



重庆农村商业银行

CHONGQING RURAL COMMERCIAL BANK

CHONGQING RURAL COMMERCIAL BANK

Stock Code: 3618

INTERIM REPORT
2016

* *The Bank holds a financial licence number B0335H250000001 approved by the CBRC and was authorised by the Administration for Industry and Commerce of Chongqing to obtain a corporate legal person business licence with a unified social credit code 91500000676129728J. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.*

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Financial Summary

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Change in amount	Rate of change (%)
Operating results				
Net interest income	9,786.8	9,771.5	15.3	0.16
Net fee and commission income	1,178.1	684.1	494.0	72.21
Operating income	10,997.9	10,527.9	470.0	4.46
Profit before tax	5,658.4	5,140.1	518.3	10.08
Net profit	4,206.0	3,919.0	287.0	7.32
Net profit attributable to equity holders of the Bank	4,175.3	3,887.5	287.8	7.40
Basic earnings per share (Expressed in RMB per share)	0.45	0.42	0.03	7.14

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016	As at 31 December 2015	Change in amount	Rate of change (%)
Scale indicators				
Total assets	772,147.1	716,805.2	55,341.9	7.72
Among which: loans and advances to customers, net	286,887.1	257,540.9	29,346.2	11.39
Total liabilities	721,373.8	668,517.4	52,856.4	7.91
Among which: due to customer	521,814.8	470,228.2	51,586.6	10.97
Equity attributable to equity holders of the Bank	49,197.6	46,762.8	2,434.8	5.21
Non-controlling interests	1,575.7	1,525.0	50.7	3.32
Total equity	50,773.3	48,287.8	2,485.5	5.15

(Expressed in percentage)	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Change
Profitability indicators			
Annualised return on average assets ⁽¹⁾	1.13	1.21	(0.08)
Weighted average return on shareholders' equity ⁽²⁾	16.55	17.49	(0.94)
Net interest spread ⁽³⁾	2.70	3.04	(0.34)
Net interest margin ⁽⁴⁾	2.85	3.25	(0.40)
Net fee and commission income to operating income	10.71	6.50	4.21
Cost-to-income ratio ⁽⁵⁾	<u>32.63</u>	<u>32.50</u>	<u>0.13</u>

(Expressed in percentage)	As at 30 June 2016	As at 31 December 2015	Change
Assets quality indicators⁽⁶⁾			
Non-performing loan ratio	0.99	0.98	0.01
Allowance to non-performing loans	409.15	420.03	(10.88)
Allowance to total loans	<u>4.06</u>	<u>4.11</u>	<u>(0.05)</u>
Capital adequacy indicators			
Core Tier 1 capital adequacy ratio ⁽⁷⁾	9.87	9.88	(0.01)
Tier 1 capital adequacy ratio ⁽⁷⁾	9.88	9.89	(0.01)
Capital adequacy ratio ⁽⁷⁾	12.04	12.09	(0.05)
Total equity to total assets	<u>6.58</u>	<u>6.74</u>	<u>(0.16)</u>

(Expressed in percentage)	As at 30 June 2016	As at 31 December 2015	Change
Other indicators			
Loan-to-deposit ratio ⁽⁶⁾	<u>57.30</u>	<u>57.12</u>	<u>0.18</u>

Financial Summary

Notes:

- (1) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the period.
- (2) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the weighted average balance of shareholders' equity during the period calculated according to the "Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share" (Revision 2010) issued by CSRC.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.
- (6) Non-performing loan ratio, allowances to non-performing loans, allowances to total loans and loan-to-deposit ratio were calculated on basis of the contractual amount of loans.
- (7) Calculated in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" promulgated 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 and Chongqing Rural Credit Cooperative Union (the "CRCU") by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and the Bank before and after the restructuring.

Unless otherwise stated, the Group's financial data is expressed in RMB.

Basic Information of The Company

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司(abbreviated as「重慶農村商業銀行」)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as Chongqing Rural Commercial Bank)
Legal representative	LIU Jianzhong
Authorised Representatives	LIU Jianzhong XIE Wenhui
Company Secretary	MOK Ming Wai
Registered address and post code	No. 10 East Yanghe Road, Jiangbei District, Chongqing, the PRC 400020
Principal place of business in Hong Kong	36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company's website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Listing stock exchange, stock name and stock code	The Stock Exchange of Hong Kong Limited Stock name: CQRC Bank Stock code: 3618
Date and authority of first incorporation	27 June 2008 Administration for Industry and Commerce of Chongqing, the PRC
Unified social credit code of corporate legal person business licence	91500000676129728J
Financial licence institution number	The Bank holds a financial licence number B0335H250000001 approved by CBRC
Auditors	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC

Company Information

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	Clifford Chance 27th Floor, Jardine House, 1 Connaught Place, Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Domestic Share Registrar	China Securities Depository and Clearing Co., Ltd. No. 17 Taipingqiao Avenue, Xicheng District, Beijing, the PRC

Management Discussion and Analysis

FINANCIAL REVIEW

In the first half of 2016, the global economy was complicated and challenging. The economic growth of the major economies was weak. The economic recovery continued in a slow pace. Monetary policy risks and political risks increased and there had been wide fluctuation in the price of bulk commodities, which increased the instability and uncertainty to the recovery of global economy.

Faced with the complicated economic environment in China and overseas as well as an increasing pressure for the slowdown of the economy, the Party's Central Committee and the State Council insisted on the overall keynote of progressing while maintaining stability. Control over the macro-economy was implemented with scientific precision. Supply-side structural reform was pushed forward unwaveringly. Efforts were devoted to promote the policy of mass entrepreneurship and innovation. New economic structure was proactively cultivated to expand new development momentum. The growth of national economy was steady, with the key performance indicators remaining stable, demonstrating momentum of stabilization at an improving pace. In the first half of 2016, the gross domestic product (GDP) amounted to RMB34,063.7 billion, representing an increase of 6.7% year-on-year. Enterprises operating at economies of scale and above throughout the country increased by 6.0% year-on-year, representing an increase of 0.2 percentage point as compared with the growth of the first quarter. Fixed assets investment reached RMB25,836.0 billion, an increase of 9.0% year-on-year, representing a decrease of 1.7 percentage points as compared with the growth of the first quarter. Meanwhile, based on the continuing implementation of prudent monetary policy, the domestic economy remained moderately liberal. As at the end of June in 2016, the balance of broad money (M2) reached RMB149.05 trillion, representing an increase of 11.8% compared with that of last year; the balance of narrow money (M1) reached RMB44.36 trillion, increased by 24.6% compared with that of last year. As at the end of June in 2016, the balance of RMB-denominated loans amounted to RMB101.49 trillion. Newly increased RMB-denominated loans amounted to RMB7.53 trillion, representing a year-on-year increase of RMB967.1 billion. The balance of RMB deposits amounted to RMB146.24 trillion. Newly increased RMB-denominated deposits amounted to RMB10.53 trillion, representing a year-on-year decrease in growth of RMB566.0 billion.

In the first half of 2016, Chongqing adhered to the five development concepts of "innovation, coordinated, green, global progress and benefit of all", and persisted in leading the new normal of economic development with the new development concepts. Meanwhile, by further implementing the development strategies for the Five Major Functional Regions, promoting the supply-side structural reform, pushing forward the adjustments to industrial structure, optimization and upgrade, and with the cultivation of new economic and development momentum, the economic growth of Chongqing was stable and sustained, as well as, the quality and benefits of development were enhanced continuously. In the first half of 2016, the gross regional product (GRP) of Chongqing reached RMB800.082 billion, representing an increase of 10.6% year-on-year, ranking the first in growth around the country. Enterprises operating at economies of scale and above increased by 10.2%. Fixed assets investment reached RMB708.934 billion, representing an increase of 12.5% year-on-year. The operation of the financial sector was stable in general. As at the end of June in 2016, the balance of RMB-denominated deposits in the financial institutions of Chongqing amounted to RMB3,132.760 billion, representing an increase of 15.8% year-on-year; the balance of RMB-denominated loans amounted to RMB2,399.812 billion, representing an increase of 10.9% year-on-year.

I. INCOME STATEMENT ANALYSIS

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Change in amount	Rate of change (%)
Net interest income	9,786.8	9,771.5	15.3	0.16
Net fee and commission income	1,178.1	684.1	494.0	72.21
Net trading gain or loss	(32.8)	4.0	(36.8)	(920.00)
Other operating income, net	65.8	68.3	(2.5)	(3.66)
Operating income	10,997.9	10,527.9	470.0	4.46
Operating expenses	(4,140.1)	(4,146.8)	6.7	(0.16)
Impairment losses on assets	(1,300.4)	(1,240.7)	(59.7)	4.81
Net profit or loss on disposal of available-for-sale financial assets	64.8	(1.9)	66.7	(3,510.53)
Net profit or loss on disposal of investments of debt securities classified as receivables	36.2	1.6	34.6	2,162.50
Profit before tax	5,658.4	5,140.1	518.3	10.08
Income tax expense	(1,452.4)	(1,221.1)	(231.3)	18.94
Net profit	4,206.0	3,919.0	287.0	7.32

In the first half of 2016, the Group recorded a profit before tax of RMB5,658 million, representing an increase of 10.08% year-on-year and a net profit of RMB4,206 million, representing an increase of 7.32% year-on-year. Profit before tax and net profit achieved a steady growth, primarily due to the fact that (i) in response to the effect from liberalization of interest rate and the implementation of the policy of replacing business tax with value-added tax, the Group improved its capabilities in liability and cost management and control by strengthening the active management of assets and liabilities and the management of interest rate pricing, and achieved steady growth in net interest income; (ii) driven by the increasingly diverse demand from the customers for wealth management and the development of asset custodial business and international business, the fee and commission income increased by RMB494 million or 72.21% when compared to last year; and (iii) the Group continuously optimized the investment structure and allocation model by closely integrating with the trend of financial market, so as to improve the investment returns on the basis of ensuring liquidity and risk control.

(I) Net interest income

In the first half of 2016, the net interest income of the Group amounted to RMB9,787 million, representing an increase of RMB15 million or 0.16% as compared to the previous year and accounting for 88.99% of the total operating income, which was mainly due to the fact that the policy of replacing business tax with value-added tax was implemented in financial industry since 1 May 2016, and the PBOC cut the benchmark interest rates for deposits and loans for five times, which slowed down the growth of the Group's net interest income. Included in which were an increase of RMB1,524 million of net interest income arising from changes in the average balance of various assets and liabilities, and a decrease of RMB1,509 million in net interest income attributable to the changes in the average yield or the average cost rate.

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Change in amount	Rate of change (%)
Interest income	16,472.1	17,565.9	(1,093.8)	(6.23)
Interest expense	(6,685.3)	(7,794.4)	1,109.1	(14.23)
Net interest income	<u>9,786.8</u>	<u>9,771.5</u>	<u>15.3</u>	<u>0.16</u>

Management Discussion and Analysis

The table below sets forth, for the periods indicated, the average balances of our interest-earning assets and interest-bearing liabilities, the related interest income or interest expense and the average yields (for assets) or average costs rate (for liabilities). The analysis below excludes the impact of capital-preserved type of customer-driven wealth management products and non-capital-preserve type of customer-driven wealth management products included in the scope of accounts consolidation on the interest income/expense and average balances:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016			For the six months ended 30 June 2015		
	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	280,605.5	7,747.0	5.52	247,545.2	8,483.4	6.85
Debt securities investments	211,184.8	5,314.3	5.03	133,770.0	4,026.3	6.02
Balances with central bank	74,575.7	580.7	1.56	76,913.9	609.2	1.58
Due from banks and other financial institutions	121,312.4	2,569.1	4.24	142,969.2	4,120.5	5.76
Total interest-earning assets⁽¹⁾	687,678.4	16,211.1	4.71	601,198.3	17,239.4	5.74
Liabilities						
Due to customers	506,553.8	4,177.9	1.65	435,533.8	4,766.5	2.19
Borrowings from central bank	16,404.2	253.7	3.09	4,787.6	89.4	3.73
Due to banks and other financial institutions	81,746.7	1,388.6	3.40	103,241.2	2,371.8	4.59
Issuance of debt instruments	33,294.8	604.1	3.63	9,223.1	240.2	5.21
Total interest-bearing liabilities⁽¹⁾	637,999.5	6,424.3	2.01	552,785.7	7,467.9	2.70
Net interest income		9,786.8			9,771.5	
Net interest spread			2.70			3.04
Net interest margin			2.85			3.25

Note:

(1) Excluded the impact of customer-driven wealth management products.

In the first half of 2016, the average yield on overall interest-earning assets decreased by 103 basis points from the same period in previous year to 4.71%. The average cost rate of the overall interest-bearing liabilities decreased by 69 basic points from the same period in previous year to 2.01%. The net interest spread decreased 34 basic points from the same period in previous year to 2.70%, whereas the net interest margin dropped by 40 basis points from the same period in previous year to 2.85%.

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

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Change in interest income/ expense
Assets			
Loans and advances to customers	912.5	(1,648.9)	(736.4)
Debt securities investments	1,947.0	(659.0)	1,288.0
Balances with central bank	(18.2)	(10.3)	(28.5)
Due from banks and other financial institutions	(459.1)	(1,092.3)	(1,551.4)
Changes in interest income	<u>2,382.2</u>	<u>(3,410.5)</u>	<u>(1,028.3)</u>
Liabilities			
Due to customers	585.9	(1,174.5)	(588.6)
Due to central bank, banks and other financial institutions	(165.0)	(653.9)	(818.9)
Issuance of debt instruments	436.9	(73.0)	363.9
Changes in interest expense	<u>857.8</u>	<u>(1,901.4)</u>	<u>(1,043.6)</u>

1. *Interest income*

In the first half of 2016, the interest income of the Group amounted to RMB16,472 million, representing a decrease of RMB1,094 million or 6.23% as compared to the same period of the previous year. The analysis below does not take into account of the interest income generated from the capital-preserved type of customer-driven wealth management products and non-capital preserve type of customer-driven wealth management products included in the scope of accounts consolidation.

Management Discussion and Analysis

(1) Interest Income from Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016			For the six months ended 30 June 2015		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans	175,864.0	4,822.9	5.48	142,122.5	4,857.9	6.84
Personal loans	96,463.4	2,794.6	5.79	95,797.3	3,372.3	7.04
Discounted bills	8,278.1	129.5	3.13	9,625.4	253.2	5.26
Total loans and advances to customers	280,605.5	7,747.0	5.52	247,545.2	8,483.4	6.85

Interest income from loans and advances to customers amounted to RMB7,747 million, representing a year-on-year decrease of RMB736 million or 8.68%, primarily due to the effect from PBOC cut benchmark interest rates on RMB loans for five times in 2015 and the implementation of the policy of replacing business tax with value-added tax in financial industry since 1 May which led to the decrease in average yield of loans and advances to customers.

(2) Interest Income from Debt Securities Investments

In the first half of 2016, the Group's interest income from debt securities investments increased by RMB1,288 million or 31.99% to RMB5,314 million as compared to the same period of the previous year, primarily owing to the optimization of investment structure based on market conditions, the year-on-year increase in average balance of debt securities investments and certain interest income was offsetted by the separation of price and tax.

(3) Interest Income from Balances with Central Bank

In the first half of 2016, the Group's interest income from balances with Central Bank decreased by RMB29 million or 4.68% to RMB581 million as compared to the same period of the previous year, primarily owing to the decrease in statutory deposit reserve, resulting in a year-on-year decrease in average balance of balances with central bank of 3.04%.

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

The average balance, interest income and annualized average yield for each component of due from banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016			For the six months ended 30 June 2015		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Deposits and placements with banks and other financial institutions	105,552.5	2,189.7	4.15	90,347.5	2,484.9	5.50
Financial assets held under resale agreements	15,759.9	379.4	4.81	52,621.7	1,635.6	6.22
Total due from banks and other financial institutions	121,312.4	2,569.1	4.24	142,969.2	4,120.5	5.76

In the first half of 2016, the interest income from deposits and placements with banks and other financial institutions of the Group amounted to RMB2,190 million, representing a decrease of RMB295 million, or 11.88%, year-on-year, primarily due to the year-on-year decrease in value of interbank market capitalisation resulting from the sufficient liquidity on the interbank market for the year.

In the first half of 2016, the interest income from financial assets held under resale agreements of the Group amounted to RMB379 million, representing a decrease of RMB1,256 million, or 76.80%, over the same period of the previous year, primarily due to the flexible configuration of assets and liabilities while adapting to market changes, resulting in a decrease in average balance of financial assets held under resale agreements of RMB36.862 billion.

2. *Interest expense*

In the first half of 2016, the Group's interest expense decreased by RMB1,109 million or 14.23% to RMB6,685 million as compared to the same period of the previous year. The analysis below does not take into account of the interest expense generated from the capital-preserved type of customer-driven wealth management products and non-capital-preserved type of customer-driven wealth management products included in the scope of accounts consolidation.

Management Discussion and Analysis

(1) Interest Expense on Due to Customers

The average balance, interest expense and annualized 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)	For the six months ended 30 June 2016			For the six months ended 30 June 2015		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Corporate deposits						
Demand	109,882.3	347.1	0.63	74,897.0	260.5	0.70
Time	28,158.9	367.2	2.61	33,831.8	492.4	2.91
Subtotal	<u>138,041.2</u>	<u>714.3</u>	<u>1.03</u>	<u>108,728.8</u>	<u>752.9</u>	<u>1.38</u>
Personal deposits						
Demand	103,394.2	155.0	0.30	86,937.0	168.1	0.39
Time	265,118.4	3,308.6	2.50	239,868.0	3,845.5	3.21
Subtotal	<u>368,512.6</u>	<u>3,463.6</u>	<u>1.88</u>	<u>326,805.0</u>	<u>4,013.6</u>	<u>2.46</u>
Total due to customers	<u>506,553.8</u>	<u>4,177.9</u>	<u>1.65</u>	<u>435,533.8</u>	<u>4,766.5</u>	<u>2.19</u>

In the first half of 2016, interest expense on due to customers of the Group amounted to RMB4,178 million, representing a decrease of RMB589 million, or 12.35%, year-on-year, which was primarily due to on one hand, the cut in benchmark interest rates of deposits by the PBOC for five times since 2015; on the other hand, the increase in proportion of demand deposits with lower interest rates as compared to the same period in previous year, resulting in the further optimization of deposit structure.

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

The average balance, interest expense and annualized average cost rate for each component of due to banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016			For the six months ended 30 June 2015		
	Average balance	Interest expense	Annualised average cost rate (%)	Average balance	Interest expense	Annualised average cost rate (%)
Deposits and placements from banks and other financial institutions	56,844.4	1,049.3	3.69	62,949.6	1,529.8	4.86
Financial assets sold under repurchase agreements	24,902.3	339.3	2.73	40,291.6	842.0	4.18
Total due to banks and other financial institutions	81,746.7	1,388.6	3.40	103,241.2	2,371.8	4.59

In the first half of 2016, the Group's interest expense on deposits and placements from banks amounted to RMB1,049 million, representing a decrease of RMB481 million, or 31.41% over the same period of previous year, which was primarily due to the decrease in value of interbank market capitalization.

In the first half of 2016, the interest expense on financial assets sold under repurchase agreements amounted to RMB339 million, representing a year-on-year decrease of RMB503 million, primarily due to the decrease in the average balance of financial assets sold under repurchase agreements as well as the decrease in interest expenses when compared to the corresponding period of last year.

Management Discussion and Analysis

3. Net interest spread and net interest margin

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

In the first half of 2016, affected by the fact that the policy of replacing business tax with value-added tax was implemented and the PBOC cut the benchmark interest rates for five times since 2015, the net interest spread of the Group decreased by 34 basis points to 2.70% as compared to the same period of the previous year, the decrease of which reflected a higher decrease rate in the average yield rate of interest-earning assets over the same period of the previous year than that in the average cost rate of interest-bearing liabilities over the same period of the previous year. In the first half of 2016, the net interest margin of the Group was 2.85%, representing a decrease of 40 basis points from the same period of the previous year.

(II) Non-interest Income

1. Net fee and commission income

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Change in amount	Rate of change (%)
Fee and commission income	1,220.6	717.2	503.4	70.19
Settlement and clearing fees	75.8	29.1	46.7	160.48
Bank card fees	211.7	189.3	22.4	11.83
Agency and fiduciary service fees	161.7	114.1	47.6	41.72
Wealth management fees	714.5	368.7	345.8	93.79
Others	56.9	16.0	40.9	255.63
Fee and commission expense	(42.5)	(33.1)	(9.4)	28.40
Net fee and commission income	1,178.1	684.1	494.0	72.21

In the first half of 2016, the net fee and commission income of the Group amounted to RMB1,178 million, representing an increase of RMB494 million, or 72.21%, over the same period of the previous year, and its proportion to operating income increased by 4.21 percentage points over the same period of the previous year, to 10.71%, primarily due to the meeting of the diverse financial needs of customers and the development of asset custodial and international business, resulting in the continuous enhancement of earning capacities from wealth management business, asset custodial and international business.

Income from settlement and clearing fees amounted to RMB76 million, representing an increase of RMB47 million, or 160.48%, over the same period of the previous year, mainly from the increase in fee income from international business.

Income from bank card fees amounted to RMB212 million, representing an increase of RMB22 million, or 11.83%, over the same period of the previous year, which was primarily attributable to the increase in income from card annual fee and POS consumption fee.

Income from agency and fiduciary service fees amounted to RMB162 million, representing an increase of RMB48 million, or 41.72%, over the same period of the previous year, primarily attributable to a year-on-year increase in agency insurance and fund trust agency fees.

Income from wealth management fees amounted to RMB715 million, representing an increase of RMB346 million, or 93.79%, as compared to the same period of the previous year, which was primarily attributable to the rapid growth in customer-driven wealth management business.

2. *Net trading gain or loss*

Net trading gain or loss primarily comprises changes in the fair value of held-for-trading debt securities and profit or loss arising from trading. In the first half of 2016, the Group's net trading loss amounted to RMB33 million, which was primarily attributable to the changes in the fair value of held-for trading financial asset.

3. *Other operating income, net*

In the first half of 2016, other operating income, net, amounted to RMB66 million, representing a decrease of RMB3 million, or 3.66%, over the same period of the previous year.

(III) Operating expenses

In the first half of 2016, the operating expenses of the Group decreased by RMB7 million, or 0.16% to RMB4,140 million as compared to the same period of the previous year.

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Change in amount	Rate of change (%)
Staff costs	2,560.3	2,440.7	119.6	4.90
Business tax and surcharges	551.3	725.4	(174.1)	(24.00)
Depreciation and amortisation	333.0	310.8	22.2	7.14
Others	695.5	669.9	25.6	3.82
Total operating expenses	4,140.1	4,146.8	(6.7)	(0.16)

Management Discussion and Analysis

1. Staff costs

Staff costs are the largest component of operating expenses of the Group, accounting for 61.84% and 58.86% of its total operating expenses for the six months ended 30 June 2016 and for the six months ended 30 June 2015 respectively.

