customers which have been overdue are set out as follows:

	At June 30, 2012	At December 31, 2011
Below 3 months (inclusive)	1,534.2	1,633.0
Between 3 and 12 months	343.5	392.8
Over 12 months	<u>1,615.5</u>	<u>1,663.7</u>
Total	<u><u>3,493.2</u></u>	<u><u>3,689.5</u></u>
Percentage		
Below 3 months (inclusive)	43.92	44.26
Between 3 and 12 months	9.83	10.65
Over 12 months	<u>46.25</u>	<u>45.09</u>
Total	<u><u>100.00</u></u>	<u><u>100.00</u></u>

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

Unaudited Supplementary Financial Information - continued

For The Six Months Ended 30 June 2012

(Amounts in millions of Renminbi, unless otherwise stated)

Summary of Information on Geographical Segments

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

	For the six months ended 30 June					
	2012			2011		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	927.2	5,307.2	6,234.4	951.5	3,876.5	4,828.0
Net fee and commission income	89.9	89.2	179.1	47.6	131.4	179.0
Net trading gain	—	83.3	83.3	—	21.1	21.1
Other operating income(losses), net	45.3	(38.9)	6.4	38.1	(128.4)	(90.3)
Total operating income	1,062.4	5,440.8	6,503.2	1,037.2	3,900.6	4,937.8
Internal transfer of income and expense	2,141.6	(2,141.6)	—	1,043.9	(1,043.9)	—
Gain after adjustment	<u>3,204.0</u>	<u>3,299.2</u>	<u>6,503.2</u>	<u>2,081.1</u>	<u>2,856.7</u>	<u>4,937.8</u>

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

Unaudited Supplementary Financial Information - continued

For The Six Months Ended 30 June 2012

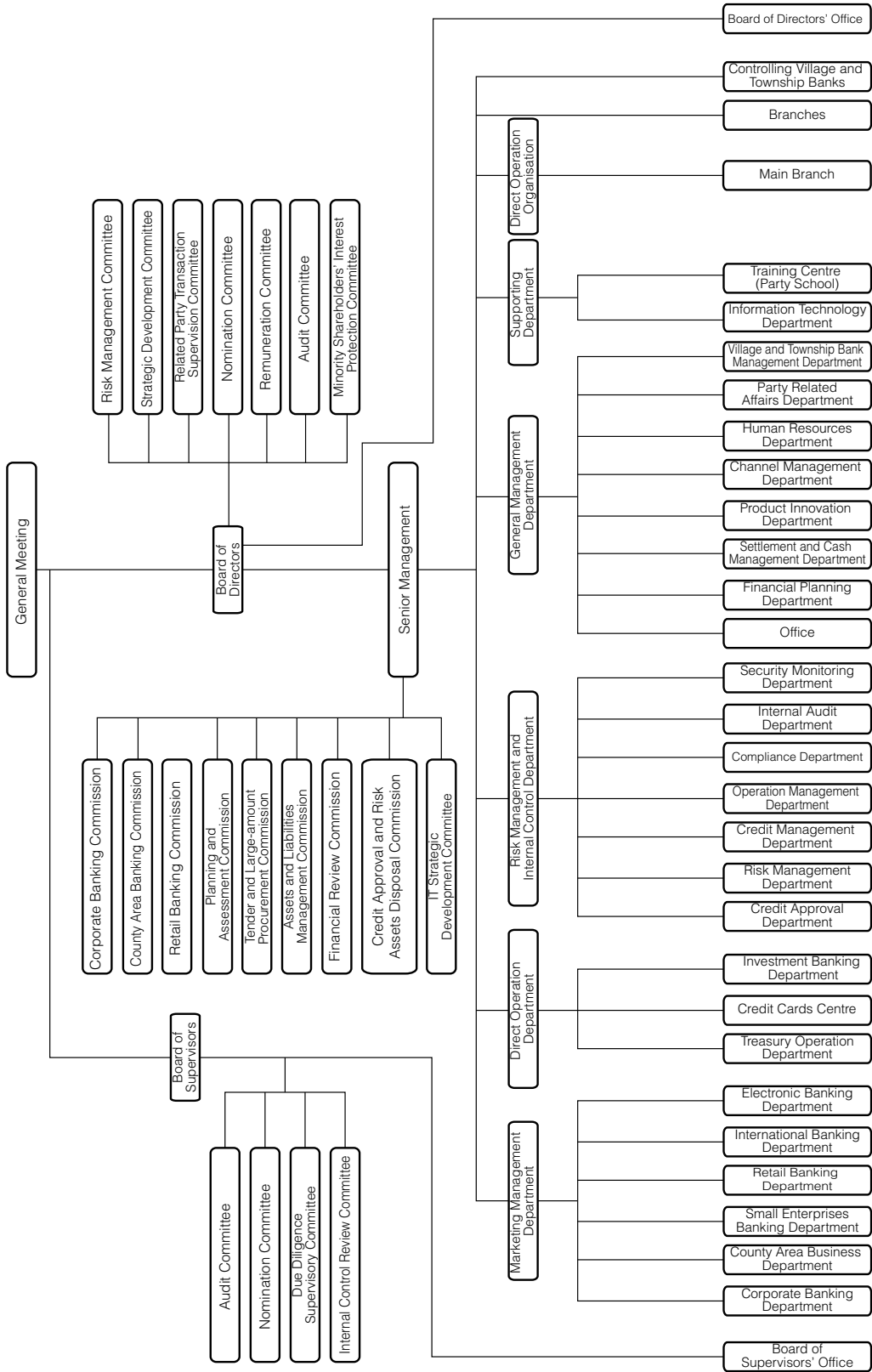
(Amounts in millions of Renminbi, unless otherwise stated)