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Change in amount	Rate of change (%)
Salaries, bonuses and allowances	1,636.3	1,674.8	(38.5)	(2.30)
Staff welfare, social insurance and housing funds	597.1	558.4	38.7	6.93
Others	326.9	207.5	119.4	57.54
Total staff costs	<u>2,560.3</u>	<u>2,440.7</u>	<u>119.6</u>	<u>4.90</u>

In the first half of 2016, staff costs of the Group amounted to RMB2,560 million, representing an increase of RMB120 million, or 4.90%, over the same period of the previous year, which was primarily attributable to a year-on-year increase of actuarial welfare by RMB121 million.

2. Business tax and surcharges

Business tax and surcharges mainly relate to revenue generated from lending (interest income), transfer of securities and gains arising from the provision of other financial products and services. In the first half of 2016, business tax and surcharges amounted to RMB551 million, representing a decrease of RMB174 million, or 24.00%, over the same period of the previous year, primarily attributable to the replacement of sales tax by value-added tax since 1 May 2016.

3. Depreciation and amortisation

In the first half of 2016, depreciation and amortisation of the Group was RMB333 million, representing an increase of RMB22 million, or 7.14%, over the same period of the previous year, primarily due to greater investment in properties equipment in support of business development.

4. Others

For the six months ended 30 June 2016, other expenses increased by 3.82% to RMB696 million, compared to RMB670 million for the same period of the previous year, primarily due to business expansion and the increase in premium of deposit insurance.

(IV) Impairment losses on assets

Impairment losses on assets consist primarily of provisions charged on loans and advances to customers and other assets. Provisions charged for impairment losses on assets were RMB1,300 million for the first half of 2016, representing an increase of RMB60 million or 4.81% over the same period of the previous year.

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Change in amount	Rate of change (%)
Loans and advances to customers	1,194.5	1,028.9	165.6	16.09
Other assets	105.9	211.8	(105.9)	(50.00)
Total provisions for impairment losses on assets	1,300.4	1,240.7	59.7	4.81

In the first half of 2016, provisions for impairment losses on loans and advances to customers were RMB1,195 million, representing an increase of RMB166 million over the same period of the previous year, primarily due to an increase in the Group's loan size. In the first half of 2016, provisions for impairment on other assets were RMB106 million, representing a decrease of RMB106 million over the same period of the previous year, primarily attributable to the provisions for impairments on non-credit financial assets.

(V) Income tax expense

In the first half of 2016, income tax expense amounted to RMB1,452 million, representing an increase of RMB231 million over the same period of the previous year. The effective income tax rate was 25.67%.

II. ANALYSIS ON STATEMENT OF FINANCIAL POSITION

(I) Assets

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	% of Total (%)	Amount	% of Total (%)
Total loans and advances to customers	299,021.4	38.73	268,585.7	37.47
Allowances for impairment losses on loans and advances to customers	(12,134.3)	(1.57)	(11,044.8)	(1.54)
Loans and advances to customers, net	286,887.1	37.16	257,540.9	35.93
Investment securities ⁽¹⁾	245,789.1	31.83	209,227.3	29.19
Cash and balances with the central bank	98,028.5	12.70	78,500.3	10.95
Deposits with banks and other financial institutions	53,927.3	6.98	44,764.5	6.25
Placements with banks and other financial institutions	65,478.3	8.48	74,000.6	10.32
Financial assets held under resale agreements	7,372.1	0.95	34,549.3	4.82
Financial assets held for trading	–	–	1,246.6	0.17
Financial assets designated as at fair value through profit or loss	1,009.4	0.13	2,909.7	0.41
Goodwill	440.1	0.06	440.1	0.06
Other assets ⁽²⁾	13,215.2	1.71	13,625.9	1.90
Total assets	772,147.1	100.00	716,805.2	100.00

Note:

- (1) Investment securities consist of available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.
- (2) Other assets consist of property and equipment, deferred tax assets and other assets.

As at 30 June 2016, the Group's total assets amounted to RMB772,147 million, representing an increase of RMB55,342 million, or 7.72%, as compared to the end of the previous year. Among which:

The gross amount of loans and advances to customers increased by RMB30,436 million, or 11.33%, as compared to the end of the previous year. This was primarily due to the fact that the Group further optimised the credit structure, reasonably allocated credit resources, focused on supporting the strategic new industries and industries involving agriculture with traditional advantages which have good prospects for development and are advocated by the government, cautiously supported traditional industries with high fluctuations and in need of improving the credit structure on the basis of effective risk control, and further compressed the industries with excess capacity and "high pollution, high energy consumption and excess capacity" (兩高一剩);

Investment securities increased by RMB36,562 million, or 17.47%, as compared to the end of the previous year, primarily due to the increase in debt securities classified as receivables caused by the reasonable adjustment of investment structure based on risks and benefits;

Cash and balances with central bank increased by RMB19,528 million, or 24.88%, 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 RMB641 million, or 0.54%, as compared to the end of the previous year primarily due to the enhancement of utilisation efficiency of surplus funds under the premise of ensuring sufficiency of liquidity and assets and liabilities management requirements;

Financial assets held under resale agreements decreased by RMB27,177 million, or 78.66%, as compared to the end of the previous year. This was mainly due to the decrease in trust income right investment business.

Management Discussion and Analysis

1. Loans and advances to customers (Contractual Amount)

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate loans	179,490.9	60.03	165,302.1	61.55
Short-term loans ⁽¹⁾	75,943.9	25.40	68,207.3	25.40
Medium-and long-term loans ⁽²⁾	103,547.0	34.63	97,094.8	36.15
Personal loans	97,426.7	32.58	96,301.2	35.85
Residential mortgage and personal commercial property loans ⁽³⁾	43,457.5	14.53	44,099.7	16.42
Personal business and re-employment loans ⁽⁴⁾	34,661.4	11.59	33,817.0	12.59
Others ⁽⁵⁾	19,307.8	6.46	18,384.5	6.84
Discounted bills	22,103.8	7.39	6,982.4	2.60
Total loans and advances to customers	299,021.4	100.00	268,585.7	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, renovation loans and loans to personal customers to acquire property for small business purposes, such as store premises.
- (4) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans and employment and re-employment related small amount loans.
- (5) Other loans mainly include personal commercial property mortgage loans, personal residential maximum mortgage loans, credit card loans, personal car loans, loans for personal durables, personal education loans, rural cross-guaranteed loans and credit loans.

As at 30 June 2016, the amount of gross loans and advances to customers of the Group increased by RMB30,436 million, or 11.33%, to RMB299,021 million as compared to the end of the previous year.

In 2016, the Group actively adapts to the new normal state of macro economy and carefully develops loan programs, based on the in-depth research of basic direction and trends of the industry; develops high quality customers according to the principles of pragmatic basis, optimized selection and earning matching with risks; continues to promote the credit structure adjustment and credit risks prevention, especially in the economic downturn with increasing pressure on the credit risk, to strengthen the risk management and control on local government financing platform, the real estate industry and industries with excessive capacities; reasonably determines the direction of credit funds placement to maintain the steady development of various businesses.

Corporate loans (excluding discounted bills) increased by RMB14,189 million, or 8.58%, to RMB179,491 million as compared to the end of the previous year. During the period, on the basis of complying with the State's industrial policy, the Group actively adjusted the credit structure, and focused on real economic development, mainly extending to industries such as manufacturing, water conservation, environmental and public utility management, wholesale and retail, which were increased by RMB5,959 million, RMB5,673 million and RMB3,729 million, respectively, as at 30 June 2016 as compared to the end of the previous year.

Personal loans increased by RMB1,126 million, or 1.17%, to RMB97,427 million as compared to the end of the previous year. This is due to the fact that the Group focused to meet the credit needs of consumer spending, devoted efforts in supporting personal business and employment and greatly promoted automobile mortgage, credit card, travel, education and other value-added services, by following the principle of prudent operations and adapting to the changing market condition. Among which, the personal business and re-employment loans increased by RMB844 million as compared to the end of the previous year, and the automobile mortgage loan increased by RMB420 million as compared to the end of the previous year.

Discounted bills increased by RMB15,121 million, or 216.56%, to RMB22,104 million as compared to the end of the previous year, largely due to the satisfaction of short-term financing needs of real economy on the basis that the asset and liability management objectives could be satisfied.

Management Discussion and Analysis

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 30 June 2016		As at 31 December 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Credit loans	25,808.1	8.63	23,585.5	8.78
Guaranteed loans	66,406.8	22.21	54,855.8	20.42
Collateralised loans	160,679.7	53.73	161,171.4	60.01
Pledged loans	46,126.8	15.43	28,973.0	10.79
Total loans and advances to customers	299,021.4	100.00	268,585.7	100

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

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

(Expressed in RMB million, unless otherwise stated)	Allowance for impairment losses on loans and advances which is collectively assessed ⁽¹⁾	Impaired loans and advances identified ⁽²⁾		Total
		For which allowance is collectively assessed	For which allowance is individually assessed	
As at 1 January 2016	9,282.5	1,095.0	667.3	11,044.8
Provision for the period	4,310.8	454.8	213.2	4,978.8
Release for the period	(3,602.2)	(121.1)	(61.0)	(3,784.3)
Written-off	-	-	(197.4)	(197.4)
Recovery of loans and advances previously written off	-	82.1	46.1	128.2
Unwinding of discount on allowance	-	(15.7)	(20.1)	(35.8)
The balance as at 30 June 2016	9,991.1	1,495.1	648.1	12,134.3

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 2016, the Group always adhered to sound and prudent business principles, complied strictly with the relevant requirements of accounting standards, gave full consideration to changes in the external economic situation and the macro-control policies, and fully provided for impairment of loans and advances. As at 30 June 2016, balance of allowances for impairment losses on loans and advances to customers increased by RMB1,090 million to RMB12,134 million over the end of the previous year. The allowance for non-performing loans coverage was 409.15%, representing a decrease of 10.88 percentage points as compared to the end of the previous year.

2. Investments

The following table sets forth, for the dates indicated, the composition of investments of the Group:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets held for trading	–	–	1,246.6	0.58
Financial assets designated as at fair value through profit or loss	1,009.4	0.41	2,909.7	1.36
Available-for-sale financial assets	12,801.6	5.19	12,501.6	5.86
Held-to-maturity investments	69,649.1	28.22	63,649.6	29.83
Debt securities classified as receivables	163,338.4	66.18	133,076.1	62.37
Total investment	246,798.5	100.00	213,383.6	100.00

As at 30 June 2016, total investments increased by RMB33,415 million, or 15.66%, to RMB246,799 million as compared to the end of the previous year, which was mainly attributable to the Group's constant optimization of investment structure and configuration scale combined with asset and liability management objectives as the Group constantly maintain its liquidity requirements and risk controllability, so as to achieve flexible allocation of assets while maximizing the operating revenue.

Management Discussion and Analysis

Debt securities investments

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Government bonds	17,311.1	7.02	13,387.0	6.28
Public sector, and quasi- government bonds	21,701.1	8.80	23,918.1	11.22
Financial institution bonds	14,798.6	6.00	6,721.4	3.15
Corporate bonds	57,849.0	23.46	55,509.6	26.04
Debt instruments issued by financial institutions	134,969.7	54.72	113,672.2	53.31
Total	246,629.5	100.00	213,208.3	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 30 June 2016		As at 31 December 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Due to customers	521,814.8	72.34	470,228.2	70.34
Deposits and placements from banks and borrowings from the central bank	112,922.7	15.65	105,576.7	15.79
Financial assets sold under repurchase agreements	22,029.3	3.05	44,899.2	6.72
Debt securities issued	50,822.8	7.05	34,846.8	5.21
Other liabilities ⁽¹⁾	13,784.2	1.91	12,966.5	1.94
Total liabilities	721,373.8	100.00	668,517.4	100.00

Note:

- (1) Other liabilities consist of accrued staff costs, taxes payable, interest payable, other payables and financial liabilities designated as at fair value through profit or loss.

As at 30 June 2016, the total liabilities increased by RMB52,856 million, or 7.91%, to RMB721,374 million as compared to the end of the previous year. The amount due to customers was the Group's largest source of capital, which grew by RMB51,587 million or 10.97% as compared to the end of the previous year.

1. *Due to customers*

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate deposits	136,683.0	26.19	113,958.8	24.24
Demand deposits	116,118.5	22.25	94,032.7	20.00
Time deposits	20,564.5	3.94	19,926.1	4.24
Personal deposits	373,950.7	71.66	345,672.0	73.51
Demand deposits	99,824.6	19.13	90,975.3	19.35
Time deposits	274,126.1	52.53	254,696.7	54.16
Pledged deposits	11,105.4	2.13	10,512.5	2.23
Other deposits	75.7	0.02	84.9	0.02
Total due to customers	<u>521,814.8</u>	<u>100.00</u>	<u>470,228.2</u>	<u>100.00</u>

As at 30 June 2016, the amount due to customers increased by RMB51,587 million, or 10.97%, to RMB521,815 million as compared to the end of the previous year. The percentage of personal deposits accounted for 71.66% with respect to the customer structures of the Group, and the balance of deposits increased by RMB28,279 million or 8.18% as compared to the end of the previous year. The percentage of corporate deposits (exclude the pledged deposits) accounted for 26.19%, and the balance of deposits increased by RMB22,724 million or 19.94% as compared to the end of the previous year. With respect to the maturity structure, demand deposits accounted for 41.38% of total due to customers, representing an increase of 2.03 percentage points from the end of previous year, while the time deposits accounted for 56.47%, representing a decrease of 1.93 percentage points over the end of the previous year.

(III) Shareholders' Equity

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	9,300.0	18.32	9,300.0	19.26
Capital reserve	9,201.9	18.12	9,201.9	19.06
Investment revaluation reserve	225.3	0.44	105.8	0.22
Actuarial changes reserve	(111.7)	(0.22)	(111.7)	(0.23)
Surplus reserve	7,798.1	15.36	7,798.1	16.15
General reserve	9,416.0	18.55	8,017.2	16.60
Retained earnings	13,368.0	26.33	12,451.5	25.78
Equity attributable to equity holders of the Bank	49,197.6	96.90	46,762.8	96.84
Non-controlling interests	1,575.7	3.10	1,525.0	3.16
Total equity	50,773.3	100.00	48,287.8	100.00

As at 30 June 2016, paid-in capital recorded RMB9,300 million and capital reserve reached RMB9,202 million. General reserve increased by RMB1,399 million as compared to the end of the previous year, as the general reserve was required to be not less than an additional reserve of 1.50% of balance of risk assets at the end of the previous year. Retained earnings increased by RMB917 million as compared to the end of the previous year, mainly due to profit growth in the first half of 2016, as well as deducting the dividends for the previous year which should be allocated and increasing provision for general risks.

III. LOAN QUALITY ANALYSIS (THE GROUP)

(I) Five-Category Classification of Loans

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Normal	288,373.7	96.44	259,884.4	96.76
Special mention	7,682.0	2.57	6,071.8	2.26
Substandard	1,208.1	0.40	1,373.8	0.51
Doubtful	1,757.6	0.59	1,255.7	0.47
Loss	—	—	—	—
Total loans and advances to customers	299,021.4	100.00	268,585.7	100.00
Amount of non-performing loans	2,965.7		2,629.5	
Non-performing loan ratio (%)		0.99		0.98

In the first half of 2016, faced with the increasingly complicated economic and financial circumstances in China and overseas, the Group upheld our baseline of thinking (底線思維) and further promoted reform on the credit structure. Investigations on credit asset risks were expanded. Early warning, tracking and post-loan management were strengthened. Proactive actions were taken to prevent and resolve the risks in advance. Greater efforts were devoted to collect, dispose of and verify non-performing assets. The quality of the Bank's credit assets was stable with risks under control. As at 30 June 2016, the balance of non-performing loans increased by RMB336 million from the end of the previous year to RMB2,966 million; while the non-performing loan ratio was 0.99% which was 0.01 percentage points higher than that of the end of the previous year. The portion of special mention loans accounted for 2.57%, representing an increase of 0.31 percentage points as compared to the end of the previous year.

(II) Concentration of Loans

1. Concentration by Industry and Distribution of Non-performing Loans

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016				As at 31 December 2015			
	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	179,490.9	60.03	1,172.6	0.65	165,302.1	61.55	1,229.8	0.74
Manufacturing	55,581.8	18.59	463.3	0.83	49,623.1	18.48	468.3	0.94
Production and supply of electricity, gas and water	10,307.9	3.45	0.9	0.01	9,638.0	3.59	1.3	0.01
Real estate	16,646.5	5.57	16.1	0.10	17,700.1	6.59	17.1	0.10
Leasing and commercial services	8,239.3	2.76	3.0	0.04	9,244.5	3.44	3.0	0.03
Water conservation, environment and public utilities management	35,362.6	11.82	-	-	29,689.2	11.05	-	-
Construction	7,220.0	2.41	20.0	0.28	7,659.5	2.85	-	-
Retail and wholesale	19,682.9	6.58	368.9	1.87	15,953.9	5.94	326.3	2.05
Others	26,449.9	8.85	300.4	1.14	25,793.8	9.61	413.8	1.60
Personal loans	97,426.7	32.58	1,793.1	1.84	96,301.2	35.85	1,399.7	1.45
Discounted bills	22,103.8	7.39	-	-	6,982.4	2.60	-	-
Total	299,021.4	100.00	2,965.7	0.99	268,585.7	100.00	2,629.5	0.98

In the first half of 2016, faced with the complex 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. With stringent execution of relevant PRC control policies, the amount of non-performing loans of the real estate industry reduced as compared to the beginning of this year and non-performing ratios remained stable.

2. Concentration of Borrowers

In the first half of 2016, the Group's total loans to its largest single borrower accounted for 7.21% of its net capital while the total loans to its top ten clients accounted for 41.20% of its net capital; both of which were in compliance with regulatory requirements. As at 30 June 2016, the Group's loans to top ten largest single borrowers were not non-performing loans.

(1) Indicators of concentration

Major Regulatory Indicators	Regulatory standard	As at 30 June 2016	As at 31 December 2015	As at 31 December 2014
Loan ratio for the largest single borrower (%)	≤10%	7.21	6.21	5.49
Loan ratio for a single group borrower (%)	≤15%	7.47	6.79	5.87

(2) Loans to top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	As at 30 June 2016	
		Amount	Percentage of the total amount of loans (%)
Borrower A	Water conservation, environmental and public utility management	4,346.2	1.45
Borrower B	Water conservation, environmental and public utility management	3,582.0	1.20
Borrower C	Manufacturing	3,500.0	1.17
Borrower D	Water conservation, environmental and public utility management	2,506.0	0.84
Borrower E	Real estate	2,478.0	0.83
Borrower F	Real estate	1,975.0	0.66
Borrower G	Water conservation, environmental and public utility management	1,974.0	0.66
Borrower H	Manufacturing	1,515.0	0.51
Borrower I	Manufacturing	1,490.0	0.50
Borrower J	Construction	1,458.0	0.49

(III) Distribution of Loans and Non-performing Loans by Product Type

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016			As at 31 December 2015		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	179,490.9	1,172.6	0.65	165,302.1	1,229.8	0.74
Short-term loans	75,943.9	779.5	1.03	68,207.3	747.2	1.10
Medium-and long-term loans	103,547.0	393.1	0.38	97,094.8	482.6	0.50
Personal Loans	97,426.7	1,793.1	1.84	96,301.2	1,399.7	1.45
Housing mortgages and personal loans for commercial real estate property	43,457.5	326.9	0.75	44,099.7	277.2	0.63
Personal business and re-employment loans	34,661.4	917.6	2.65	33,817.0	670.6	1.98
Other loans	19,307.8	548.6	2.84	18,384.5	451.9	2.46
Discounted bills business	22,103.8	–	–	6,982.4	–	–
Total	299,021.4	2,965.7	0.99	268,585.7	2,629.5	0.98

As at 30 June 2016, non-performing ratio of corporate loans decreased by 0.09 percentage points to 0.65% as compared with the end of the previous year, whereas non-performing ratio of personal loans increased by 0.39 percentage points to 1.84% as compared with the end of the previous year.

(IV) Rescheduled Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016 of the total amount of loans and advances		As at 31 December 2015 of the total amount of loans and advances	
	Amount	Percentage (%)	Amount	Percentage (%)
Rescheduled loans and advances to customers	<u>137.7</u>	<u>0.05</u>	<u>91.4</u>	<u>0.03</u>

(V) Overdue Loans and Advances to Customers

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016 of the total amount of loans and advances		As at 31 December 2015 of the total amount of loans and advances	
	Amount	Percentage (%)	Amount	Percentage (%)
Past due within 3 months	2,365.7	0.79	2,299.9	0.85
Past due for 3 months to 1 year	2,238.7	0.75	1,878.5	0.70
Past due for over 1 year and within 3 years	1,288.9	0.43	587.5	0.22
Past due for more than 3 years	162.5	0.05	135.0	0.05
Total overdue loans and advances to customers	<u>6,055.8</u>	<u>2.02</u>	<u>4,900.9</u>	<u>1.82</u>

As at 30 June 2016, the total overdue loans amounted to RMB6,056 million, representing an increase of RMB1,155 million from the end of the previous year. Overdue loans accounted for 2.02%, representing an increase of 0.2 percentage points from the end of the previous year.

IV. ANALYSIS OF CAPITAL ADEQUACY RATIO

Since 1 January 2013, the Group has commenced the implementation of Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法（試行）》) promulgated by the CBRC. The following table sets forth, for the date indicated, the relevant information of the Group's capital adequacy ratio, among which, the credit risk was measured at weight method, the market risk was measured at standard method and the operational risk was measured at basic indicator approach:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016	As at 31 December 2015
Core tier 1 capital adequacy ratio (%)	9.87	9.88
Tier 1 capital adequacy ratio (%)	9.88	9.89
Capital adequacy ratio (%)	12.04	12.09
Components of capital base		
Core tier 1 capital:		
Portion of paid-in capital that may be included	9,300.0	9,300.0
Portion of capital reserve that may be included	9,315.6	9,196.0
Surplus reserve and general risk reserve	17,214.0	15,815.3
Unappropriated profit	13,368.0	12,451.5
Non-controlling interests	684.3	817.7
Total core tier 1 capital	49,881.9	47,580.5
Deductible items:		
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	(66.5)	(71.2)
Core tier 1 capital, net	49,375.3	47,069.2
Other tier 1 capital:		
Non-controlling interests	49.8	27.2
Net tier 1 capital	49,425.1	47,096.4
Tier 2 capital:		
Tier 2 capital instruments and related premium that may be included	5,000.0	5,000.0
Excessive loan allowances	5,717.9	5,413.9
Non-controlling interests	101.9	77.1
Net capital	60,244.9	57,587.4
Total risk-weighted assets	500,200.8	476,412.7
Credit risk weighted assets	463,150.7	438,522.0
Market risk weighted assets	981.0	1,821.6
Operational risk weighted assets	36,069.1	36,069.1

As at 30 June 2016, the capital adequacy ratio of the Group measured in accordance with Regulation Governing Capital of Commercial Banks (Provisional) was 12.04%, representing a decrease of 0.05 percentage points as compared with the end of the previous year, which was 1.54 percentage points higher than the regulatory requirement of 10.50%. The core tier 1 capital adequacy ratio and tier 1 capital adequacy ratio of the Group were 9.87% and 9.88%, respectively, representing a decrease of 0.01 percentage points as compared with the end of the previous year respectively. In the first half of 2016, the decrease in the capital adequacy ratio of the Group as compared with the beginning of the year was mainly due to the slowing down of the increase in net profit and net capital under the effect of policy and market factors, which were slightly less than the increase of risk weighted assets.

According to the Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》) issued by CBRC, the information concerning the capital composition statements, detailed explanation on relevant items and the main characteristics of the capital instrument of the Reporting Period will be further disclosed in the investor relations column on the website of the Bank (<http://www.cqrcb.com>).

V. ANALYSIS OF LEVERAGE RATIO

As at 30 June 2016, the Group measured and disclosed its leverage ratio in accordance with Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》).

The following table sets out the Group's related accounting items corresponding with the regulatory items of leverage ratio and the differences between regulatory items and accounting items:

(Expressed in RMB million, unless otherwise stated)		As at
No.	Item	30 June 2016
1	Consolidated total assets	772,147.1
2	Consolidated adjustments	-
3	Customer assets adjustments	-
4	Derivatives adjustment	-
5	Securities financing transactions adjustments	-
6	Off balance sheet item adjustments	20,160.3
7	Other adjustments	(506.6)
8	The balance of assets on and off balance sheet after adjustments	<u>791,800.8</u>

Management Discussion and Analysis

The following table sets out information of the Group's leverage ratio, net tier 1 capital, assets on and off balance sheet after adjustments and relevant details:

(Expressed in RMB million, unless otherwise stated)		As at
No.	Item	30 June 2016
1	Assets on the balance sheet (excluding derivatives and securities financing transactions)	764,767.0
2	Less: tier 1 capital deduction	(506.6)
3	The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	764,260.4
4	Replacement cost of various types of derivatives (net of qualified margins)	-
5	Potential risk exposure in various derivatives	8.0
6	The sum of collaterals deducted from the balance sheet	-
7	Less: assets receivables formed due to qualified margins	-
8	Less: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	-
9	Notional principal for sold credit derivatives	-
10	Less: the balance of sold credit derivatives assets which can be deducted	-
11	The balance of derivatives assets	8.0
12	The balance of accounting assets for securities financing transactions	7,372.1
13	Less: the balance of securities financing transactions assets which can be deducted	-
14	Counterparty credit risk exposure to securities financing transactions	-
15	The balance of securities financing transactions assets formed due to securities financing transactions by proxy	-
16	The balance of securities financing transactions assets	7,372.1
17	The balance of items off balance sheet	28,476.6
18	Less: the balance of items off balance sheet reduced due to credit conversion	(8,316.3)
19	The balance of items off balance sheet after adjustments	20,160.3
20	Net tier 1 capital	49,425.1
21	The balance of assets on and off balance sheet after adjustments	791,800.8
22	Leverage ratio (%)	6.24

As at 30 June 2016, the Group's leverage ratio was 6.24%, representing a decrease of 0.16 percentage points as compared with the end of the previous year. The lowering of leverage ratio was mainly due to the enlarging size of assets on and off current balance sheet, the increase of which was larger than the increase of net tier 1 capital, resulting in the decrease in the leverage ratio.

VI. SEGMENT INFORMATION

(I) Summary of Geographical Segment

(Expressed in percentage)	As at 30 June 2016		As at 31 December 2015	
	County Area	Urban Area	County Area	Urban Area
Deposits	66.33	33.67	66.52	33.48
Loans	48.16	51.84	47.87	52.13
Assets	48.91	51.09	46.73	53.27
Loan-deposit ratio	41.60	88.23	41.10	88.95

(Expressed in percentage)	For the six months ended 30 June 2016		For the six months ended 30 June 2015	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.10	1.16	1.14	1.29
Net fee and commission income to operating income	9.29	12.13	3.72	9.15
Cost-to-income ratio	33.85	31.42	37.91	27.34

County Area refers to regions other than urban area of Chongqing City. The information of County Area also includes the information of 12 subsidiaries such as Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司), Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司), Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司), Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行有限責任公司), Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行有限責任公司), Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限責任公司), Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限責任公司), Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司), Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司), Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭渝農商村鎮銀行有限責任公司), Fujian Shishi CQRC Village and Township Bank Co., Ltd. (福建石獅渝農商村鎮銀行有限責任公司) and Yunnan Xishan CQRC Village and Township Bank Co., Ltd. (雲南西山渝農商村鎮銀行有限責任公司), as well as the information of Qujing Branch of Chongqing Rural Commercial Bank (重慶農村商業銀行曲靖分行).

(II) Summary of Business Segment

Operating income

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016		For the six months ended 30 June 2015	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate banking business	3,606.8	32.80	3,495.3	33.20
Personal banking business	3,645.5	33.15	3,344.5	31.77
Financial market business	3,740.0	34.00	3,668.5	34.84
Unallocated	5.6	0.05	19.6	0.19
Total operating income	<u>10,997.9</u>	<u>100.00</u>	<u>10,527.9</u>	<u>100.00</u>

VII. ANALYSIS OF OFF-BALANCE-SHEET ITEMS

Off-balance-sheet items of the Group include acceptance, issuance of letters of credit, issuance of letters of guaranteed funds, receivables under export letters of credit, collection of foreign exchange funds receivables, collection of foreign exchange funds, foreign letters of credit by faith and wealth management. Among these items, acceptance and issuance of letters of credit were the key components. As at 30 June 2016, the balances of acceptance and issuance of letters of guarantee and letters of credit were RMB13,604 million, RMB4,407 million and RMB333 million, respectively.

VIII. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In determining the carrying amounts of some assets and liabilities and the related profit or loss during the Reporting Period, 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 which affect 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 is subject to. The major areas affected by the estimates and judgments include impairment loss on loans and advances to customers, liabilities related to supplementary retirement benefit and early retirement benefit, fair value of financial instruments, held-to-maturity investments, impairment loss in debt securities classified as receivables, and income taxes.

BUSINESS OPERATION

I. Corporate banking business

The following table sets forth the major operating data of the corporate banking business and changes thereof:

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Change (%)
Net interest income	3,350.1	3,379.6	(0.87)
Net fee and commission income	243.6	103.2	136.05
Other operating income, net	13.1	12.5	4.80
Operating income	3,606.8	3,495.3	3.19
Operating expenses	(1,540.6)	(1,670.6)	(7.78)
Impairment losses on assets	(771.5)	(666.7)	15.72
Profit before tax	1,294.7	1,158.0	11.80

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016	As at 31 December 2015	Change (%)
Segment assets	169,096.8	156,559.8	8.01

In the first half of 2016, the total profit before tax from the corporate banking business increased by 11.80% over the the same period previous year to RMB1,295 million, accounting for 22.88% of the Group's profit before tax. The overall growth in corporate loans of the Group had driven the asset of the corporate business to increase by 8.01% as compared with the previous year.

1. Corporate Deposits and Loans Business

The Group strived to expand the corporate deposit market and continued to maintain steady growth in corporate deposits. As at 30 June 2016, the balance of corporate deposits (including pledged deposits and other deposits) of the Group reached RMB147,864 million, ranking the second in Chongqing as compared with the third in the previous year, which accounted for 28.34% of the outstanding balance of total deposits of the Group whilst posting a growth of RMB23,307 million or 18.71% as compared with the end of the previous year, ranking the first in Chongqing in respect of increment.

For the loan policy on extending corporate loans, the Group persisted in operating in compliance with laws and abided by the principle. The Group effectively observed the macroeconomic control policy of the country and the local economic operation situation, and expanded its corporate loan business in a prudent, steady and appropriate manner. As at 30 June 2016, the outstanding balance of corporate loans (including discounted bills) amounted to RMB201,595 million, representing an increase of RMB29,310 million or 17.01% as compared with the end of the previous year, ranking the first in Chongqing in respect of balance and increment. Meanwhile, outstanding non-performing loans amounted to RMB1,173 million and the non-performing loan ratio was 0.65%, representing a decrease of RMB57 million or 0.09 percentage point as compared with the end of the previous year.

In respect of the structure of loan, in response to the policy of Supply-Side Structural Reform and in adherence to the policy of “One Belt and One Road”, the strategies of Yangtze River Economic Belt, China-Singapore (Chongqing) Strategic Interconnection Demonstration Project and the positioning of Chongqing’s five functional areas, with focus on the construction of infrastructure, the transformation and upgrading of traditional industries and the development of ten strategic emerging industries, the Group focused on extending loans to the industries such as manufacturing, water conversation, environmental and public utility management, wholesale and retail, real estate, production and supply of electricity, gas and water, leasing and commercial services, which accounted for 18.59%, 11.82%, 6.58%, 5.57%, 3.45% and 2.76% of the total amount of loans of the Group as of 30 June 2016, respectively.

With respect to customer’s profile, leveraging on the improving organization structure, product system and the customer management team with comprehensive quality cultivated, the Group remained committed to forging closer collaboration with quality enterprises among the top 500 enterprises in the world, top 500 enterprises of China, top 100 enterprises of Chongqing, industry leaders as well as government institutions whilst continuously maintaining and strengthening its partnership with prime SME customers.

2. *Institutional Business*

The Bank continued to strengthen its cooperation channel construction with functional departments of the Chongqing Municipal Government, the financial industry and institutions at different levels. In the first half of 2016, the Bank entered into the “Agreement on Strategic Collaboration between Banking and Government Sectors” with the Commission of Economy and Information Technology of Chongqing, the strategic memorandum of understanding with OCBC Bank, and a contract with the sub-fund of the Equity Investment Fund of China-Singapore (Chongqing) Interconnection. Being one of the joint founders of the technology and financial services in Chongqing, the Bank was appointed as the vice-president unit. The Bank launched a regulatory system of pre-sale proceeds and became the first bank commencing online collaboration with Chongqing Construction Administration Committee. The Bank actively established collaboration platforms in respect of insurance, securities and trust among industry players. The increasing abundance of collaboration channel will effectively facilitate continuous healthy development of the Bank’s corporate banking business. In addition, the Bank was the only financial services bank to handle urban and rural pension insurance for residents in Chongqing City. 12 million people in the city have already paid and been distributed pension insurance through the Bank.

3. *Small and Micro Enterprise Business*

The Bank's business of providing loans to small and micro enterprises reached the regulatory target of "Three Minimum Thresholds" stipulated by the CBRC and was growing steadily. As of 30 June 2016, according to specifications prescribed by CBRC, the number of small and micro enterprise loans customers of the Bank (including small and micro enterprises, individual business owners, and the main operations of small and micro enterprises according to specifications prescribed by four ministries and commissions of the nation, the same applies hereinafter) amounted to 109,928, representing an increase of 14,701 as compared with the same period of the previous year; the outstanding balance of small and micro enterprise loans amounted to RMB85.847 billion, representing an increase of RMB3.103 billion as compared to the beginning of the year or a year-on-year increase of 16.39% and the growth rate is 4.95 percentage points higher than the average loan growth rate of the Bank; the success rate of applying for small and micro enterprise loans amounted to 99.64%, which is 3.75 percentage points higher than that of the corresponding period of the previous year. The number of small and micro enterprise loans customers accounted for 48.70% of the small and micro enterprise loans customers of Chongqing banking institutions; the outstanding balance of small and micro enterprise loans accounted for 15.90% of the outstanding balance of small and micro enterprise loans of Chongqing banking institutions.

(1) Specialized institutions

The construction of specialized institutions for small and micro enterprises was further deepened. The Bank continued to establish specialised branches for small and micro enterprises, and to expand the coverage of financial services for small and micro enterprises. In the first half of 2016, the Bank established two new specialised branches for small and micro enterprises in Longshui of Dazu County and Central Park of Nanchuan, with the number of specialised institutions increased to 14. The characteristic operation of specialised branches for small and micro enterprises was further emerged. By observing the characteristics of regional customers of various specialised branches, the headquarter developed regional credit products and promoted the characteristic operation of specialised branches, so that specialised branches for small and micro enterprises became testing fields for products, services and management innovation for small and micro enterprise business of the Bank and led the transformation and upgrading of the small and micro enterprise business of the Bank.

(2) Credit products

The new products promoted for small and micro enterprises have achieved initial success. In the first half of 2016, the Bank launched two innovative weak guarantee products, i.e. “Tax rebate Credit for Small Businesses” (小企業退稅貸) and “Medical Insurance Credit for Small and Micro Businesses” (小微企業醫保貸), as well as, one specialised regional product, i.e. “Mortgage Loans for Commercial Trucks” (商用貨車按揭貸), and optimized the “Guarantee Loans for Venture Capital” in a timely manner in response to the latest change in policies on guarantee loans for venture capital in Chongqing. The system of credit products was further improved and enriched. The changes in financing demand of small and micro enterprise customers were fully adapted, and the competitiveness of small and micro enterprise business of the Bank was significantly strengthened.

(3) Customer Manager Team

The Bank further enhanced the skills of customer managers for small and micro enterprises with respect to the combination of new products. All the personnel engaged in the Bank’s financial services for small and micro enterprises participated in intensive training on “Tax rebate Credit for Small Businesses”, “Medical Insurance Credit for Small and Micro Businesses” and “Guarantee Loans for Venture Capital”. The Bank organised point-to-point trainings for branches located in Kaixian, Wushan, Fengjie, Yunyang, etc., targeting the operation and demand for training of different branches. In the first half of 2016, the Bank organised six trainings on new products and four point-to-point trainings, in which over 650 persons participated.

4. *International Business*

The international business achieved stable development. In the first half of 2016, the international settlement (inclusive of RMB cross-boarder settlement) of the Bank amounted to USD2,119 million, representing a year-on-year increase of 7.95%; foreign exchange settlement (inclusive of cooperative forward foreign exchange settlement) amounted to USD923 million, a year-on-year increase of 21.93%. The accumulated amount international trade financing issued amounted to USD747 million, representing a year-on-year increase of 8.30%. The interbank collaboration was further expanded. The Bank has established correspondent banking relationship with 512 banks at home and abroad and has newly added a number of financial institution credit at home and abroad, thus broadening the channels for foreign capital inflow and utilisation. The progress in product innovation has improved steadily. The China Foreign Exchange Payment System (境內外幣支付系統) was launched successfully. The Bank became the first local bank to realize real-time credit for foreign exchange in Chongqing. Foreign currency bonds investment, cross-border direct loan, domestic letter of credit and other innovative business were launched. Foreign exchange fund business recorded a continuous increase, making the Bank into the list of top 100 in terms of interbank transactions denominated in foreign currency in the PRC.

II. Personal Banking Business

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Rate of change (%)
Net interest income	3,169.0	3,123.8	1.45
Net fee and commission income	468.2	212.9	119.92
Other operating income, net	8.3	7.8	6.41
Operating income	3,645.5	3,344.5	9.00
Operating expense	(1,305.1)	(1,310.8)	(0.43)
Impairment losses on assets	(423.2)	(362.1)	16.87
Profit before tax	1,917.2	1,671.6	14.69

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016	As at 30 June 2015	Rate of change (%)
Segment assets	97,819.2	96,587.1	1.28

Personal banking business recorded a profit before tax of RMB1,917 million, representing 33.88% as a proportion of the Bank's profit. Customer-driven wealth management, banking card and agency business, etc. have been on steady growth, driving an increase of 119.92% in the fee and commission income of this business line as compared with the corresponding period of the previous year, thus contributing to the increase in profit from personal banking business of the Bank in the first half of 2016.

1. *Personal 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, highlighting streamlined management and taking full advantage of the regional competitiveness of its brands whilst strengthening its active liability management together with targeted sales and marketing strategies under the strict guidance of classification. Emphasis was laid on marketing and attracting deposits in the peak season of the first quarter. With migrant workers who went home to visit their families as the target, the Bank organised a large public campaign named "Serving Fellow Townsman and Delivering Geniality Along the Way Back Home" (服務眾鄉親情暖回鄉路) during the travel rush in the Chinese New Year by setting up "townsman's post house" (鄉情驛站) and providing public services such as tour guide, luggage carrying, helping the handicapped and distributing mineral water and carsick medicine, as well as, initiated an activity named "The Best Family Photo in the Year of the Monkey" (猴年最美全家福) during the Chinese New Year to showcase traditional culture, to further explore community marketing opportunities which created favourable social benefits and drove up the growth of deposits in the peak season.

Based on the continuous progress of transformation of branch outlets and the promotion of the value of branch outlets, the Bank dedicated itself to extending the base of middle- and high-end customers. The Bank carried out the 2016 campaign of promoting financial knowledge with the theme of "Five To-s and Five Deliver's of Public Welfare" through carrying out the "Five To-s" campaign to promote financial knowledge to villages, to communities, to companies, to the market and to the sites of workers and by means of "Five Deliver-s" activities to "deliver health", "deliver love", "deliver fortune", "deliver growth" and "deliver knowledge" with an aim to consolidate its customer base and reinforce its leading edge in the market. In terms of product and service strategies, the Bank diversified its personal 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, its efforts were given in refining the anonymous inspection system, enhancing the quality of counter services, enhancing the team-building of marketing personnel, improving the differentiated customer service system, boosting customer satisfaction and increasing the proportion of the financial assets owned by middle- and high-end customers.

As of 30 June 2016, the Bank continued to maintain a stable and rapid growth in personal deposits, which amounted to RMB373,951 million, representing an increase of RMB28,279 million, or 8.18%, in personal deposits over the end of the previous year. The Bank continued to set itself apart from its peers in the region in terms of the total amount, growth and market share of personal deposits.

2. *Personal loans*

In order to enlarge and strengthen its sales, the Bank established its brands for the personal consumption loan business, namely “Easy Loans” (嘿好貸), “Vehicles Parking Loans” (車停易), “Vehicles Modification Loans” (車改易) and “Property and Easy Loan” (房貸易) by proactively making use of regional advantages and strengthening marketing management on personal consumption loans, so as to support the rigid demand for daily consumption of urban and rural residents and improve the living consumption. The Bank deepened the collaboration with WeBank of Shenzhen to promote the Tiny Loan, taking into account the Internet+Concept and based on the analysis of the model of social data; cooperated with Sinosafe Insurance Company to initiate the commercial education loans that support the education and living of national universities students; and actively launched the “Cloud Loans for Micro Enterprises” based on in-depth analysis on the property loan customers of the Bank and rating card models to support the small amount consumption of residents. Initiatives were further introduced to equip its personal loan centres with consolidated services and to optimise the process of personal consumption loan business for more efficient and better services, thereby maintaining steady growth of personal consumption loans.

As at 30 June 2016, the balance of personal loans of the Group amounted to RMB97,427 million, representing an increase of RMB1,125 million over the beginning of the year, among which the balance of general consumption loans which aimed at supporting general consumption of urban and rural residents amounted to RMB12,667 million, representing an increase of RMB1,036 million over the end of the previous year.

(Note: General consumption excludes housing mortgage loans, with data from regulatory statements)

3. *Bank Cards*

The Bank made persistent efforts to the innovation of bank card business, and was committed to branding bank card products with distinctive features. As for the credit card business, the Bank focused on stepping up product innovation and marketing, and formed an initial card issuance scale, with steady enhancement in spending related to credit card and earning capacities of credit card business. For customers who own cars, the Bank launched General Automobile Trading (商社汽貿) co-branded credit cards and promoted the installment loans on parking space. For mid- to high-end customers who study, travel or purchase abroad, the Bank accelerated the launch of the first VISA Jiangyu Worldwide Platinum Card. Greater efforts were made to develop the characteristic installment business with high yield and expedite the promotion of new products, namely POS installment, online installment, and household renovation installment. The Bank vigorously expanded the financial business of credit card spending, with focus on the mobile phone, automobile insurance, travel and other popular spending areas. It also speeded up the branding of credit cards, initiated online and offline personalized campaigns for preferential merchants in collaboration with high-quality customers, established a fan-based interactive system, and enhanced the customer loyalty.

As of 30 June 2016, the number of credit cards in issue accumulated to 432.6 thousand, representing an increase of 94.3 thousand or 27.88% over the end of the previous year; while spending related to credit cards amounted to RMB18,433 million, representing an increase of RMB4,418 million or 31.52% over the same period of the previous year; total revenue of credit cards amounted to RMB163 million, representing an increase of RMB15 million or 10.14% over the same period of the previous year; the balance of credit card overdraft amounted to RMB6,236 million, representing a decrease of RMB137 million or 2.15% over the end of the previous year, which was mainly attributable to the impact of continuing poor economic environment and negative consumption sentiments of certain customers.

With respect to the debit card business, the product brand awareness of financial IC cards and social insurance cards were continuously enhanced. As of 30 June 2016, the total number of debit cards in issue accumulated to 17,782.7 thousand, representing an increase of 1,049.7 thousand, or 6.27%, as compared with that at the end of the previous year; spending related to debit cards amounted to RMB39,488 million; the fee income of bank cards reached RMB212 million.

4. *Agency Business*

The structure of revenue of intermediary business was optimised with enriched sales techniques. Great efforts were made to establish an online+offline marketing platform for community finance. The Bank consolidated and enlarged its quality customer base via the “Launch of the First Gold and Silver Money Product for the Year of Monkey by Local Financial Institutions in Chongqing” (發行重慶本土金融機構首款猴年金銀鈔產品), the “Initiation of 2016 Marketing Campaign of the Best Family Photo for the Year of Monkey” (開展2016年最美猴年全家福營銷活動), the “Introduction of the Brand “All-round payment (全能繳)” for Collection and Disbursement Services” (推出代收代付業務品牌“全能繳”) and other products and activities. As of 30 June 2016, the physical sales of precious metals of the Group amounted to RMB21.9317 million, representing a year-on-year increase of 61%. The income from the agency sale of insurance was RMB2,626 million, representing a year-on-year increase of 227%. The income from the agency sale of funds was RMB5,659 million, representing a year-on-year increase of 11.90%.

III. Financial market business

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Rate of change (%)
Net interest income	3,267.7	3,268.1	(0.01)
Net fee and commission income	466.3	368.0	26.71
Net trading gain	(32.8)	4.0	(920.00)
Other operating income, net	38.8	28.4	36.62
Operating income	3,740.0	3,668.5	1.95
Operating expense	(1,294.4)	(1,165.4)	11.07
Impairment losses on assets	(105.7)	(211.9)	(50.12)
Net loss or gain on disposal of available-for-sale financial assets	64.8	(1.9)	(3,510.53)
Net gain on disposal of debt investments classified as receivables	36.2	1.6	2,162.50
Profit before tax	2,440.9	2,290.9	6.55
	496,917.2	455,434.3	9.11
(Expressed in RMB million, unless otherwise expressed)	As at 30 June 2016	As at 31 December 2015	Rate of change (%)
Segment assets	496,917.2	455,434.3	9.11

In the first half of 2016, the Chinese economy faced a tedious downward pressure due to shifting growth pace, structural adjustment and the transition from old to new momentum, showing a gradual downward trend in yields of inter-bank business. In addition, due to a series of regulatory policies introduced to the financial market business in the recent years, the capital business has been facing tough challenges in terms of limited investment scale and investment scope. In this regard, the Bank withstood the pressure to respond flexibly, and took the initiative to adjust its business structure according to the objective environment, so as to secure the steady growth in capital business.