Summary of geographical segment

(Expressed in percentage)	At 30 June 2012		At 31 December 2011	
	County Area	Urban Area	County Area	Urban Area
Deposits	66.84	33.16	66.79	33.21
Loans	45.76	54.24	46.80	53.20
Assets	44.80	55.20	46.67	53.33
Loan-to-deposit ratio	39.25	96.75	41.09	93.94
Non-performing loan ratio	2.33	0.23	2.75	0.29
Allowance to non-performing loans	<u>225.03</u>	<u>954.56</u>	<u>208.13</u>	<u>746.14</u>

(Expressed in percentage)	For the six months ended 30 June 2012		For the six months ended 30 June 2011	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.40	1.58	1.10	1.84
Net fee and commission income to operating income	2.81	2.70	2.29	4.60
Cost-to-income ratio	<u>41.21</u>	<u>25.11</u>	<u>44.96</u>	<u>25.29</u>

Organisation Chart





Definitions

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

“PRC” or “China”	the People’s Republic of China
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Bank”, “our Bank” or “Group”	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) or its predecessor and unless the context otherwise requires, all subsidiaries of Chongqing Rural Commercial Bank Co., Ltd.
“Yuan”	RMB yuan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HKEx”	Hong Kong Exchanges and Clearing Limited
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Domestic Shares”	ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each
“County Area” or “County Areas”	regions other than Urban Area of Chongqing City. The information of County Area also includes the information of three subsidiaries, namely Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd. (江蘇張家港華信村鎮銀行股份有限公司), Sichuan Dazhu Longyuan Village and Township Bank Co., Ltd. (四川大竹隆源村鎮銀行股份有限公司) and Yunnan Dali Haidong Village and Township Bank Co., Ltd. (雲南大理海東村鎮銀行有限責任公司).
“Sannong”	a short-hand reference to the Chinese pronunciation of the phrase “agriculture, rural areas and farmers”

“Village and Township Banks”	bank institutions that are approved by CBRC to be incorporated in rural areas to provide services to local farmers or enterprises
“Articles of Association”	the articles of association of Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
“314 General Plan”	“314” General Plan: Three Strategic Positioning, One Overall Goal, Four General Missions concerning a new round of development of Chongqing proposed by Hu Jintao, the secretary general to the Central Party Committee, when attending the discussion of Chongqing delegation during NCC & CPPCC sessions in March, 2007
“Guo Fa No.3 Document”	“Opinions on Promoting Coordinated Urban and Rural National Development and Reform of Chongqing (《關於推進重慶市統籌城鄉改革和發展的若干意見》)” (Guofa [2009] No.3) issued by the State Council on 26 January 2009, according to which the reform and development of Chongqing have been raised to a national strategic level
“Two Minimum Thresholds”	the growth of releasing loans to small-sized enterprises must not be lower than the average growth in all loans, the growth in amount must not be less than that of the preceding year.
“Five Major RMB1 Trillion Industrial Segments”	Pursuant to the “12th Five-Year Plan of Chongqing City Industrial Transformation and Upgrade (《重慶市工業轉型升級「十二五」規劃》)” Chongqing City will rely on express lanes including highways, railways and urban mass transits to introduce more industrial activities to the Liangjiang New Zone, Xiyong Micro-electronics Industrial Park, regional city centers and county areas (autonomous counties), to strive for the formation of a Five Major RMB1 Trillion Industrial Segments by 2020, comprised of Liangjiang New Zone, Xiyong District, Jiangnan Industry Corridor and along the second ring and other county areas.
“SFO”	Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong



重庆农村商业银行
CHONGQING RURAL COMMERCIAL BANK

Address: No. 10 East Yanghe Road, Jiangbei District, Chongqing, China
Mail Box: 400020
Website: www.cqrcb.com