The financial market business recorded profit before tax of RMB2,441 million in the first half of 2016, representing an increase of RMB150 million or 6.55% as compared with the corresponding period of the previous year.

Management Discussion and Analysis

1. Segment assets

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt securities investments	246,629.5	49.63	213,208.3	46.81
Financial assets held under resale agreements	7,372.1	1.48	34,549.3	7.59
Cash and balances with central bank	98,028.5	19.73	78,500.3	17.24
Deposits and placements with banks and other financial institutions	119,405.6	24.03	118,765.1	26.08
Transfer of discounted bills and credit assets	20,963.8	4.22	5,155.9	1.13
Other assets	4,517.7	0.91	5,255.4	1.15
Total assets	496,917.2	100.00	455,434.3	100.00

As at 30 June 2016, the total size of operating assets was RMB496,917 million, representing an increase of RMB41,483 million, or 9.11%, as compared with the end of the previous year. In particular, debt securities investments increased by RMB33,421 million, or 2.82 percentage points, in proportion to total assets; cash and balances with central bank increased by RMB19,528 million, or increased by 2.49 percentage points, in proportion to total assets; financial assets held under resale agreements decreased by RMB27,177 million, or 6.11 percentage points, in proportion to total assets; deposits and placements with banks and other financial institutions increased by RMB641 million, or decreased by 2.05 percentage points, in proportion to total assets; transfer of discounted bills and credit assets increased by RMB15,808 million, or 3.09 percentage points, in proportion to total assets.

2. Debt securities investments

(1) Distribution of Debt Securities Investments by Holding Purpose

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Held-to-maturity debt securities	69,649.1	28.24	63,649.6	29.85
Debt securities classified as receivables	163,338.4	66.23	133,076.1	62.42
Debt securities at fair value	1,009.4	0.41	4,156.3	1.95
Available-for-sale debt securities	12,632.6	5.12	12,326.3	5.78
Total	246,629.5	100.00	213,208.3	100.00

In the first half of 2016, the Group continued to implement the classification management of its debt securities investment accounts. Apart from taking debt securities classified as receivables as the major investment target, the Bank took the market condition into consideration and moderately invested in certain held-to-maturity debt securities and available-for-sale debt securities. As at 30 June 2016, the Group saw an increase of RMB6,000 million, or a decrease of 1.61 percentage points, in proportion to total debt securities investments in held-to-maturity debt securities as compared with the end of the previous year, an increase of RMB30,262 million, or 3.81 percentage points, in proportion to total debt securities investments in debt securities classified as receivables over the end of the previous year, a decrease of RMB3,147 million, or 1.54 percentage points, in proportion to total debt securities investments in debt securities at fair value over the end of the previous year as well as an increase of RMB306 million, or a decrease of 0.66 percentage points, in proportion to total debt securities investments in debt securities classified as available for sale 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 30 June 2016		As at 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
AAA	24,065.0	9.76	19,943.8	9.35
AA	25,508.7	10.34	38,951.0	18.27
A and below	34.2	0.01	—	—
Unrated	197,021.6	79.89	154,313.5	72.38
Total	246,629.5	100.00	213,208.3	100.00

In the first half of 2016, the Group proactively leveraged on the trend of policies, further analysed on the market and determined the bond investment strategy of “Selecting Carefully and Taking Position at the Right Time” in the early 2016, on the basis that the credit risk is obvious and the interest rate will be fluctuate at a low level throughout the year. With respect to operation, the main objective of the strategy was to obtain platform bonds with better quality, higher coupon rate and AA and AA+ ratings and short duration ABS bonds with lower proportion of risk assets in the investment market, appropriately allocate bonds issued by local government with AAA rating, as well as, obtain gain on the price difference by carrying out transactions in the secondary bond market.

As at 30 June 2016, debt securities investment with a rating of AA and above decreased by RMB9,321 million, or 7.52 percentage points, in proportion to total debt securities investment as compared with the end of the previous year, while unrated debt securities investment increased by RMB42,708 million, or 7.51 percentage points, in proportion to total debt securities investment over the end of the previous year. Unrated debt securities investment are mainly government bonds, public sector bonds, quasi-government bonds, certificate treasury bonds and debt instruments issued by financial institutions.

Management Discussion and Analysis

(3) Distribution of Debt Securities Investments by Remaining Maturity

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016		As at 31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 3 months	35,401.3	14.35	61,552.3	28.87
3 to 12 months	100,775.5	40.86	48,159.5	22.59
1 to 5 years	88,961.4	36.07	79,541.5	37.31
Over 5 years	21,491.3	8.72	23,955.0	11.23
Total	246,629.5	100.00	213,208.3	100.00

As at 30 June 2016, the Group's investments in debt securities with a remaining maturity of less than 12 months increased by RMB26,465 million, or 3.75 percentage points, in proportion to total debt securities investments from the end of the previous year. The Group's investments in debt securities with a remaining maturity of over 5 years decreased by RMB2,464 million, or 2.51 percentage points, in proportion to total debt securities investments as compared with the end of the previous year, mainly due to the Group's improvement in the maturity structure of the investment portfolio given a proper build-up of investments in short-term debt securities with higher interest rates and relatively higher investment value in accordance with the changes in the bond market and the reasonable allocation of the maturity and yield of its investment portfolio.

(4) Holding of Financial Bonds

Financial bonds refer to the marketable securities issued by policy banks, banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. As of 30 June 2016, the outstanding balance of the Group's financial bonds amounted to RMB32,812 million, which mainly consisted of the financial bonds issued by policy banks. The table below sets out the top ten financial bonds in terms of nominal value held by the Group as at the dates indicated:

(Expressed in RMB million, except for percentages) Name of debt securities	Nominal value	Interest rate per annum (%)	Maturity date	Impairment
Debt securities issued by commercial banks in 2015	1,200.00	3.95	2017/12/26	—
Debt securities issued by policy banks in 2013	1,000.00	4.02	2018/07/18	—
Debt securities issued by policy banks in 2013	950.00	4.07	2020/04/11	—
Debt securities issued by commercial banks in 2015	700.00	5.20	2018/07/12	—
Debt securities issued by policy banks in 2010	700.00	2.09	2020/02/25	—
Debt securities issued by policy banks in 2005	650.00	3.60	2020/11/29	—
Debt securities issued by commercial banks in 2015	600.00	4.50	2017/09/26	—
Debt securities issued by policy banks in 2014	600.00	5.10	2021/08/07	—
Debt securities issued by policy banks in 2012	590.00	3.97	2019/07/09	—
Debt securities issued by policy banks in 2006	570.00	3.79	2021/06/28	—

3. *Assets Management Business*

The assets management business continued to maintain healthy and steady growth. In the first half of 2016, the Bank issued 802 tranches of wealth management products in total and raised proceeds of RMB265,758 million, representing a year-on-year growth of 95.81%. The outstanding balance of existing wealth management products amounted to RMB122,632 million, representing an increase of 31.18% over the end of the previous year, and was an important income source of intermediate business to the Bank. The Bank committed to developing two reliable wealth management brands, namely “Jiangyu Wealth – Building up your fortune” (江渝財富 – 天添金) and “Jiangyu Wealth – Happy life in the Ba-Yu Region” (江渝財富 – 幸福巴渝), to create stable and reliable investment returns for investors. Meanwhile, the Bank made greater efforts to promote the direct financing tool for financial products, registration and turnover of credit assets and other business innovations, so as to satisfy enterprises’ diversified financing needs.

IV. **Distribution Channels**

1. *Physical Outlets*

Operating outlets are the primary distribution channels of the Bank. As at 30 June 2016, the Bank had 1,776 branches of various kinds, including one headquarter, one branch, one business department, 44 sub-branches, 19 tier-two sub-branches, 1,708 branch outlets and 2 community branch outlets, among which Qujing Branch in Yunnan became the first cross-region branch among the domestic rural commercial banks. The network of sub-branches covers all the 38 administrative districts and counties of Chongqing with 1,459 distribution outlets in the County Area of Chongqing, covering all the blank areas in Chongqing and with 312 outlets in the city’s urban area. The Bank ranked first in the number of branches in both County Area and the urban area among its peers.

The Bank has put the construction of distribution channels into its medium-and long-term strategic development plan and stepped up optimising the layout of outlets and restructuring to improve its service coverage, service capabilities and operational efficiency. In the first half of 2016, the Bank has established 2 branches, reallocated 57 existing branches and refurbished 110 existing branches, with over half of the progress completed.

2. *Self-service Banking*

In order to expand the scope of customer services and provide customers with more convenient services, as at 30 June 2016, the Bank established 142 24-hour self-service centers and the number of ATMs and self-service inquiry terminals increased to 4,569 (including Qujing City). The proportion of machine to outlet was nearly 2.6:1, among which the number of ATMs put into use increased by 104 units to 3,624 units over the end of the previous year and self-service inquiry terminals put into use decreased by 3 units to 945 units over the end of the previous year.

The establishment of new convenient rural financial self-service terminals was under rational control whilst the withdraw mechanism was enhanced. As at 30 June 2016, 668 convenient rural financial self-service centres had been established and commenced on-line operation across the organization, down by 24 as compared with the previous year. As such, the Bank extended its financial service coverage whilst bringing convenience and benefits to the people in rural area. It won widespread recognition from the local government and the general public, achieving both social and economic benefits.

3. *Electronic Internet Finance*

The Group, being fully aware of the significance of the function of electronic internet finance business, leveraged its comprehensive electronic internet finance business to establish an internet finance platform and build an all-rounded electronic internet finance service system, in the hope of continuously exploring convenient finance service. In the meantime, the Bank continued to improve the brand awareness and influence of its electronic internet finance brand through carrying out various marketing activities, which further improved customer satisfaction.

(1) Internet finance platform

Jiangyuhui (江渝惠) Online-to-Offline (“O2O”) consumption service platform

“Jiangyuhui” (江渝惠) O2O consumption service platform is a consumption service platform integrating a collection of necessities as established by the Group utilising a combination of online and offline approach. The platform relies on network provided by communication operators to offer service of “benefiting customers, benefiting groupbuy, shopping mall, payment by code” (惠商戶、惠團購、精品商城、碼上付) for mobile financial customers, so as to meet their financial needs in a “personalised, diversified, networking” (個性化、多元化、網絡化) manner, thus creating a closed system for community marketing, consumption and payment. As at 30 June 2016, Jiangyuhui consumption service platform had 42,000 users with the sales amount of RMB28.5677 million.

Jiangyuer (江魚兒) internet banking platform

Jiangyuer (江魚兒) internet banking platform of the Group is a platform utilising internet to carry out integration of direct sales business of banks’ financial products. It is a breakthrough of banks’ reliance on outlet expansion to expand business scale and adopts the mode of internet finance for trans-outlet and trans-regional sales of bank products. Jiangyuer (江魚兒) internet banking provides customers with “Jiangyu FOF” (江渝基金寶) product, intelligent deposits product, payment of living expenses, loan application, credit card application and other financial services through its official website, mobile banking client, and other channels. As at 30 June 2016, Jiangyuer internet banking had 436,800 users.

(2) Mobile banking

The Bank continued to innovate its mobile banking and launched services and functions for the convenience of the customers including card-free cash withdrawal, Cloud Loans for Micro Enterprises, payment of cable bill, traffic fines, public rental, ETC top-up, agency purchase of car insurance, outlet reservation and queuing, online appointment register, etc. to continuously improve customers' experience. The Bank launched the encrypted SMS authentication for mobile bank card, ensuring the consistency of mobile phone device, SIM card and mobile bank card, preventing from security risks including mobile Trojans and SMS leakage, and continuously improving the controllability of transaction safety of mobile banking. As at 30 June 2016, the number of mobile banking customers of the Bank reached 4,702,300, representing an increase of 947,300 new customers, or 25.23%, as compared to the end of the previous year. The aggregate number of financial transactions for the first half of the year amounted to 40,696,700, representing an increase of 12.69% as compared to the same period of the previous year. The amount of transactions was RMB476.283 billion, representing an increase of 6.63% as compared to the same period of the previous year.

(3) WeChat banking

WeChat banking led the trend. As at 30 June 2016, WeChat banking has attracted the attention of 268.2 thousand customers, with 11,639.8 thousand messages received. In order to create a three-dimensional loan application channel, the Bank carried out green credit services including loan applications via WeChat and telephone. As of 30 June 2016, the WeChat Banking received 38,600 loan applications via WeChat and released loans amounting to RMB1,234 million. At the 2016 Financial Social Marketing Competition held by CFCA (China Financial Certification Authority) in March 2016, our WeChat banking won the 2016 Best Financial Social Marketing Platform of "China Financial Marketing Gold Chestnut Award (中國金融行銷金栗子獎)".

(4) Internet banking

Corporate internet banking

The Group successfully launched the business of large-amount deposit slips for enterprises, which enhanced customers' efficiency of capital using and reduced the pressure of counters; promoted the direct connection and access between the Bank and the enterprises among the Public Resources Trading Centre in districts/counties and major customers, which further enhanced the comprehensive service level for the corporate customers. As at 30 June 2016, the number of corporate internet banking customers of the Bank increased by 14.73% over the end of the previous year to 29.6 thousand; 1,952 thousand financial transactions have occurred in the first half of 2016, representing an increase of 37.63% over the same period of the previous year; the amount of transactions was RMB792,404 million, representing a growth of 21.90% over the same period of the previous year.

Personal internet banking

The Group has been actively engaged in improving customers' experience. It has strengthened security for E-banking to improve the security in using E-banking. In the meantime, the Bank has been enriching the functions of the products, in order to meet the multi-layered and diversified customers' needs for financial services. As at 30 June 2016, the number of personal internet banking customers was 2,321.8 thousand, representing an increase of 18.54% over the end of the previous year. 33,504.9 thousand financial transactions have occurred in the year, representing an increase of 109.64% over the same period of the previous year; the amount of transactions occurred in the year was RMB71,988 million, representing an increase of 24.75% over the same period of the previous year.

Online payment

In order to cater for the rapid development of internet payment, the Bank launched a multi-channel and all-rounded payment gateway, which supports PC, smartphone, tablets and other devices, as well as, online banking payment, mobile banking payment, account password payment and various kinds of payment methods, thereby achieving rapid access for customers. The Bank also successfully established the internet interbank acceptance system, enabling customers of the Bank to manage their deposits in other banks conveniently, for example, transferring the deposits to the account of the Bank or making payment to customers of the Bank.

The business development outcome of online payment function is encouraging. At present, our online payment function supports Alipay, Tenpay, Jindong and other major third party payments. As at 30 June 2016, there had been 32,106.4 thousand financial transactions in the year which were settled through online payment, representing an increase of 119.07% over the same period of the previous year. The transaction amount was RMB12,075 million, representing an increase of 148.97% over the same period of the previous year.

(5) Mobile integrated terminal

The construction of mobile integrated terminal platform was completed at the beginning of the year. Currently, we are able to provide our clients with services like account opening, card issuing, online banking signing and credit card application. As at 30 June 2016, the accumulative contracted clients were 137,800, among which 39,400 were contracted mobile banking users, 14,900 were personal online banking users, 31,800 were contracted SMS service users, and 51,700 users were contracted debit card users.

(6) Video teller machine (VTM) banking

As a micro-smart service platform featured with "All-function, All-day, Face-to-face and Resembling Counter Service", VTM Banking managed to provide the face-to-face assistance service through VTM, which can provide clients with safe and convenient one-stop services. Currently, we have put VTM in the private banking center, Dazhulin Community Bank, Nan'an branch, Wanzhou branch, Qianjiang branch and the Longtousi train station.

(7) Telephone and SMS banking

The service capacity of telephone banking continuously strengthened. The service quality of telephone banking was enhanced through establishing the function of 360°-view system of customer services, strengthening telephone data monitoring and analysis, intensifying site management, etc. and thus strengthened the business. In the first half of 2016, the Bank had offered services to 4,174.9 thousand customers via telephone banking.

The growth of SMS banking is promising. As at 30 June 2016, the accounts of SMS amounted to 9,521.5 thousand, while contracts signed by high-end customers accounted for 77.71%.

(8) Marketing campaign

All-rounded large scale marketing campaigns were successively carried out for electronic internet finance business, including the mobile finance marketing campaign of “Mobile Finance, Prosperous Year of the Monkey with Gifts” (移動金融 禮旺猴年移動金融業務), and Jiangyuhui (江渝惠) series of marketing campaigns including “Dining and Entertainment, Enjoy Your Life” (吃喝玩樂 惠享生活) and “Group Purchase of Milk Card, Buy More Get More” (團購奶卡！購越多·惠越大), which enhanced the popularity of electronic internet finance business brand and received good social response. Meanwhile, we actively promoted the mobile integrated terminal platform so as to achieve 3A service of branch outlets, increase business efficiency and improve customer experience.

The electronic internet finance of the Group achieved sustainable and effective development through relentless efforts and bold innovations. As at 30 June 2016, the substitution rate of E-banking account transactions of the Bank reached 86.95%, representing an increase of 2.73 percentage points as compared to the end of the previous year.

V. Principal Subsidiaries

CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as a major promoter. The establishment of village and township banks is of great significance to the performance of social responsibility, broadening and deepening the service to new rural construction, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. During the Reporting Period, the Bank steadily propelled the institutional establishment of village and township banks: Yunnan Xishan CQRC village and Township Bank Co., Ltd. commenced operation. As at the end of the Reporting Period, the Bank has established 12 CQRC Village and Township Banks with aggregate capital amounting to RMB3,849 million and the outstanding balance of deposits and loans in aggregate amounting to RMB1,633 million and RMB2,254 million, respectively.

In September 2014, CQRC Financial Leasing Co., Ltd. was incorporated with the registered capital of RMB2,500 million to be mainly engaged in financial leasing related business. The Bank was the major promoter and held 68.00% of its shares.

VI. Information Technology

In the first half of 2016, the information technology work of the Bank was guided by the principle of “Independent and Controllable, Sustainable Development, and Technological Innovation”, and steadily propelled the establishment of information system and continuously intensified the supporting role of information technology in the development of banking business. In the first half of 2016, each important information system of the Bank was operating stably; no unplanned system interrupt accidents occurred; and the network operation was stable.

(1) *Technological governance*

In the first half of 2016, a total of two working meetings were organized and convened by the IT Strategic Development Committee of the senior management of the Bank, to approve and adopt a series of important proposals including construction of the data room of Disaster Recovery Center of branches and sub-branches. The Bank commenced the post-assessments of technology line system, newly increased 4 and revised 7 information technology systems and operation specifications to continuously improve the information technology control system; continuously deepened and promoted the project construction assessment mechanism, standardized the project quality review mechanism, intensified the demand guide and test review and intensified the information technology project life-cycle management.

(2) *Information security guarantee*

The Bank adopted three-layer risk prevention system structure, implemented the information safety guarantee work; effectively promoted the operation and maintenance capacity of the information system by optimizing the operation and maintenance process, promoting the basic skills of personnel, reasonably allocating the site duty, etc., to ensure the efficiency of response to the system failure treatment; implemented the rolling inspections and special inspections on the risks in the technology line cases and carried out the key inspections on holidays and festivals and during the peak season of marketing to ensure the comprehensive, safe and stable operation of the information system.

(3) *Business continuity management*

The Bank paid high attention to the business continuity management, and continuously optimized and perfected the contingency plan for the business continuity. During the first half of 2016, we have completed the emergency drill of payment platform, the emergency drill of power supply system in the headquarter and the offshore disaster recovery center in Xiushan, the emergency drill of backbone network and other business continuity emergency drills as planned, which fully verified the effectiveness of relevant plans. We have completed the construction and operation of the data room of disaster recovery center in Changshou branch, and regarded this center as a test point to carry out the construction of data rooms of disaster recovery centers for branches of the Bank. It is expected to complete the construction of data room of disaster recovery centers for 25 branches by 2016, so as to further enhance the capacity of information system against disaster and error.

(4) *Information system construction*

The Bank steadily propelled the establishment of a reframed new generation of core system based on the open platform. The new core system had the “Product-oriented” system structure and “Customer-oriented” customer management mode, with proprietary intellectual property rights. It continued to promote the construction of new information center in Yuzui, and broadly used a new virtualized and modularized technology with low energy consumption, in order to create a green and smart information center. In the first half of 2016, 12 online information technology projects were completed, with focus on visualized voucher management (phase II), electronic commercial draft, mobile integrated terminal, liquidity risk management system (phase I), ATM electronic billing, third party custodian business with interbank collaboration, and optimization of collective operation platform.

(5) *Technological innovation research*

The Bank focused on the technology of new core system and enhancement of the protection of independent intellectual property rights, to form a pool of inventions and patents centering on the innovative technology of core system of the Bank. The Bank actively participated in and commenced research of the financial technology innovation projects hosted by the PBOC and CBRC. In the first half of 2016, it carried out the “Research on the Development of Monitoring System for the Mobile Payment Security of Commercial Banking and Internet Banking ” (《商業銀行電子銀行移動支付安全態勢監控體系建設研究》) for the PBOC, the “Research and Design for the Retail Automatic Credit Approval Platform based on Big Data” (《基於大資料的零售自動授信平台研究與設計》) for the CBRC and other researches.

VII. Employees and Human Resources Management

1. Basic Information on Employees

As of 30 June 2016, the Bank had 16,126 regular employees, 10,763 of whom held bachelor's degrees or above, representing 66.74% of all the Bank's regular employees. In addition, the Bank had 570 dispatch workers, 1,020 internally retired employees and 5,308 retired employees.

2. Overview of Human Resources Management

During the first half of 2016, the human resources department earnestly implemented the "Three-Transformation" strategy, adhered to the philosophy of "Focusing on the Basis, Strengthening the Management, Adjusting the Structure, Controlling Risks, Making Innovations and Steady Development" (重基礎、強管理；調結構、控風險；抓創新、穩發展), focused on major works of the Bank, actively explored new mechanism and new measures for employment, training, deployment, incentives and constraints of human resources of the Bank under the new situation, as well as, improved human resources management.

3. Training

The Bank was devoted to the business development and the improvement of the occupational quality of staff, enhancing staff training with continuous efforts, integrating educational training resources, resulting in comprehensive trainings for different levels and categories. Staff's comprehensive quality was completely upgraded. In the first half of 2016, the Bank held 615 sessions of training of all kinds with attendances of 43 thousand.

FINANCIAL BUSINESS IN COUNTY AREA

County Area is the principal base for carrying out Sannong financial service by the Group. The financial business in County Area has been a long-term strategic focus of the Group, and also one of the Group's major sources of revenue. The Group provides diversified financial services for customers in County Area through 1 branch, 33 sub-branches, 7 tier-two sub-branches and their 1,421 distribution outlets as well as 12 village and township banks located in the County Area. During the Reporting Period, the Group took advantage of interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, actively innovated products, and strived to enhance the financial service in County Area, all of which have led to the rapid growth of financial services in County Area.

As at 30 June 2016, the loan balance of the financial business⁽¹⁾ of the Bank in County Area amounted to RMB144,003 million, representing an increase of RMB15,438 million, or 12.01%, over the end of the previous year. In particular, the corporate loan balance of the financial business in the County Area amounted to RMB72,078 million which accounted for 35.75% of the corporate loan balance of the Group, representing an increase of RMB13,159 million, or 22.33%, over the end of the previous year. The personal loan balance of the financial business in the County Area amounted to RMB71,925 million, representing an increase of RMB2,279 million, or 3.27%, over the end of the previous year, accounting for 73.82% of the personal loan balance of the Group. The deposit balance in County Area amounted to RMB346,124 million, representing an increase of RMB33,319 million, or 10.65%, over the end of the previous year.

Supported by County Area, in adherence to the top priority in enhancing the quality and efficiency of Sannong financial services of the Bank, industrialization of agriculture, urbanization in rural areas, and development in working farmers were boosted to be the principal direction to ensure carrying out of Sannong financial services based on the important components of inclusive financial system and sustainable development. As at 30 June 2016, the outstanding balance of agricultural loans⁽²⁾ of the Group amounted to RMB127,686 million.

Notes: (1) The loan of the financial business in County Area refers to loans released by branches of the Bank in Chongqing City, other than loans released in major districts. It also includes loans released by 12 village and township banks and Qujing Branch.

(2) The agricultural loans refer to loans to farmers, loans to rural enterprises and various organizations, loans to urban enterprises and various organizations directing to activities related to agriculture, forestry, husbandry and fishery industry as well as supporting agriculture and rural development in accordance with the “Special Statistics System of Agricultural Loans” (Yin Fa [2007] No. 246).

I. Reform and Innovation

1. Management Reinforcement

During the Reporting Period, the Bank has actively and steadily pushed forward the construction of Sannong service system, with an aim to improve capability and level of such service. A meeting was held by Sannong Financial Service Committee of the Board of Directors to consider Sannong financial service plan of the year, and focus on reinforcing the strategic move on Sannong financial services. Sannong Financial Service Committee under the senior management was renamed as Financial Service Committee for Sannong and Poverty Alleviation, to strengthen the guidance and support to policies and knowledge on Sannong and poverty alleviation of the Bank. By introducing Sannong Business Management Department to functional departments and leading Sannong financial services among the Bank, the Bank set up secondary departments or professional posts under the Corporate and Personal Banking business lines to be responsible for the “Sannong” business marketing guidance, product innovation, etc. It has set up specialised institutions in respective county branches, to be responsible for the specific promotion of “Sannong” business. In addition, the Bank further regulated and enhanced the agriculture-related credit approval procedures to improve service quality and performance.

2. Incentive Intensification

The Bank further improved financial service capacity and independently prepared financial business credit plan in the County Area to carry out differentiated incentive policies. More resources including staff, expenditures, ATM machines were given to county business branches to ensure the convenient, timely and effective satisfaction of the county financial services.

3. *Product Innovation*

The Bank centered on innovative financial services and products by optimising and enhancing the concept on inclusive financial services. During the Reporting Period, the Bank launched loans for poverty aids, guarantee loans for venture capital, tax rebate credit for small businesses and other credit products, to support the agricultural efficiency enhancement, rural prosperity and boost in farmers' income. In accordance with the new situation, changes and features of the rural areas, the Bank revised the management practices and operational procedures of "Sannong" credit to promote the integration of products and markets.

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

During the Reporting Period, centering on the key corporate banking businesses in the County Area such as the industrialisation and modernisation of agriculture, rural urbanisation and commodity flow of the County Area, the Bank continued to, with leading enterprises in such industries as its major 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 service plans, improved its banking services, consolidated and deepened its cooperative relations with enterprises.

III. **Personal Banking Business in County Area**

During the Reporting Period, the Bank devised and implemented special marketing plans in a bid to drive the growth of personal banking business in County Area. Targeting at the county's individual and private business owners, farmer entrepreneurs the wealthy people and other excellent customers, the Bank vigorously developed personal products for specific areas and promoted loans secured by forest property rights, rural residential housing and contractual management rights of rural lands as well as loans for individual consumption and employment assistance at a steady pace in order to satisfy diversified credit needs in County Area effectively. In the meantime, the Bank earnestly implemented the state precise poor supporting requirement, and precisely launched credit support to assist industries, education, employment and electricity suppliers via product, assessment and demonstration innovation, so as to help farmers to get rid of poverty.

As the only bank in Chongqing offering the social pension insurance services for urban and rural residents, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11,000 thousand people. Departments of finance and social insurance of the city and districts/counties have opened social insurance accounts with the Bank, with a capital balance of RMB12,201 million as at 30 June 2016. In the first half of 2016, the number of individual pensions withheld by the Bank amounted to 4,094.7 thousand, totaling RMB857 million; the number of individual pensions paid by the Bank as an agent amounted to 22,576.3 thousand, totaling RMB2,534 million. These services provided the Bank with an extensive customer base and helped stabilise the customer resources and facilitate the development of the Bank's businesses.

The Bank made greater efforts in the construction of electronic channels in County Area and vigorously marketed the Jiangyu Card (江渝卡), the Jiangyu Xiangqing Card (江渝乡情卡), the Farmer's Fortune Card (福农卡), credit card, personal internet banking and mobile banking. As at 30 June 2016, the Bank operated 2,515 ATMs, 760 multi-media enquiry machines in County Area and established and operated 668 convenient rural financial self-service centres. The number of debit cards and credit cards issued by the Bank in County Area also increased by 840.5 thousand and 71.8 thousand over the end of the previous year, respectively, to 13,974.5 thousand and 330 thousand, respectively, which accounted for 78.58% of the debit cards issued by the Bank and 76.28% of the credit cards issued by the Bank, respectively. 3,771.0 thousand customers in County Area opened for mobile phone banking service, accounting for 80.40% of the number of customers opening for mobile phone banking service of the Bank and representing an increase of 768.5 thousand customers over the end of the previous year. With the gradual enhancement in electronic equipment, the increase in the number of cards and the promotion and marketing on E-banking products, the Bank is well poised to keep expanding its customer base in County Area, increase the penetration of banking business in County Area, and build good business relationship with customers.

IV. Summary of Information on Geographical Segments

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

(Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2016			For the six months ended 30 June 2015		
	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	1,549.5	8,237.3	9,786.8	1,464.4	8,307.1	9,771.5
Net fee and commission income	508.8	669.3	1,178.1	190.8	493.3	684.1
Net trading gain or loss	–	(32.8)	(32.8)	–	4.0	4.0
Other operating income, net	31.0	34.8	65.8	48.2	20.1	68.3
Total operating income	2,089.3	8,908.6	10,997.9	1,703.4	8,824.5	10,527.9
Internal transfer of income and expense	3,390.3	(3,390.3)	–	3,432.3	(3,432.3)	–
Gain after adjustment	5,479.6	5,518.3	10,997.9	5,135.7	5,392.2	10,527.9

For the six months ended 30 June 2016, the gain of County Area segment after adjustment was RMB5,480 million, representing an increase of 6.70% in comparison on a year-on-year basis, which was mainly attributable to the growth in the net interest income, net fee and commission income.

RISK MANAGEMENT

In the first half of 2016, guided by New Basel Capital Accord and the comprehensive risk management, the Group continued to improve risk management policies, systems and procedures, intensified capital control mechanism, refined the planning, distribution, quota management and assessment of risk-weighted assets, proactively controlled credit risks of major areas and industries, continuously promoted the construction, operation and application of internal rating system, improved pressure testing technologies, information technology risk management mechanism and business continuity management system, carried out business impact analysis and emergency drills, and investigated the risks in cases. During the Reporting Period, the Group has sufficient capital, with stable asset quality, sound liquidity, effective internal control, increasingly abundant tools and methods of risk management, and constantly improved technology.

I. Credit Risk Management

Credit risks refer to the risk of economic loss arising from the failure of the borrower of the Bank or counter-party to a transaction to fulfill the corresponding responsibilities in compliance with contractual agreements due to various reasons.

Confronted with the objective economic and financial environment in the first half of 2016, the Group earnestly implemented the macro-economic control policy of the country, focused on the overall objective of the “Three-Transformation” strategy, implemented the philosophy of “focusing on the basis, strengthening the management, adjusting the structure, controlling risks, making innovations and steady development” in a serious manner, and continued to optimise the regime and system development of credit risk management. The Bank facilitated, in a down-to-earth manner, the reform and innovation, continued to speed up the structural adjustment, strengthened the management and prevention of risks. It adjusted the credit policy timely and strengthened the risk management and control in key areas, especially in key industries and areas like local debts (the governmental financing platforms), the real estate sector, industries with high pollution, high energy consumption and excess capacity, with reference to both the macro changes and the trend of industry restructuring. It also reinforced its efforts in risk inspection and solution. New means of off-site surveillance were introduced for the Group to actively identify and resolve potential risks. The capital flow of customers was monitored closely and greater efforts were made to terminate loans to customers with potential risks and to clear, dispose and write off non-performing loans. The loan portfolio thus gradually improved and the functions and scope of applications of the credit business management system were optimised continuously, resulting in enhanced credit risk management on all fronts.

II. Liquidity Risk Management

Liquidity risk refers to the risk of inability in getting sufficient funds at reasonable costs in a timely manner to meet the liabilities due or other obligations for payments or other capital needs required for the conduction of normal business. The objective of liquidity risk management of the Group is to meet the liquidity needs of asset, liability and off-balance sheet activities and meet its payment obligation to external parties on a timely basis and to effectively balance fund profitability and security during the normal operation or at a highly stressed condition, through the development of a scientific and comprehensive liquidity risk management mechanism and the implementation of effective identification, measurement, monitoring and reporting measures on liquidity risk.

The Asset and Liability Management Commission of the Group is responsible for establishing policies and strategies relating to the Group's overall management of liquidity risk. The Risk Management Department and the Financial Planning Department of the Group are responsible for implementing the liquidity risk management policies and strategies, monitoring and evaluating the liquidity risks. Each business line cooperated with each other in active engagement in liquidity management.

In the first half of 2016, the Group insisted on the business ideology of prudence and compliance, prioritised asset safety and mobility in its operation and adopted a series of measures to improve its asset and liability structure. By formulating the work opinions of liquidity risk management in 2016, the Group continued to promote the implementation of liquidity risk quota management, strengthened the management of liquidity risks, and steadily promoted the establishment of the liquidity risk management information system to facilitate the refined management.

The Group, leveraging on its unremitting efforts in strengthening liquidity monitoring and forecast as well as the application of the FTP, a system for internal fund transfer pricing, had improved the management of internal fund allocation under the system. The Group carried out liquidity pressure tests regularly to examine the ability of the Group to withstand risks under extreme pressure. The results showed that the management of liquidity risks under pressure, though more difficult, was controllable.

Liquidity Risk Analysis

In the first half of 2016, the central bank speeded up the macro-economic control policies and continued to give the signal of maintaining stable. The overall market liquidity risk was controllable. The Bank actively managed provisions, increased the excess reserve ratio and strictly complied with the liquidity quota management mechanism and therefore, its liquidity was improved.

Management Discussion and Analysis

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. At the end of June 2016, the liquidity gap analysis of the Group by remaining maturity is as follows:

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016							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	<u>73,245.2</u>	<u>(204,704.6)</u>	<u>(17,725.5)</u>	<u>(9,046.4)</u>	<u>6,907.4</u>	<u>116,119.4</u>	<u>84,188.4</u>	<u>48,983.9</u>

The Group measured and disclosed its liquidity coverage ratio in accordance with the relevant requirements of Methods for Liquidity Risk Management in Commercial Banks (Provisional) (《商業銀行流動性風險管理辦法(試行)》) issued by the CBRC. As of the end of June 2016, the liquidity coverage ratio of the Group is as follows:

(Expressed in RMB million, unless otherwise stated)	30 June 2016
Qualified and high-quality current assets	54,391.17
Net cash outflows in future 30 days	40,908.78
Liquidity coverage (%)	<u>132.96</u>

III. Market Risk Management

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

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

Interest Rate Risk Analysis

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

In the first half of 2016, the international economic environment was complex and varied, the downward sloping of the economic growth in the PRC continued, the interest rate of bond market fluctuated in a narrow range, the downward trend of bond yields rebounded, and the monetary policy maintained stable with respect to interest rate. In response to the complex market situation, the Group kept a close eye on the changes in macro monetary policy and domestic and foreign financial markets. By applying the FTP internal fund transfer pricing system properly, the Group further improved the management of interest rate pricing, duly adjusted the pricing of funds and effectively controlled the fall of interest rates for loans and interest costs for deposits with a view to improving the proactiveness of risk management and ensuring the sustained growth in the revenue and market value of the Group.

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

(Expressed in RMB million, unless otherwise stated)	As at 30 June 2016					Non- interest bearing	Total
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Interest rate gap	<u>(113,988.1)</u>	<u>(1,243.8)</u>	<u>101,189.5</u>	<u>43,041.8</u>	<u>16,763.3</u>	<u>3,221.2</u>	<u>48,983.9</u>

As at 30 June 2016, the Group's accumulated interest rate gaps for all maturities amounted to RMB48,984 million, representing an increase of RMB3,713 million from the end of the previous year.

Exchange Rate Risk Analysis

Exchange rate risk primarily results from mismatches in the currency denomination of the Group's assets and liabilities and currency position mismatches caused by currency mismatched between capitals and foreign currency transactions. The Group mainly adopts foreign exchange exposure analysis, sensitivity analysis and other means to measure exchange rate risk. The Group is mainly engaged in the Renminbi business with certain transactions related to US dollars and HK dollars but seldom conducts transactions in other currencies. Transactions in foreign currencies are mainly the Group's business of agency sale and purchase of foreign exchange.

In the first half of 2016, the global economic situation was turbulent, the risk events occurred frequently, the FED rate hike was uncertain, the exchange rate of RMB to USD shifted from a big swing to stability, Brexit resulted in the continuous slipping of the exchange rate of RMB again, the impact of uncertain and unstable factors within or outside the PRC mounted, and the reform policy of foreign exchange system progressed steadily. The Group strengthened its management of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilisation of foreign exchange assets reasonably. It also actively explored the usage of exchange rate financial instruments to hedge against exchange rate risk.

IV. Operational Risk Management

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

The Group strengthened the internal management in the comprehensive risk management system according to the New Basel Capital Accord. By upholding the bottom line of risks, the Bank implemented effective control measures in the important risk areas and continuously enhanced its prevention and control over operational risks. With the deployment of examination on criminal risks throughout the Bank, the scope of examination was expanded as compared with the previous year. The project examination focusing on unusual behavior of staff and operational risks of counter business was conducted throughout the Bank, so as to effectively prevent criminal risks. In the meantime, the Bank carried out activities of “the year of strengthening management of employees’ behaviors”, and further strengthened the staff awareness of preventing and mitigating risks, to achieve safe and stable operation for the Bank. Greater efforts were made to the anti-money laundering, linkage between the headquarters and various departments and the collaboration on examination between branches and sub-branches. The Bank continued to establish and optimize the anti-money laundering system, and organized trainings on anti-money laundering throughout the Bank. The business continuity management progressed steadily. The Bank devised system to regulate the proposal development and emergency drill, prepared the emergency drill plan of the Bank, organized and conducted business impact analysis, and formed various lines of the Bank to ensure stable operation of the Bank’s major businesses. The Bank continued to promote the management of information technology risks, carried out assessment of the risk of outsourcing information technology, identified and controlled major risks of outsourcing, issued the manual of identifying information technology risks, and improved risk management system. It adhered to the mechanism of expert review and post-evaluation system, ensured compliance, applicability and operability of the internal control systems and ensured the highly efficient and stable implementation of risk management activities.

V. Implementation of New Basel Capital Accord

The Group further promoted the new capital accord in accordance with the requirements of regulatory authorities and the actual business development. In the first half of the year, the Group completed the on-line test run for internal appraisal system of non-retailing credit risk throughout all branches, and laid a solid foundation to further apply internal appraisal and optimize internal appraisal certification. The Group continued to carry out the projects regarding internal appraisal of retailing credit risk and automated credit consultation, completed the development of various strategies with respect to rating cards and automated credit, constructed pool division models, achieved the management of retail business portfolio and the calculation of risk parameter for retail internal assessment, and set up an independent risk measurement team. It also started the construction of retail automated credit and internal appraisal system with automated credit procedures, and implemented pool division management. The Group is preparing for the construction of a risk-weighted assets (RWA) system and risk data collection, to achieve an accurate, efficient and automated measurement of RWA and provide a uniform data storage and support for various risk application of the Bank.

VI. Anti-money Laundering

In the first half of 2016, by focusing on the principle of risk-oriented approach, the Group conscientiously fulfilled its anti-money laundering responsibilities and obligations, and strived to enhance the effectiveness of anti-money laundering activities and practically prevented the risk of money laundering. During the Reporting Period, the Bank implemented the requirement of imprisonment of three years against legal persons, improved the compliance management regarding anti-money laundering, and refined the risk management and control of anti-money laundering. The internal control system of anti-money laundering was amended and refined, the retroactive mechanism was established, whilst the anti-money laundering system which has set up for a year was assessed thoroughly to ensure stability and effectiveness of the system. The Bank optimized risk assessment workflow, deployed appropriate risk control measures depending on relevant risks, reinforced suspicious transactions report, and attached a high value to integrated analysis on the information, fund transactions and behavior of customers. The Bank also established a consultation and collaboration mechanism by fully leveraging Anti-Money Laundering Joint Conference, so as to enhance the collaboration capabilities among the composition departments and facilitated the integration of risk management and control. The Bank initiated the phase II construction of anti-money laundering system, optimized the function of anti-money laundering data platform, accelerated the construction of automatic monitoring model of suspicious transactions, and enhanced the quality of anti-money laundering data. Various trainings on anti-money laundering were carried out continuously in diversified forms like “intensive special training” and “delivering education to branches”, to enhance the knowledge and skills regarding anti-money laundering of staff.

INTERNAL AUDIT

The Group has established an independent and objective internal audit system. The Group has an Audit Committee under the Board of Directors. The Audit Committee is accountable to the Board of Directors, and organizes and guides the internal audit work of the Bank based on the authorisation of the Board of Directors. The internal audit department is accountable to the Board of Directors and the Audit Committee, and reports the audit work to the Board of Directors and senior management regularly, as well as, reports any significant circumstances on a timely basis. The headquarter, branches and sub-branches have set up an internal audit department respectively. The internal audit departments of branches and sub-branches are operated under a dual leadership system; while the internal audit department of the headquarter can deploy and utilize the internal audit personnel of branches and sub-branches centrally, and arranged the audit work of the internal audit departments of branches and sub-branches. The Bank's controlled village and township banks employed full-time audit personnel. Through inspection and evaluation, the internal audit department continued to improve corporate's operational management, risk management, internal controls and corporate governance, so as to facilitate the achievement of corporate goals.

During the Reporting Period, in accordance with the Group's strategic goal, the internal audit department adhered to the risk-oriented approach and issue-focused approach, actively promoted the transformation of internal audit and technological innovation. With the use of systematic and standardised audit methods, the department carried out various audit projects, enhanced the judgment on audit quality and strengthened the control of the audit process. Based on the risk-oriented approach, the department conducted specific audit investigation on note business, internet finance, agency and channel business, financial guarantees business, and carried out specific audit on off-balance sheet activities, agency business, inter-bank business, wealth management business, credit card business, anti-money laundering, e-banking business, services for the convenience of the customers, credit risks, and behavior of staff. Greater efforts were devoted to consolidated supervision and regulation. The department carried out true audit and internal control assessments on the completion and status of the operation target towards the controlled village and township banks, and coordinated and conducted examination of criminal risks towards internal audit lines, to strengthen the intrinsic motivation for precaution of risky cases. The department upgraded and transformed the audit information system, and included the whole-process management of audit projects into the audit information system, so as to improve informatization of auditing. It also pushed forward the professionalism of auditors, and improved the professional competence. By enhancing the level of internal control within the Group as a whole, steady and sustainable development of respective businesses were facilitated.

OUTLOOK

In the first half of 2016, recovery of the world economy was weaker than expected and risk factors increased. The economic growth of the developed economies was lack of spotlight and the emerging economies remained weak. The unclear FED rate hike will disturb market sentiment, and the Brexit will take a heavy toll on the EU and even then global economy. The Chinese economy has entered into a critical stage of structural adjustment, transformation and upgrading, with its GDP grew year-on-year by 6.7% in the first half of the year, maintaining an overall stable development trend with improvement. Key performance indicators were stable and in line with expectation, the economic development achieved improvements in terms of quality. In the second half of the year, and the economic growth continued with the layout of cyclical stability as seen in the first half of the year, and ultimately achieved the expected full year growth targets. Chongqing will continue to promote and deepen the development strategies of the “Five Major Functional Areas”, which have distinctive regional features and integrate labor division and synergistic operation. It has strengthened the coordination of economic development in Chongqing. GDP grew year-on-year by 10.6% in the first half of the year, up by 3.9 percentage points than the national level, continuing a rapid and steady development.

The performance of the Bank in the first half of 2016 with respect to different divisions is strong as a whole, leading to steady development in asset scale, overall stability in asset quality and ongoing stability in profitability. In the second half of the year. The Group will enhance the analysis and prediction of macroeconomic situation, fully understand the potential impact of complicated environment, follow the target set by directors, actively cope with challenges, adhere to the basis of seeking progress while maintaining stability and achieving sound development, adhere to the risk bottom line, overcome management constraints, increase management level, accelerate the listing on A share market, practically prevent financial risks, so as to complete the whole year’s task.

Changes in Share Capital and Particulars of Shareholders

MOVEMENT IN SHARES

Unit: share, %

	1 January 2016		Increase/(decrease) +/ (-) during the Reporting Period					30 June 2016		
	Number of shares	Percentage	Private placement	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
(I) Shares not subject to trading restrictions										
1. Non-overseas listed shares held by legal persons	5,228,258,559	56.22	-	-	-	-	-	-	5,228,258,559	56.22
Including: ① Shares held by state-owned legal person shareholders ¹	2,109,362,459	22.68	-	-	-	-	-	-	2,109,362,459	22.68
② Shares held by private legal person shareholders	3,118,896,100	33.54	-	-	-	-	-	-	3,118,896,100	33.54
2. Non-overseas listed shares held by natural persons	1,558,405,400	16.76	-	-	-	-	-	-	1,558,405,400	16.76
Including: ① Shares held by natural persons who are employees	147,412,790	1.59	-	-	-	-	4,243,320	4,243,320	151,656,110	1.63
② Shares held by natural persons other than employees	1,409,807,295	15.16	-	-	-	-	(4,173,070)	(4,173,070)	1,405,634,225	15.11
③ Shares held by shareholders without affirmed ownership ²	1,185,315	0.01	-	-	-	-	(70,250)	(70,250)	1,115,065	0.01
3. Overseas listed foreign shares	2,513,336,041	27.03	-	-	-	-	-	-	2,513,336,041	27.03
(II) Total number of shares	9,300,000,000	100.00	-	-	-	-	-	-	9,300,000,000	100.00

Notes:

- Shareholding of state-owned legal person refers to non-overseas listed shares of the Bank held by 13 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司).
- Shareholders without affirmed ownership refer to untraceable shareholders of the Bank. Share interests held by them are shares of the former rural credit cooperatives, and they have not confirmed their ownership in the shares of the Bank. (Note: During the Reporting Period, 70,250 shares held at the time of the former rural credit cooperatives have their ownership affirmed in the shares of the Bank whilst the number of shares held by shareholders without affirmed ownership amounted to 1,115,065 shares.)

ISSUE, PURCHASE, SALE AND REDEMPTION OF SECURITIES

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

ISSUED BONDS

During the Reporting Period, there had not been any default by the Bank in respect of repayment of the principal and interests of the RMB5 billion callable tier 2 capital bonds issued on 19 June 2014 in the PRC inter-bank bond market or any matters in connection therewith.

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.

Changes in Share Capital and Particulars of Shareholders

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	Numbers of shares pledged	Type of share
01	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	state-owned	629,304,418	6.77	300,000,000	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 Holding Co., Ltd (隆鑫控股有限公司)	private enterprise	570,000,000	6.13	470,000,000	Non-overseas listed shares
04	CHONGQING CASIN GROUP CO., LTD (重慶財信企業集團有限公司)	private enterprise	433,340,000	4.66	326,672,000	Non-overseas listed shares
05	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	state-owned	423,431,972	4.55	–	Non-overseas listed shares
06	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	149,900,000	Non-overseas listed shares
07	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門高鑫泓股權投資有限公司)	private enterprise	200,000,000	2.15	80,000,000	Non-overseas listed shares
08	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	120,000,000	Non-overseas listed shares
09	Jiangsu Huaxi Group Corporation (江蘇華西集團公司)	private enterprise	150,000,000	1.61	120,000,000	Non-overseas listed shares
10	Chongqing Water Group Co., Ltd (重慶水務集團股份有限公司)	state-owned	125,000,000	1.34	–	Non-overseas listed shares
Total			3,602,511,611	38.74	1,566,572,000	

Notes: 1. As at the end of the Reporting Period, the aforesaid shareholding percentage of non-overseas listed shares is based on the total share capital of the Bank of RMB9.3 billion;

2. As at the end of the Reporting Period, the pledge of non-overseas listed shares exceeds 20% of all the equity of the Bank in which 36,610,000 shares and 11,110,000 shares are involved in judicial freezing and judicial sales respectively, representing 0.39% and 0.12% of the pledged non-overseas listed shares, respectively.

SUBSTANTIAL INTERESTS AND SHORT POSITIONS

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

Domestic Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	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 Holding Co., Ltd (隆鑫控股有限公司)	Beneficial Owner	570,000,000	8.40	6.13

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held	% of the total issued H share capital of the Bank	% of the total share capital of the Bank
Blackrock, Inc.	Interest of controlled corporations	215,442,243(L) 7,078,000(S)	8.57(L) 0.28(S)	2.32 0.08

Note: (L) – Long position, (S) – Short position

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 Co., Ltd. (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 major shareholders of the Bank.

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

Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (formerly known as Chongqing Yufu Assets Management Company Limited (重慶渝富資產經營管理有限公司)) which was established on 27 February 2004, is a solely state-owned comprehensive assets operation and management company organised under the approval of Chongqing Municipal Government. It was under supervision of Chongqing State-owned Assets Supervision and Administration Commission as a municipal state-owned key enterprise. Under the approval of the Administration for Industry and Commerce of Chongqing, it was renamed as its current name on 28 June 2011 and currently has a registered capital of RMB10 billion.

Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) (formerly known as Chongqing City Construction Investment Company (重慶市城市建設投資公司)) is a solely state-owned enterprise established under the approval of Chongqing Municipal Government in 26 February 1993 and authorised to raise and manage capital for city construction. Under the approval of the Administration for Industry and Commerce of Chongqing, it was renamed as its current name on 7 January 2011, with a current registered capital of RMB6 billion.

Loncin Holding Co., Ltd (隆鑫控股有限公司) is a key private enterprise in Chongqing city. It was established on 22 January 2003 and currently has a registered capital of RMB1 billion. It has been listed among "Top 500 Chinese Enterprises".

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

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

As at the end of the Reporting Period, the interests or short positions of the directors, supervisors and the chief executive of the Bank or their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the 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 the 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 share capital of the Bank
Zuo Ruilan	Beneficial Owner	11,900	0.00017	0.00013
Zhu Yuzhou	Beneficial Owner	37,600	0.00055	0.00040

Other than as disclosed above, none of the directors, supervisors and the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at the end of the Reporting Period.

Directors, Supervisors and Senior Management

DIRECTORS OF THE BANK

As of the Latest Practicable Date, the Board of Directors comprised a total of 11 directors, including two executive directors, namely Mr. Liu Jianzhong (Chairman of the Board of Directors and Secretary to the Party Committee) and Mr. Xie Wenhui (President and Deputy Secretary to the Party Committee); five non-executive directors, namely Mr. He Zhiming, Mr. Sun Lida, Mr. Duan Xiaohua, Ms. Chen Xiaoyan and Mr. Wen Honghai; and four independent non-executive directors, namely, Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Yuan Zengting and Mr. Cao Guohua.

On 24 August 2016, Mr. Zheng Haishan resigned as a non-executive director of the Bank and a member of the Audit Committee under the Board of Directors.

SUPERVISORS OF THE BANK

As at the end of the Reporting Period, the Board of Supervisors of the Bank comprised a total of eight supervisors, including two shareholder representative supervisors, namely Mr. Zeng Jianwu and Ms. Zuo Ruilan; three external supervisors, namely Mr. Wang Hong, Mr. Pan Like and Mr. Hu Shuchun; and three employee representative supervisors, namely Ms. Ni Yuemin (Chairwoman of the Board of Supervisors), Mr. Zheng Yi and Mr. Zhu Yuzhou.

SENIOR MANAGEMENT OF THE BANK

The Bank held the 16th meeting of the third session of the Board of Directors on 26 February 2016 to terminate the position of Mr. Ling Jiaquan as the Controller General of the Bank.

The Bank received a dismissal letter from Chongqing State-owned Assets Supervision and Administration Commission on 19 April 2016 to terminate the position of Mr. Wang Rong as the Senior Manager of the Bank.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted a code of conduct regarding securities transactions by directors and supervisors and relevant employees no less exacting than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors of the Bank confirmed that they have complied with the aforesaid code throughout the six months ended 30 June 2016.

CORPORATE GOVERNANCE

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

For the six months ended 30 June 2016, the Bank had been observing and complying with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Meanwhile, the Bank had been complying with most of the recommended best practices set out in the aforementioned code.

IMPLEMENTATION OF DIVIDENDS DISTRIBUTION

Upon the approval of the 2015 AGM of the Bank, the Bank distributed final cash dividends for 2015 on 11 August 2016 of RMB0.20/HKD0.235811 per share (tax inclusive) and RMB1,860 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 after close of trading as at 29 June 2016.

The Bank did not declare any interim dividend for 2016 (2015: nil).

MATERIAL RELATED PARTY TRANSACTIONS

As at the end of the Reporting Period, the loan balance of material related party transactions with related parties amounted to RMB12,752 million, accounting for 4.26% of the total loans of the Bank. Loans under the material related party transactions between the Bank and related parties had no negative impact on operating results and the financial position of the Bank.

MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

During the Reporting Period, there were no material legal proceedings or arbitrations which had substantial impact on the operating activities of the Bank.

As at the end of the Reporting Period, pending legal proceedings in which the Bank was involved as a defendant or a third party amounted to RMB10,548.6 thousand. 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 CSRC 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 of the Bank gave any undertakings.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

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

MAJOR CAPITAL OPERATION

The resolutions regarding the Bank's A Share initial public offering and listing were considered and approved at the Bank's 2015 AGM, and the Bank has been making progress in this respect in an orderly manner.

SUBSEQUENT EVENTS

As of the Latest Practicable Date, the Bank had no material subsequent event.

THE REVIEW

The Bank's interim condensed consolidated financial information for the six months ended 30 June 2016 prepared in accordance with International Financial Reporting Standards had been reviewed by PricewaterhouseCoopers, who had issued an unqualified review opinion.

The Bank's interim report for the six months ended 30 June 2016 had been reviewed by the Audit Committee under the Board of Directors of the Bank and the Board of Directors.

Report on Review of Interim Financial Information

To the board of directors of Chongqing Rural Commercial Bank Co., Ltd.

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

Introduction

We have reviewed the interim financial information set out on pages 80 to 141, which comprises the condensed consolidated statement of financial position of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

30 August 2016

Condensed Consolidated Statement of Income

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Interest income	5	16,472,075	17,565,895
Interest expense	5	(6,685,318)	(7,794,361)
Net interest income		9,786,757	9,771,534
Fee and commission income	6	1,220,568	717,168
Fee and commission expense	6	(42,492)	(33,113)
Net fee and commission income		1,178,076	684,055
Net trading (loss)/gain	7	(32,768)	4,017
Other operating income, net	8	65,817	68,264
Operating income		10,997,882	10,527,870
Operating expenses	9	(4,140,119)	(4,146,727)
Impairment losses on assets	10	(1,300,374)	(1,240,715)
Net gain/(loss) on disposal of available-for-sale financial assets		64,760	(1,916)
Net gain on disposal of debt securities classified as receivables		36,187	1,595
Profit before tax		5,658,336	5,140,107
Income tax expense	11	(1,452,380)	(1,221,073)
Profit for the period		4,205,956	3,919,034
Attributable to:			
Equity holders of the Bank		4,175,292	3,887,520
Non-controlling interests		30,664	31,514
		4,205,956	3,919,034
Earnings per share (Expressed in RMB Yuan per share)			
– Basic/Diluted	12	0.45	0.42

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Profit for the period	4,205,956	3,919,034
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
– Actuarial gain/(loss) on defined benefit plans	30	(36,890)
– Income tax relating to actuarial gain/(loss)	(8)	9,223
	<u>22</u>	<u>(27,667)</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale financial assets		
– fair value gain for the period	224,064	53,352
– amount reclassified to profit or loss upon disposal	(64,760)	1,916
Income tax relating to available-for-sale financial assets	(39,826)	(13,817)
	<u>119,478</u>	<u>41,451</u>
Other comprehensive income for the period (net of tax)	<u>119,500</u>	<u>13,784</u>
Total comprehensive income for the period	<u>4,325,456</u>	<u>3,932,818</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	4,294,792	3,901,304
Non-controlling interests	<u>30,664</u>	<u>31,514</u>
Total comprehensive income for the period	<u>4,325,456</u>	<u>3,932,818</u>

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

Condensed Consolidated Statement of Financial Position

At 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

		30 June 2016 (Unaudited)	31 December 2015 (Audited)
	NOTE		
ASSETS			
Cash and balances with central bank	14	98,028,530	78,500,278
Deposits with banks and other financial institutions	15	53,927,293	44,764,501
Placements with banks and other financial institutions	16	65,478,337	74,000,584
Financial assets held for trading	17	–	1,246,612
Financial assets designated at fair value through profit or loss	18	1,009,400	2,909,700
Derivative financial assets	19	8,041	1,510
Financial assets held under resale agreements	20	7,372,060	34,549,303
Loans and advances to customers	21	286,887,097	257,540,907
Available-for-sale financial assets	22	12,801,580	12,501,623
Held-to-maturity investments	23	69,649,127	63,649,584
Debt securities classified as receivables	24	163,338,363	133,076,127
Property and equipment	25	5,288,048	5,211,197
Goodwill	26	440,129	440,129
Deferred tax assets	34	2,574,448	2,553,866
Other assets	27	5,344,610	5,859,294
Total assets		772,147,063	716,805,215
LIABILITIES			
Borrowings from central bank		19,823,630	5,719,040
Deposits from banks and other financial institutions	28	74,903,131	87,194,599
Placements from banks and other financial institutions	29	18,196,032	12,663,055
Derivative financial liabilities	19	8,028	1,510
Financial assets sold under repurchase agreements	30	22,029,305	44,899,172
Deposits from customers	31	521,814,808	470,228,193
Accrued staff costs	32	3,599,251	4,025,192
Tax payable		738,091	923,596
Debt securities issued	33	50,822,797	34,846,782
Other liabilities	35	9,438,733	8,016,275
Total liabilities		721,373,806	668,517,414

Condensed Consolidated Statement of Financial Position (Continued)

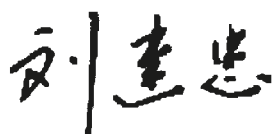
At 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	30 June 2016 (Unaudited)	31 December 2015 (Audited)
EQUITY			
Share capital	36	9,300,000	9,300,000
Capital reserve	37	9,201,954	9,201,954
Investment revaluation reserve	38	225,313	105,835
Actuarial changes reserve		(111,707)	(111,729)
Surplus reserve	39	7,798,116	7,798,116
General reserve	40	9,415,927	8,017,146
Retained earnings		<u>13,367,982</u>	<u>12,451,471</u>
Equity attributable to equity holders of the Bank		49,197,585	46,762,793
Non-controlling interests		<u>1,575,672</u>	<u>1,525,008</u>
Total equity		<u>50,773,257</u>	<u>48,287,801</u>
Total equity and liabilities		<u>772,147,063</u>	<u>716,805,215</u>

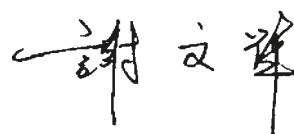
The accompanying notes form an integral part of these condensed consolidated financial statements.

The condensed consolidated financial statements on pages 80 to 141 were approved and authorised for issue by the Board of Directors on 30 August 2016 and are signed on its behalf by:



Liu Jianzhong

CHAIRMAN



Xie Wenhui

EXECUTIVE DIRECTOR
AND PRESIDENT

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Attributable to equity holders of the Bank							Non-Controlling Interests	Total	
		Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Investment revaluation reserve	Actuarial changes reserve			
As at 1 January 2016		9,300,000	9,201,954	7,798,116	8,017,146	12,451,471	105,835	(111,729)	46,762,793	1,525,008	48,287,801
Profit for the period		-	-	-	-	4,175,292	-	-	4,175,292	30,664	4,205,956
Other comprehensive income		-	-	-	-	-	119,478	22	119,500	-	119,500
Total comprehensive income for the period		-	-	-	-	4,175,292	119,478	22	4,294,792	30,664	4,325,456
Contribution of non-controlling shareholders		-	-	-	-	-	-	-	-	20,000	20,000
Appropriation to general reserve	40	-	-	-	1,398,781	(1,398,781)	-	-	-	-	-
Dividend distribution	13	-	-	-	-	(1,860,000)	-	-	(1,860,000)	-	(1,860,000)
As at 30 June 2016 (Unaudited)		9,300,000	9,201,954	7,798,116	9,415,927	13,367,982	225,313	(111,707)	49,197,585	1,575,672	50,773,257
As at 1 January 2015		9,300,000	9,201,954	7,079,309	6,371,219	9,452,907	36,718	(16,157)	41,425,950	1,422,459	42,848,409
Profit for the period		-	-	-	-	3,887,520	-	-	3,887,520	31,514	3,919,034
Other comprehensive income		-	-	-	-	-	41,451	(27,667)	13,784	-	13,784
Total comprehensive income for the period		-	-	-	-	3,887,520	41,451	(27,667)	3,901,304	31,514	3,932,818
Appropriation to general reserve	40	-	-	-	1,575,040	(1,575,040)	-	-	-	-	-
Dividend distribution	13	-	-	-	-	(1,860,000)	-	-	(1,860,000)	-	(1,860,000)
As at 30 June 2015(Unaudited)		9,300,000	9,201,954	7,079,309	7,946,259	9,905,387	78,169	(43,824)	43,467,254	1,453,973	44,921,227

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Operating activities		
Profit before tax	5,658,336	5,140,107
Adjustments for:		
Depreciation and amortisation	333,008	310,801
Impairment losses on assets	1,300,374	1,240,715
Interest income arising from debt securities	(5,304,616)	(3,705,362)
Interest income arising from impaired financial assets	(35,805)	(40,932)
Interest expense arising from debt securities issued	604,071	240,189
Net (gain)/loss on disposal of investment securities	(100,947)	321
Net gain on disposal of property and equipment	(2,555)	(5,850)
Net loss/(gain) on financial assets held for trading	20,560	(3,500)
Exchange gain	(17,770)	(5,802)
Operating cash flows before movements in working capital	<u>2,454,656</u>	<u>3,170,687</u>
Increase in balances with central bank, deposits with banks and other financial institutions	(9,897,498)	(1,738,195)
Decrease/(Increase) in placements with banks and other financial institutions	1,004,229	(2,703,015)
Decrease in financial assets held under resale agreements	9,149,911	8,992,905
Decrease in financial assets held for trading	1,226,040	–
Increase in loans and advances to customers	(30,633,102)	(22,372,842)
Decrease in financial assets designated at fair value through profit or loss	1,900,300	11,622,015
Decrease in financial assets sold under repurchase agreements	(22,869,867)	(4,222,024)
Increase in deposits from customers, deposits from banks and other financial institutions	39,295,147	46,963,440
Increase/(Decrease) in borrowings from central bank	14,104,590	(6,393,800)
Increase in placements from banks and other financial institutions	5,532,977	3,799,590
Decrease in financial liabilities designated at fair value through profit or loss	–	(500,000)
Decrease/(Increase) in other operating assets	763,327	(249,674)
Decrease in other operating liabilities	(1,016,464)	(2,032,660)
Cash generated by operating activities	<u>11,014,246</u>	<u>34,336,427</u>
Income tax paid	<u>(1,698,301)</u>	<u>(1,152,164)</u>
Net cash from operating activities	<u>9,315,945</u>	<u>33,184,263</u>

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Investing activities			
Cash received from disposal and redemption of investment securities		165,147,920	51,227,408
Interest income received from investment securities		5,475,046	3,668,861
Cash received from disposal of property and equipment and other assets		52,563	153,115
Cash paid for purchase of investment securities		(201,554,814)	(98,445,141)
Cash paid for purchase of property and equipment and other assets		(459,084)	(888,218)
Net cash used in investing activities		(31,338,369)	(44,283,975)
Financing activities			
Contribution from non-controlling shareholders		20,000	—
Debt securities issued		67,461,444	18,280,125
Dividends paid to shareholders of the Bank		(5,888)	(28)
Redemption of bonds issued		(51,930,000)	(5,900,000)
Interest paid on debt securities issued		(319,000)	(319,000)
Net cash from financing activities		15,226,556	12,061,097
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents as at 1 January		83,209,705	55,083,187
Effect of foreign exchange rate changes		44,065	(3,411)
Cash and cash equivalents as at 30 June	41	<u>76,457,902</u>	<u>56,041,161</u>

		Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Net cash from operating activities include:			
Interest received		11,527,389	14,117,193
Interest paid		(7,741,027)	(8,173,322)
Net interest received from operating activities		<u>3,786,362</u>	<u>5,943,871</u>

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

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

(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 a corporate legal person business license with a unified social credit code 91500000676129728J issued by the Chongqing Administration of Industry and Commerce.

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 (“IAS 34”) Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated financial information contains selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2015. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards. Therefore the condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES

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

Except for those described below, the accounting policies and methods of computation used in preparing the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015. The condensed consolidated financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

New and revised IFRSs effective by 1 January 2015 adopted by the Group

Amendments to IAS 1	Amendment to Disclosure Initiative	1 January 2016
Amendments to IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Clarification of methods of disposal	1 January 2016
Amendments to IFRS 7	Financial Instruments: Disclosures – Clarification regarding servicing contracts and interim financial statements	1 January 2016
Amendments to IFRS 10 and Amendments to IAS 28	On the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
IAS 19	Employee Benefits – Clarification of determination of discount rates for post-employment benefit obligations	1 January 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	1 January 2016
IAS 34	Interim Financial Reporting – Clarification of information disclosed elsewhere in the interim financial report	1 January 2016

The application of these new and revised IFRSs do not have significant impacts on the Group's operating results, comprehensive income and financial position.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Standards and amendments that are not yet effective and have not been adopted by the Group

		Effective for annual periods beginning on or after
Amendments to IAS 7	Statement of Cash flow – Amendments to disclosure initiative	1 January 2017
Amendments to IAS 12	On recognition of deferred tax assets for unrealized loss	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leasing	1 January 2019
Amendments to IFRS 10 and Amendments to IAS 28	On the Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	Deferred indefinitely

The Group is in the process of assessing the impact of these new standards and amendments in the financial statements. So far it has concluded that the adoption of them is unlikely to have significant impact on the financial statements except for the followings:

In July 2014, the IASB has published the complete version of IFRS 9, “Financial instruments”, which replaces the guidance in IAS 39, “Financial Instruments: Recognition and Measurement”. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the incurred loss impairment model used currently. It also includes the final hedging part of IFRS 9 that was issued in November 2013. The Group is currently evaluating the impacts of this standard.

The IASB has amended IFRS 15, “Revenue from contracts with customers”. In April 2016, IASB issued the amendment of IFRS 15 to clarify three areas: the principal versus agent assessment (revenue gross vs net presentation), identifying distinct performance obligation and accounting for licence. The Group is currently evaluating the impacts of this standard.

On 13 January 2016, the IASB published IFRS 16, “Leases”, which replaces the current guidance in IAS 17, “Leases”. This will require far-reaching changes in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The Group is currently evaluating the impacts of this standard.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

4. SUBSIDIARIES

As at 30 June 2016, details of the Bank's subsidiaries are set out below:

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital (Renminbi: million)	Proportion of equity interest (%)	Proportion of voting power in the board of directors (%)	Principal activities
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.	23 April 2010	Jiangsu	200	51.00	51.00	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.	12 November 2010	Sichuan	100	51.00	51.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd.	14 December 2010	Yunnan	200	51.00	51.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.	4 December 2012	Yunnan	100	51.00	51.00	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd.	9 January 2013	Yunnan	100	51.00	51.00	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.	9 January 2013	Guangxi	100	51.00	51.00	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd.	4 February 2013	Fujian	100	51.00	51.00	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd.	5 February 2013	Fujian	200	51.00	51.00	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.	23 April 2013	Yunnan	62	82.26	82.26	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd.	9 August 2013	Fujian	100	51.00	51.00	Banking
Fujian Shishi CQRC Village and Township Bank Co., Ltd.	2 September 2015	Fujian	200	51.00	51.00	Banking
Yunnan Xishan CQRC Village and Township Bank Co., Ltd.	5 January 2016	Yunnan	200	90.00	90.00	Banking
CQRC Financial Leasing Co., Ltd.	19 December 2014	Chongqing	2,500	68.00	68.00	Financial Leasing

The proportion of equity interest and proportion of voting power in the board of directors remained the same as above for the six months ended 30 June 2016.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET INTEREST INCOME

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Interest income		
Loans and advances to customers	7,746,941	8,483,417
Including: Corporate loans and advances	4,822,865	4,857,929
Personal loans and advances	2,794,587	3,372,279
Discounted bills	129,489	253,209
Debt securities classified as receivables	3,540,282	1,980,085
Held-to-maturity investments	1,597,530	1,497,833
Placements with banks and other financial institutions	1,405,000	2,122,102
Deposits with banks and other financial institutions	935,958	527,151
Balances with central bank	580,689	609,201
Financial assets held under resale agreements	379,424	1,635,634
Available-for-sale financial assets	166,804	227,444
Financial assets designated at fair value through profit or loss	73,235	469,462
Financial assets held for trading	46,212	13,566
Subtotal	<u>16,472,075</u>	<u>17,565,895</u>
Interest expense		
Deposits from customers	(4,221,142)	(4,790,452)
Deposits from banks and other financial institutions	(1,004,737)	(1,521,642)
Debt securities issued	(604,071)	(240,189)
Financial assets sold under repurchase agreements	(339,250)	(841,998)
Placements from banks and other financial institutions	(262,418)	(310,629)
Borrowings from central bank	(253,700)	(89,451)
Subtotal	<u>(6,685,318)</u>	<u>(7,794,361)</u>
Net interest income	<u>9,786,757</u>	<u>9,771,534</u>
Included: interest income on impaired financial assets (Note 21.(3))	<u>35,805</u>	<u>40,932</u>
Included in interest income		
Interest income on listed investments	2,735,126	2,472,040
Interest income on unlisted investments	<u>2,688,937</u>	<u>1,716,350</u>
Total	<u>5,424,063</u>	<u>4,188,390</u>

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Fee and commission income		
Wealth management fees	714,477	368,698
Bank card fees	211,642	189,308
Agency and custodian service commissions	154,118	111,138
Settlement and clearing fees	75,815	29,059
Collection and payment service fees	7,625	2,967
Others	56,891	15,998
Subtotal	<u>1,220,568</u>	<u>717,168</u>
Fee and commission expense		
Bank card fees	(28,806)	(26,327)
Settlement and clearing fees	(4,072)	(5,746)
Other service fees	(9,614)	(1,040)
Subtotal	<u>(42,492)</u>	<u>(33,113)</u>
Total	<u>1,178,076</u>	<u>684,055</u>

7. NET TRADING GAIN OR LOSS

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Net (loss)/gain on held-for-trading debt securities	(32,781)	4,017
Net gain on derivatives	13	—
Total	<u>(32,768)</u>	<u>4,017</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

8. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Government subsidies	29,426	29,059
Net gain on disposal of property and equipment	2,555	5,850
Exchange gain	17,770	5,802
Rental income	4,532	5,115
Others	11,534	22,438
Total	<u>65,817</u>	<u>68,264</u>

9. OPERATING EXPENSES

	NOTE	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Staff costs	(1)	2,560,260	2,440,738
Business tax and surcharges		551,311	725,371
General operating and administrative expenses		544,659	537,603
Depreciation and amortisation		333,008	310,801
Auditor's remuneration		1,585	1,871
Others		149,296	130,343
Total		<u>4,140,119</u>	<u>4,146,727</u>

(1) Staff costs

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Salaries, bonuses and allowances	1,636,334	1,674,849
Social insurance	368,984	357,046
Housing funds	161,165	152,896
Staff welfare	66,941	48,465
Labour union fees and staff education expenses	55,986	57,112
Supplementary retirement benefits (Note 32(1))	326,620	106,120
Early retirement benefits (Note 32(2))	(55,770)	44,250
Total	<u>2,560,260</u>	<u>2,440,738</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

10. IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Loans and advances to customers	1,194,480	1,028,852
Debt securities classified as receivables	142,897	179,473
Foreclosed assets	486	–
Held-to-maturity investments	(37,489)	32,390
Total	<u>1,300,374</u>	<u>1,240,715</u>

11. INCOME TAX EXPENSE

(1) Income tax expense

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	1,512,796	1,167,963
Deferred tax (Note 34)	(60,416)	53,110
Total	<u>1,452,380</u>	<u>1,221,073</u>

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

11. INCOME TAX EXPENSE (Continued)

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

The tax charges for the six months ended 30 June 2016 and 30 June 2015 can be reconciled to the profit before tax per the condensed consolidated statement of profit or loss as follows:

	NOTE	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Profit before tax		5,658,336	5,140,107
Tax calculated at applicable statutory tax rate of 25%		1,414,584	1,285,027
Difference of income tax calculated at subsidiaries' applicable statutory tax rate of 15%		(12,321)	–
Tax effect of expenses not deductible for tax purpose		106,384	(18,325)
Tax effect of income not taxable for tax purpose	(i)	(56,267)	(45,629)
Income tax expense		<u>1,452,380</u>	<u>1,221,073</u>

- (i) Income not taxable for tax purpose mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

12. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Earnings:		
Profit for the period attributable to equity holders of the Bank	4,175,292	3,887,520
Numbers of shares:		
Weighted average number of shares in issue (<i>thousand</i>)	9,300,000	9,300,000
Basic and diluted earnings per share (<i>RMB Yuan</i>)	0.45	0.42

There were no potential dilutive ordinary shares outstanding during the current and prior periods. Accordingly, diluted earnings per share were same as basic earnings per share.

13. DIVIDENDS

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Dividends recognised as distribution during the period		
Year 2015 Final		
– RMB20 cents per share	1,860,000	–
Year 2014 Final		
– RMB20 cents per share	–	1,860,000

A dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2015, in total of RMB1,860 million, has been proposed by the board of directors on 18 March 2016, and was approved by the shareholders in the 2015 annual general meeting held on 17 June 2016.

A dividend of RMB20 cents per share (tax inclusive) in respect of the year ended 31 December 2014, in total of RMB1,860 million, has been proposed by the board of directors on 27 March 2015, and was approved by the shareholders in the 2014 annual general meeting held on 19 June 2015.

The Bank will not distribute interim dividend for 2016.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

14. CASH AND BALANCES WITH CENTRAL BANK

	NOTE	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Cash		3,279,435	3,628,717
Mandatory reserve deposits with central bank	(1)	67,929,673	66,814,035
Surplus reserve deposits with central bank	(2)	25,186,514	6,562,408
Other deposits with central bank	(3)	<u>1,632,908</u>	<u>1,495,118</u>
Total		<u>98,028,530</u>	<u>78,500,278</u>

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

As at 30 June 2016, mandatory reserve deposits with the PBOC were calculated at 13.5% (31 December 2015: 14%) of eligible RMB deposits for the Bank, while for the subsidiaries at 9%, 8% or 7% (31 December 2015: 9.5%, 8.5% or 7.5%); and 5% for foreign currency deposits from customers (31 December 2015: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing and position transferring.
- (3) The item, other deposits with central bank, mainly represents the required fiscal deposits placed with the PBOC, which are non-interest bearing.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

15. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Deposits with:		
Domestic banks and other financial institutions	53,006,810	44,321,584
Overseas banks	<u>920,483</u>	<u>442,917</u>
Total	<u><u>53,927,293</u></u>	<u><u>44,764,501</u></u>

16. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Placements with:		
Other domestic financial institutions	61,385,121	65,215,649
Domestic banks	<u>4,093,216</u>	<u>8,784,935</u>
Total	<u><u>65,478,337</u></u>	<u><u>74,000,584</u></u>

17. FINANCIAL ASSETS HELD FOR TRADING

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Debt securities issued by:		
Public sector and quasi-governments	–	1,068,587
Corporations	<u>–</u>	<u>178,025</u>
Total	<u><u>–</u></u>	<u><u>1,246,612</u></u>

All held-for-trading financial assets are traded on the China Interbank Bond Market.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

18. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Unlisted debt instruments issued by financial institutions	<u>1,009,400</u>	<u>2,909,700</u>

There were no significant changes in the fair value of the debt instruments that were attributable to changes in the credit risk during the six months ended 30 June 2016 and 2015.

19. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 30 June 2016 (Unaudited)			As at 31 December 2015 (Audited)		
	Contract/ Nominal amount	Assets	Liabilities	Contract/ Nominal amount	Assets	Liabilities
Currency forward	<u>1,139,001</u>	<u>8,041</u>	<u>(8,028)</u>	<u>1,109,739</u>	<u>1,510</u>	<u>(1,510)</u>

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	NOTE	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Analysed by collateral type:			
Trust beneficial rights and assets management plans	(1)	3,578,010	12,727,921
Debt securities		3,300,000	822,800
Bills		<u>494,050</u>	<u>20,998,582</u>
Total		<u>7,372,060</u>	<u>34,549,303</u>

(1) The underlying investments were debt instruments with fixed or determinable return and fixed maturity.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Gross loans and advances	299,021,428	268,585,699
Less: Allowance for impairment loss		
– Collectively assessed	(11,486,180)	(10,377,498)
– Individually assessed	(648,151)	(667,294)
Allowance for impairment loss	(12,134,331)	(11,044,792)
Net loans and advances to customers	<u>286,887,097</u>	<u>257,540,907</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

21. 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 ⁽ⁱ⁾	Identified impaired loans and advances ⁽ⁱⁱ⁾			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	Sub-total		
As at 30 June 2016 (Unaudited)						
Gross loans and advances	296,055,714	1,793,073	1,172,641	2,965,714	299,021,428	0.99
Allowance for impairment loss	(9,991,107)	(1,495,073)	(648,151)	(2,143,224)	(12,134,331)	
Loans and advances to customers, net	<u>286,064,607</u>	<u>298,000</u>	<u>524,490</u>	<u>822,490</u>	<u>286,887,097</u>	
As at 31 December 2015 (Audited)						
Gross loans and advances	265,956,203	1,399,681	1,229,815	2,629,496	268,585,699	0.98
Allowance for impairment loss	(9,282,478)	(1,095,020)	(667,294)	(1,762,314)	(11,044,792)	
Loans and advances to customers, net	<u>256,673,725</u>	<u>304,661</u>	<u>562,521</u>	<u>867,182</u>	<u>257,540,907</u>	

- (i) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.
- (ii) 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 Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2016	667,294	10,377,498	11,044,792
Charge for the period	213,163	4,765,583	4,978,746
Reversal for the period	(60,963)	(3,723,303)	(3,784,266)
Written off	(151,242)	82,106	(69,136)
Unwinding of discount	(20,101)	(15,704)	(35,805)
As at 30 June 2016	<u>648,151</u>	<u>11,486,180</u>	<u>12,134,331</u>
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2015	660,425	8,017,304	8,677,729
Charge for the year	735,639	6,994,544	7,730,183
Reversal for the year	(264,791)	(4,487,141)	(4,751,932)
Written off	(412,458)	(120,342)	(532,800)
Unwinding of discount	(51,521)	(26,867)	(78,388)
As at 31 December 2015	<u>667,294</u>	<u>10,377,498</u>	<u>11,044,792</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	As at 30 June 2016 (Unaudited)		As at 31 December 2015 (Audited)	
	Amount	%	Amount	%
Corporate loans and advances				
Manufacturing	55,922,620	27.73	50,266,269	29.18
Water, environment and public utilities management	35,368,686	17.54	29,690,991	17.23
Financial services	21,382,218	10.61	5,559,605	3.23
Retail and wholesale	20,153,138	10.00	16,205,590	9.41
Real estate	16,646,494	8.26	17,700,062	10.27
Production and supply of electricity, gas and water	10,333,916	5.13	9,793,980	5.68
Leasing and commercial services	8,239,729	4.09	9,434,478	5.48
Transportation, logistics and postal service	7,614,571	3.78	7,174,656	4.16
Construction	7,511,969	3.73	8,039,648	4.67
Agriculture	4,214,843	2.09	5,126,821	2.98
Education	3,456,140	1.71	2,949,650	1.71
Mining	3,287,434	1.63	4,296,258	2.49
Others	7,462,967	3.70	6,046,490	3.51
Subtotal	<u>201,594,725</u>	<u>100.00</u>	<u>172,284,498</u>	<u>100.00</u>
Personal loans and advances				
Mortgage	43,457,477	44.61	44,099,685	45.79
Loans to private business and employment assistance loans	34,661,392	35.58	33,817,007	35.12
Credit card overdraft	6,235,664	6.39	6,373,153	6.62
Others	13,072,170	13.42	12,011,356	12.47
Subtotal	<u>97,426,703</u>	<u>100.00</u>	<u>96,301,201</u>	<u>100.00</u>
Total	<u>299,021,428</u>		<u>268,585,699</u>	

As at 30 June 2016, the contract amount of discounted bills included in corporate loans and advances is RMB22,104 million (31 December 2015: RMB6,982 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

21. 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:

	As at 30 June 2016 (Unaudited)			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	15,205,224	6,048,170	4,554,719	25,808,113
Guaranteed loans	39,100,237	15,668,416	11,638,192	66,406,845
Collateralised and other secured loans				
– loans secured by property and other immovable assets	52,846,165	46,533,508	61,299,985	160,679,658
– other pledged loans	27,976,291	5,718,853	12,431,668	46,126,812
Total	135,127,917	73,968,947	89,924,564	299,021,428

	As at 31 December 2015 (Audited)			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	12,548,584	5,391,150	5,645,781	23,585,515
Guaranteed loans	34,834,306	11,135,659	8,885,847	54,855,812
Collateralised and other secured loans				
– loans secured by property and other immovable assets	49,805,862	47,643,002	63,722,509	161,171,373
– other pledged loans	12,566,153	6,029,001	10,377,845	28,972,999
Total	109,754,905	70,198,812	88,631,982	268,585,699

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(6) Past due loans at contractual amount

	As at 30 June 2016 (Unaudited)				Total
	Up to 90 days	91- 360 days	361 days to 3 years	Over 3 years	
Unsecured loans	108,455	267,759	23,370	27,870	427,454
Guaranteed loans	499,677	272,424	218,570	24,834	1,015,505
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,667,370	1,673,161	1,046,235	109,828	4,496,594
– other pledged loans	90,153	25,375	690	–	116,218
Total	2,365,655	2,238,719	1,288,865	162,532	6,055,771

	As at 31 December 2015 (Audited)				Total
	Up to 90 days	91- 360 days	361 days to 3 years	Over 3 years	
Unsecured loans	150,971	138,466	12,229	28,082	329,748
Guaranteed loans	311,277	313,094	210,671	23,610	858,652
Collateralised and other secured loans					
– loans secured by property and other immovable assets	1,767,910	1,411,107	346,556	83,407	3,608,980
– other pledged loans	69,723	15,837	18,000	4	103,564
Total	2,299,881	1,878,504	587,456	135,103	4,900,944

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	NOTE	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Neither past due nor impaired	(i)	292,903,828	263,404,395
Past due but not impaired	(ii)	3,151,886	2,551,808
Impaired	(iii)	2,965,714	2,629,496
Subtotal		299,021,428	268,585,699
Less: Allowance for impairment loss		(12,134,331)	(11,044,792)
Net loans and advances to customers		286,887,097	257,540,907

(i) Loans and advances neither past due nor impaired

	As at 30 June 2016 (Unaudited)		
	Normal	Special mention	Total
Corporate loans and advances	194,064,784	4,870,625	198,935,409
Personal loans and advances	93,062,565	905,854	93,968,419
Total	287,127,349	5,776,479	292,903,828

	As at 31 December 2015 (Audited)		
	Normal	Special mention	Total
Corporate loans and advances	166,118,225	4,120,471	170,238,696
Personal loans and advances	92,844,253	321,446	93,165,699
Total	258,962,478	4,441,917	263,404,395

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

(i) Loans and advances neither past due nor impaired (continued)

The Group generally measures and manages the quality of credit risk-bearing assets based on the Guideline for Loan Credit Risk Classification issued by the CBRC, which requires the Group to classify loans into the following five categories: normal, special mention, sub-standard, doubtful and loss. The definition for normal and special mention is set out as below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special mention: Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.

(ii) Loans and advances past due but not impaired

	As at 30 June 2016(Unaudited)				
	Up to 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
Corporate loans and advances	335,566	247,723	203,364	700,023	1,486,676
Personal loans and advances	<u>977,010</u>	<u>293,148</u>	<u>232,391</u>	<u>162,661</u>	<u>1,665,210</u>
Total	<u>1,312,576</u>	<u>540,871</u>	<u>435,755</u>	<u>862,684</u>	<u>3,151,886</u>

	As at 31 December 2015 (Audited)				
	Up to 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
Corporate loans and advances	271,964	204,170	134,707	205,146	815,987
Personal loans and advances	<u>1,003,373</u>	<u>344,277</u>	<u>212,981</u>	<u>175,190</u>	<u>1,735,821</u>
Total	<u>1,275,337</u>	<u>548,447</u>	<u>347,688</u>	<u>380,336</u>	<u>2,551,808</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

(iii) Impaired loans and advances

	As at 30 June 2016 (Unaudited)		
	Contractual amount	Allowance for Impairment loss	Carrying value
Individually assessed	1,172,641	(648,151)	524,490
Collectively assessed	<u>1,793,073</u>	<u>(1,495,073)</u>	<u>298,000</u>
Total	<u><u>2,965,714</u></u>	<u><u>(2,143,224)</u></u>	<u><u>822,490</u></u>

	As at 31 December 2015 (Audited)		
	Contractual amount	Allowance for Impairment loss	Carrying value
Individually assessed	1,229,815	(667,294)	562,521
Collectively assessed	<u>1,399,681</u>	<u>(1,095,020)</u>	<u>304,661</u>
Total	<u><u>2,629,496</u></u>	<u><u>(1,762,314)</u></u>	<u><u>867,182</u></u>

Including:

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Individually assessed and impaired	<u>1,172,641</u>	<u>1,229,815</u>
Individually assessed and impaired loans and advances as percentage of gross loans and advances	<u>0.39%</u>	<u>0.46%</u>
Fair value of collateral	<u>2,799,963</u>	<u>2,475,849</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	NOTE	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Debt securities issued by:			
– Financial institutions		1,586,375	142,018
– Corporations		<u>11,046,240</u>	<u>12,184,264</u>
Subtotal		<u>12,632,615</u>	<u>12,326,282</u>
Equity instruments			
– At cost	(1)	113,563	113,563
– At fair value		<u>55,402</u>	<u>61,778</u>
Subtotal		<u>168,965</u>	<u>175,341</u>
Total		<u><u>12,801,580</u></u>	<u><u>12,501,623</u></u>
Analysed as:			
Listed outside Hong Kong	(2)	12,632,615	12,326,282
Unlisted		113,563	113,563
Listed in Hong Kong		<u>55,402</u>	<u>61,778</u>
Total		<u><u>12,801,580</u></u>	<u><u>12,501,623</u></u>

(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 Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

23. HELD-TO-MATURITY INVESTMENTS

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Debt securities issued by:		
– Government	13,880,107	12,299,976
– Public sector and quasi-governments	21,701,060	22,849,476
– Financial institutions	12,337,205	5,304,040
– Corporations	<u>22,002,655</u>	<u>23,505,481</u>
Subtotal	<u>69,921,027</u>	<u>63,958,973</u>
Less:		
Individually assessed allowance for impairment loss	(15,000)	–
Collectively assessed allowance for impairment loss	<u>(256,900)</u>	<u>(309,389)</u>
Total	<u><u>69,649,127</u></u>	<u><u>63,649,584</u></u>

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

24. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	NOTE	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Government bonds		3,431,000	1,087,000
Financial institution bonds		874,996	1,275,371
Corporate bonds		25,402,102	20,216,142
Trust and asset management plans		36,134,403	32,889,873
Wealth management products of other banks		<u>98,784,619</u>	<u>78,753,601</u>
Subtotal		<u>164,627,120</u>	<u>134,221,987</u>
Less: Collectively assessed allowance for impairment loss		<u>(1,288,757)</u>	<u>(1,145,860)</u>
Total		<u>163,338,363</u>	<u>133,076,127</u>
Analysed as:			
Unlisted		133,960,335	110,762,496
Listed outside Hong Kong	(1)	<u>29,378,028</u>	<u>22,313,631</u>
Total		<u>163,338,363</u>	<u>133,076,127</u>

- (1) Debt securities classified as receivables included bonds with fixed or determinable payments that are not quoted in an active market. They are traded on the China Domestic Interbank Bond Market and are included in "Listed outside Hong Kong".

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

25. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2015	4,056,695	860,448	112,500	523,837	799,159	6,352,639
Additions	365,663	148,032	8,991	154,156	864,850	1,541,692
Transferred in	604,974	36,634	–	2,430	(644,038)	–
Transferred to other assets	–	–	–	–	(77,171)	(77,171)
Disposals	(10,685)	(26,563)	(7,720)	(18,648)	–	(63,616)
As at 31 December 2015	5,016,647	1,018,551	113,771	661,775	942,800	7,753,544
Additions	101,481	13,019	2,759	22,991	292,820	433,070
Transferred in	105,345	428	–	2,190	(107,963)	–
Transferred to other assets	–	–	–	–	(1,875)	(1,875)
Disposals	(48,578)	(2,696)	(1,645)	(5,504)	–	(58,423)
As at 30 June 2016	<u>5,174,895</u>	<u>1,029,302</u>	<u>114,885</u>	<u>681,452</u>	<u>1,125,782</u>	<u>8,126,316</u>
Accumulated depreciation						
As at 1 January 2015	(1,238,054)	(456,935)	(63,802)	(240,936)	–	(1,999,727)
Charge for the year	(334,350)	(144,159)	(16,276)	(104,447)	–	(599,232)
Disposals	9,485	24,796	5,305	17,026	–	56,612
As at 31 December 2015	(1,562,919)	(576,298)	(74,773)	(328,357)	–	(2,542,347)
Charge for the period	(185,116)	(67,850)	(7,624)	(45,280)	–	(305,870)
Disposals	2,499	2,239	1,595	3,616	–	9,949
As at 30 June 2016	<u>(1,745,536)</u>	<u>(641,909)</u>	<u>(80,802)</u>	<u>(370,021)</u>	<u>–</u>	<u>(2,838,268)</u>
Carrying amount						
As at 30 June 2016	<u>3,429,359</u>	<u>387,393</u>	<u>34,083</u>	<u>311,431</u>	<u>1,125,782</u>	<u>5,288,048</u>
As at 31 December 2015	<u>3,453,728</u>	<u>442,253</u>	<u>38,998</u>	<u>333,418</u>	<u>942,800</u>	<u>5,211,197</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

26. GOODWILL

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

During the six months ended 30 June 2016, based on assessment performed by the Bank, there is no impairment for the goodwill (31 December 2015: Nil).

27. OTHER ASSETS

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Interest receivable	4,166,368	4,602,529
Land use rights	476,283	485,078
Foreclosed assets	110,683	113,357
Intangible assets	66,484	71,201
Others	<u>524,792</u>	<u>587,129</u>
Total	<u>5,344,610</u>	<u>5,859,294</u>

28. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Deposits from domestic banks	62,322,693	71,120,341
Deposits from other domestic financial institutions	<u>12,580,438</u>	<u>16,074,258</u>
Total	<u>74,903,131</u>	<u>87,194,599</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

29. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Placements from domestic banks and other financial institutions	18,031,291	12,371,192
Placements from overseas banks	<u>164,741</u>	<u>291,863</u>
Total	<u>18,196,032</u>	<u>12,663,055</u>

As at 30 June 2016, the Bank's subsidiary, CQRC Financial Leasing Co., Ltd., obtained financing through the Bank's issuance of non-guaranteed WMPs, amounted to RMB800 million (Note 44(1)). The Group recognised it as a part of placement from other banks and financial institutions.

30. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Analysed by collateral type:		
Debt securities	19,577,150	41,907,980
Bills	<u>2,452,155</u>	<u>2,991,192</u>
Total	<u>22,029,305</u>	<u>44,899,172</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

31. DEPOSITS FROM CUSTOMERS

	NOTE	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Demand deposits			
Corporate customers		116,118,485	94,032,717
Individual customers		99,824,609	90,975,265
Time deposits			
Corporate customers		20,564,513	19,926,151
Individual customers		274,126,131	254,696,688
Pledged deposits	(1)	11,105,394	10,512,490
Others (Including outward remittance and remittance outstanding)		<u>75,676</u>	<u>84,882</u>
Total		<u>521,814,808</u>	<u>470,228,193</u>

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

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Acceptances	7,262,778	6,291,451
Loans and receivables	950,370	992,628
Letters of guarantee	515,712	1,953,800
Letters of credit	82,671	102,199
Others	<u>2,293,863</u>	<u>1,172,412</u>
Total	<u>11,105,394</u>	<u>10,512,490</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

32. ACCRUED STAFF COSTS

	NOTE	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Salaries, bonuses and allowances		1,321,535	1,940,279
Supplementary retirement benefits	(1)	1,819,978	1,543,432
Early retirement benefits	(2)	314,123	408,392
Labor union fees and staff education expenses		143,615	133,089
Total		3,599,251	4,025,192

(1) Supplementary retirement benefits

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

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

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

The Group's obligation in respect of the supplementary retirement benefits at the end of the reporting period was calculated using the projected accumulated unit credit method by Towers Watson Management Consulting (Shenzhen) Co., Ltd., an external independent actuary.

Supplementary retirement benefits include supplementary pension and medical benefits.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

32. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

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

	As at 30 June 2016	As at 31 December 2015
Discount rate	3.50%	3.50%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2000-2003	

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

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Service cost:		
– Past service cost	300,520	150,490
Net interest expense	<u>26,100</u>	<u>53,720</u>
Components of supplementary retirement benefit costs recognised in profit or loss	<u>326,620</u>	<u>204,210</u>
Re-measurement on the net defined benefit liability included in staff costs:		
– Actuarial (gain)/loss arising from changes in financial assumptions	<u>(30)</u>	<u>127,430</u>
Components of supplementary retirement benefit cost recognised in other comprehensive income	<u>(30)</u>	<u>127,430</u>
Total	<u><u>326,590</u></u>	<u><u>331,640</u></u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

32. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its supplementary retirement benefit is as follows:

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Accrued staff costs		
– supplementary retirement benefit	<u>1,819,978</u>	<u>1,543,432</u>

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

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Defined benefit obligation at beginning of the period	1,543,432	1,301,460
Interest cost	26,100	53,720
(Gain)/Loss arising from re-measurement on the defined benefit liability:		
– Actuarial (gain)/loss arising from changes in financial assumptions	(30)	127,430
Past service cost	300,520	150,490
Benefits paid	<u>(50,044)</u>	<u>(89,668)</u>
Defined benefit obligation at end of the period	<u>1,819,978</u>	<u>1,543,432</u>

(2) Early retirement benefits

Early retirement benefits include basic salary and allowance paid monthly/yearly, social insurance contribution and housing fund, and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program to original and new retired staff until they reach their normal retirement age.

For the six months ended 30 June 2016, the Group recognised RMB56 million as actuarial gain (for the six months ended 30 June 2015: RMB44 million actuarial loss), and paid RMB38 million (for the six months ended 30 June 2015: RMB47 million) in respect of the early retirement benefits plan.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

33. DEBT SECURITIES ISSUED

	NOTE	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Interbank certificates of deposit issued	(1)	45,822,797	29,846,782
Subordinated bonds issued	(2)	<u>5,000,000</u>	<u>5,000,000</u>
Total		<u>50,822,797</u>	<u>34,846,782</u>

- (1) As at 30 June 2016, the total face value of the outstanding certificates of deposit publicly issued by the Bank in interbank market was RMB45,823 million. The maturities of the certificates range from one month to one year (31 December 2015: RMB29,847 million, the maturities of the certificates range from one month to one year).
- (2) As approved by the PBOC and CBRC, the Bank issued callable fixed rate subordinated bonds of RMB5,000 million on 19 June 2014. The subordinated bonds have a maturity of 10 years, with a fixed coupon rate of 6.38%, payable annually. The Bank has an option to redeem all of the bonds at par value on 22 June 2019. If the Bank does not exercise this option, the coupon rate of the bonds will remain the same for 5 years since 22 June 2019.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

34. DEFERRED TAXATION

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

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

	Allowances of impairment loss	Retirement benefits	Accrued salaries, bonuses and allowances	Provision	Fair value changes of financial instruments	Government grant	Fair value changes of net assets relating to acquisition of business including (debt securities investment property and equipment and other assets)	Total
As at 1 January 2016	1,861,221	152,040	478,969	10,826	(40,746)	22,808	68,748	2,553,866
Credit/(Charge) to profit or loss	451,121	(64,647)	(324,283)	(3,870)	29,270	(325)	(26,850)	60,416
Credit/(Charge) to other comprehensive income	-	30	-	-	(39,864)	-	-	(39,834)
As at 30 June 2016 (Unaudited)	<u>2,312,342</u>	<u>87,423</u>	<u>154,686</u>	<u>6,956</u>	<u>(51,340)</u>	<u>22,483</u>	<u>41,898</u>	<u>2,574,448</u>
As at 1 January 2015	1,513,604	115,646	413,772	7,821	(11,773)	23,457	88,296	2,150,823
Credit/(Charge) to profit or loss	347,617	4,536	65,197	3,005	(5,934)	(649)	(19,548)	394,224
Credit/(Charge) to other comprehensive income	-	31,858	-	-	(23,039)	-	-	8,819
As at 31 December 2015 (Audited)	<u>1,861,221</u>	<u>152,040</u>	<u>478,969</u>	<u>10,826</u>	<u>(40,746)</u>	<u>22,808</u>	<u>68,748</u>	<u>2,553,866</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

35. OTHER LIABILITIES

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Other payables	3,440,218	2,558,917
Interest payable	3,110,503	4,485,212
Dividends payable	1,882,077	27,965
Deferred income	661,428	497,675
Business and other tax payables	316,683	403,206
Provision	27,824	43,300
Total	<u>9,438,733</u>	<u>8,016,275</u>

36. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 1 January 2015 and 31 December 2015 (Audited)	<u>9,300,000</u>	<u>9,300,000</u>
As at 30 June 2016 (Unaudited)	<u>9,300,000</u>	<u>9,300,000</u>

37. CAPITAL RESERVE

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

38. INVESTMENT REVALUATION RESERVE

	Before-tax amount	Tax impact	Net-of-tax amount
As at 1 January 2015	48,958	(12,240)	36,718
Gain on fair value changes of available-for-sale financial assets	90,631	(22,658)	67,973
Amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	<u>1,525</u>	<u>(381)</u>	<u>1,144</u>
As at 31 December 2015	141,114	(35,279)	105,835
Gain on fair value changes of available-for-sale financial assets	224,064	(56,016)	168,048
Amount reclassified to the profit or loss upon disposal of available-for-sale sale financial assets	<u>(64,760)</u>	<u>16,190</u>	<u>(48,570)</u>
As at 30 June 2016	<u><u>300,418</u></u>	<u><u>(75,105)</u></u>	<u><u>225,313</u></u>

39. SURPLUS RESERVE

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

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

40. GENERAL RESERVE

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

During the six months ended 30 June 2016, the Group transferred RMB1,399 million to general reserve pursuant to the regulatory requirement (during the six months ended 30 June 2015: RMB1,575 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

41. CASH AND CASH EQUIVALENTS

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

	As at 30 June 2016 (Unaudited)	As at 30 June 2015 (Unaudited)
Cash	3,279,435	3,664,975
Surplus reserve deposits with central bank	25,186,514	7,877,178
Deposits with banks and other financial institutions	14,661,974	11,576,605
Placements with banks and other financial institutions	29,535,929	26,324,109
Financial assets held under resale agreements	<u>3,794,050</u>	<u>6,598,294</u>
Total	<u>76,457,902</u>	<u>56,041,161</u>

42. SEGMENT ANALYSIS

The Group operates its business mainly in Chongqing area. 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 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".

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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

42. SEGMENT ANALYSIS (Continued)

Operating Segment

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

Corporate banking

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

Personal banking

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

Financial market

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

42. SEGMENT ANALYSIS (Continued)

	FOR THE SIX MONTHS ENDED 30 JUNE 2016 (Unaudited)					
	Corporate banking	Personal banking	Financial market	Segment total	Unallocated	Total
External interest income	5,093,174	3,220,223	8,158,678	16,472,075	–	16,472,075
External interest expense	(635,398)	(3,585,744)	(2,464,176)	(6,685,318)	–	(6,685,318)
Inter-segment interest (expense)/income	(1,107,709)	3,534,535	(2,426,826)	–	–	–
Net interest income	3,350,067	3,169,014	3,267,676	9,786,757	–	9,786,757
Fee and commission income	256,552	482,063	481,953	1,220,568	–	1,220,568
Fee and commission expense	(12,974)	(13,858)	(15,660)	(42,492)	–	(42,492)
Net fee and commission income	243,578	468,205	466,293	1,178,076	–	1,178,076
Net trading loss	–	–	(32,768)	(32,768)	–	(32,768)
Other operating income, net	13,127	8,307	38,795	60,229	5,588	65,817
Operating income	3,606,772	3,645,526	3,739,996	10,992,294	5,588	10,997,882
Operating expenses	(1,540,603)	(1,305,075)	(1,294,441)	(4,140,119)	–	(4,140,119)
Impairment losses on assets	(771,457)	(423,269)	(105,648)	(1,300,374)	–	(1,300,374)
Net gain on disposal of available-for-sale financial assets	–	–	64,760	64,760	–	64,760
Net gain on disposal of debt securities classified as receivables	–	–	36,187	36,187	–	36,187
Profit before tax	<u>1,294,712</u>	<u>1,917,182</u>	<u>2,440,854</u>	<u>5,652,748</u>	<u>5,588</u>	<u>5,658,336</u>
Income tax expense						(1,452,380)
Profit for the period						<u>4,205,956</u>
Depreciation and amortization included in operating expenses	116,726	94,906	121,376	333,008	–	333,008
Capital expenditure	<u>160,920</u>	<u>130,836</u>	<u>167,328</u>	<u>459,084</u>	<u>–</u>	<u>459,084</u>
	As at 30 June 2016 (Unaudited)					
Segment assets	169,096,770	97,819,197	496,917,175	763,833,142	8,313,921	772,147,063
Segment liabilities	147,615,604	377,594,966	194,465,274	719,675,844	1,697,962	721,373,806
Supplementary information						
Credit commitments	<u>18,343,807</u>	<u>9,983,787</u>	<u>–</u>	<u>28,327,594</u>	<u>–</u>	<u>28,327,594</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

42. SEGMENT ANALYSIS (Continued)

	For the six months ended 30 June 2015 (Unaudited)					
	Corporate banking	Personal banking	Financial market	Segment total	Unallocated	Total
External interest income	5,303,027	3,789,591	8,473,277	17,565,895	–	17,565,895
External interest expense	(795,689)	(3,991,349)	(3,007,323)	(7,794,361)	–	(7,794,361)
Inter-segment interest (expense)/income	(1,127,668)	3,325,536	(2,197,868)	–	–	–
Net interest income	3,379,670	3,123,778	3,268,086	9,771,534	–	9,771,534
Fee and commission income	129,501	213,836	373,831	717,168	–	717,168
Fee and commission expense	(26,327)	(928)	(5,858)	(33,113)	–	(33,113)
Net fee and commission income	103,174	212,908	367,973	684,055	–	684,055
Net trading gain	–	–	4,017	4,017	–	4,017
Other operating income, net	12,462	7,769	28,453	48,684	19,580	68,264
Operating income	3,495,306	3,344,455	3,668,529	10,508,290	19,580	10,527,870
Operating expenses	(1,670,585)	(1,310,721)	(1,165,421)	(4,146,727)	–	(4,146,727)
Impairment losses on assets	(666,733)	(362,119)	(211,863)	(1,240,715)	–	(1,240,715)
Net loss on disposal of available-for-sale financial assets	–	–	(1,916)	(1,916)	–	(1,916)
Net gain on disposal of debt securities classified as receivables	–	–	1,595	1,595	–	1,595
Profit before tax	<u>1,157,988</u>	<u>1,671,615</u>	<u>2,290,924</u>	<u>5,120,527</u>	<u>19,580</u>	<u>5,140,107</u>
Income tax expense						(1,221,073)
Profit for the period						<u>3,919,034</u>
Depreciation and amortization included in operating expenses	107,637	104,953	98,211	310,801	–	310,801
Capital expenditure	<u>307,610</u>	<u>299,939</u>	<u>280,669</u>	<u>888,218</u>	<u>–</u>	<u>888,218</u>
	As at 31 December 2015 (Audited)					
Segment assets	156,559,820	96,587,113	455,434,347	708,581,280	8,223,935	716,805,215
Segment liabilities	116,852,750	344,817,069	204,867,011	666,536,830	1,980,584	668,517,414
Supplementary information						
Credit commitments	<u>18,007,013</u>	<u>7,867,872</u>	<u>–</u>	<u>25,874,885</u>	<u>–</u>	<u>25,874,885</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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS

(1) Related parties of the Group

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

Name of shareholders	Percentage of shares holding of the Bank (%)	
	As at 30 June 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Chongqing Yufu Assets Management Group Co., Ltd.	6.77	6.77
Chongqing City Investment (Group) Co., Ltd.	6.68	6.68
Loncin Holding Co., Ltd.	6.13	6.13

Other related parties include key management members and their close family members; the enterprises directly or indirectly controlled by key management members and their close family members or served by key management members and their close family members as directors or senior management; the enterprises controlled by shareholders with more than 5% (including 5%) shares of the Bank; the natural persons or legal persons who satisfy any circumstances above in the next 12 months in accordance with the relevant agreement and arrangement or in the past 12 months.

(2) Related party transactions

For the six months ended 30 June 2016, there are no material transactions or balances between the Group and its associate, there are no material transactions in terms of operating expenses and fee and commission income (for the six months ended 30 June 2015: not material), except for the transactions shown below:

	Interest income		Interest expense	
	For the six months ended 30 June		For the six months ended 30 June	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Shareholders of the Bank	176,325	136,277	715	599
Other related parties	138,744	94,747	32,545	4,828

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions (continued)

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 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Shareholders of the Bank	7,846,230	7,074,920	1,164,685	175,999
Other related parties	<u>4,905,289</u>	<u>6,462,186</u>	<u>4,101,221</u>	<u>4,840,683</u>

	Interest receivable to related parties		Interest payable to related parties	
	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Shareholders of the Bank	10,089	11,597	67	13
Other related parties	<u>6,518</u>	<u>12,553</u>	<u>9,185</u>	<u>9,866</u>

As at 31 December 2015, entrusted loans to shareholders of the Bank amounted to RMB2,000 million, included in debt securities classified as receivables.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY TRANSACTIONS (Continued)

(3) Transactions between the Bank and its subsidiaries

There are various types of related party transactions between the Bank and its subsidiaries. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority.

For the six months ended at 30 June 2016 and the year ended at 31 December 2015, transactions between the Bank and its subsidiaries include deposits with banks, deposits from banks, placement with banks and other financial institutions, and re-discount business, and so forth.

As at 30 June 2016, the Bank's deposits with subsidiaries amounted to RMB210 million (31 December 2015: RMB530 million); the Bank's deposits from subsidiaries amounted to RMB453 million (31 December 2015: RMB380 million); the Bank's placements with subsidiaries amounted to RMB1,850 million (31 December 2015: RMB1,780 million); and there was no re-discounting business with subsidiaries (31 December 2015: Nil).

For the six months ended at 30 June 2016, the interest income of the Bank's transactions with subsidiaries amounted to RMB168.68 million (for the six months ended at 30 June 2015: RMB231.66 million); the interest expense amounted to RMB197.71 million (for the six months ended at 30 June 2015: RMB196.90 million).

(4) Key management personnel

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

The Group enters into banking transactions with key management personnel in the normal course of business. During the six months ended 30 June 2016 and 30 June 2015, there were no material transactions with key management personnel.

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

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Basic salaries, bonuses and allowances	3,997	5,422
Contribution to pension schemes	342	439
Fees	—	620
Total	<u>4,339</u>	<u>6,481</u>

Notes to the Condensed Consolidated Financial Information (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

44. STRUCTURED ENTITIES

(1) Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles (“WMP Vehicles”) formed to issue and distribute wealth management products (“WMPs”), which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMP Vehicles invest in a range of primarily fixed-rate assets, most typically money market instruments and debt securities. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the contract related to each WMP and distribute gain to investors on the basis of the operation performance of those products. The variable return that the Group has in relation to the WMPs is not significant, therefore the WMP Vehicles are not consolidated by the Group.

As at 30 June 2016 and 31 December 2015, the outstanding WMPs issued by WMP vehicles (excluding those with the principal guaranteed issued by the Group) amounted to RMB89,058 million and RMB63,295 million, respectively, which represent the total size of the WMP vehicles. The interest of the Group from the operation of the WMPs mainly consists of fee and commission income. For the six months ended 30 June 2016, the Group’s interest in the WMP Vehicles included in Fee and Commission Income was RMB527 million (for the six months ended at 30 June 2015: RMB199 million).

As at 30 June 2016, in the unconsolidated WMPs, the wealth management products amounted to RMB800 million were lent to CQRC Financial Leasing Co., Ltd., as interbank lendings with the maturity of less than one year (As at 31 December 2015: Nil).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk from or reduce its interest in WMP vehicles disclosed above during the six months ended 30 June 2016 and the year ended 31 December 2015. The Group is not required to absorb any loss incurred by WMPs before other parties. During the six months ended 30 June 2016 and the year ended 31 December 2015, no loss was incurred by the WMP Vehicles relating to the Group’s interests in the WMP Vehicles, and the WMP Vehicles did not experience difficulty in financing their activities.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

44. STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group

The Group invests in a number of other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gain or loss and interest income therefrom. As at 30 June 2016 and 31 December 2015, the Group's maximum exposure to these other unconsolidated structured entities is summarised in the table below.

	As at 30 June 2016			
	Financial assets designated at fair value through profit or loss	Available-for-sale Investments	Held-to-maturity investments	Debt securities classified as receivables
WMPs issued by financial institutions	1,009,400	–	–	–
WMPs issued by other banks	–	–	–	98,784,619
Interest in entrusted products	–	–	–	31,910,241
Assets management plans	–	–	–	3,824,153
Asset-backed securities	–	554,080	7,513,322	–
Total	1,009,400	554,080	7,513,322	134,519,013

	As at 31 December 2015			
	Financial assets designated at fair value through profit or loss	Available-for-sale Investments	Held-to-maturity investments	Debt securities classified as receivables
WMPs issued by financial institutions	2,909,700	–	–	–
WMPs issued by other banks	–	–	–	78,753,601
Interest in entrusted products	–	–	–	28,585,734
Assets management plans	–	–	–	3,804,091
Asset-backed securities	–	91,639	384,993	–
Total	2,909,700	91,639	384,993	111,143,426

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

44. STRUCTURED ENTITIES (Continued)

(3) Consolidated structured entities

The Group's consolidated structured entities consist principally of WMP Vehicles that issue and distribute WMPs with respect to which the Group has not guaranteed the investors' principal investment and/or return upon maturity of the WMP, regardless of its actual performance during the six months ended 30 June 2016 and the year 2015. As at 30 June 2016, the Group's consolidated non-guaranteed WMPs amounted to RMB400 million (31 December 2015: RMB1,801 million).

45. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 30 June 2016 and 31 December 2015, provisions of RMB3.03 million and RMB3.24 million were made respectively based on court judgments or the advice of counsels. The directors of the Bank believe, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Contracted but not provided for	267,260	387,951
Authorised but not contracted for	<u>648,535</u>	<u>628,568</u>
Total	<u><u>915,795</u></u>	<u><u>1,016,519</u></u>

Credit commitments

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Acceptances	13,603,711	13,104,634
Undrawn credit card limit	9,983,787	7,867,872
Letters of guarantee	4,407,067	4,562,205
Letters of credit issued	<u>333,029</u>	<u>340,174</u>
Total	<u><u>28,327,594</u></u>	<u><u>25,874,885</u></u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

45. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit commitments (Continued)

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

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

Credit risk weighted amounts for credit commitments

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Credit commitments	<u>11,115,141</u>	<u>10,720,413</u>

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

Operating lease commitments

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

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Within 1 year	76,147	70,806
1 to 2 years	62,562	59,465
2 to 3 years	41,703	39,630
3 to 4 years	29,880	32,478
4 to 5 years	16,139	17,203
Above 5 years	<u>17,484</u>	<u>20,520</u>
Total	<u>243,915</u>	<u>240,102</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

45. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Operating lease commitment (Continued)

The leases are negotiated with lease terms of 1 to 15 years.

For the six months ended 30 June 2016, operating lease expense (included in Note 9 Operating Expenses) recognised as operating expense by the Group was RMB43.19 million (for the six months ended at 30 June 2015: RMB38.07 million).

Collateral

Assets pledged

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

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Bonds	42,465,851	49,577,060
Bills	2,445,945	2,997,961
Credit assets	594,000	—
Total	<u>45,505,796</u>	<u>52,575,021</u>

As at 30 June 2016 and 31 December 2015, the carrying amount of financial assets sold under repurchase agreements by the Group was RMB22,029 million and RMB44,899 million, respectively.

Collateral accepted

Bills and other securities received as collateral can be resold or re-pledged in connection with bills and other securities purchased under resale agreements. The fair value of these collaterals accepted by the Group is RMB500 million as at 30 June 2016 (31 December 2015: RMB20,999 million). The fair value of collaterals sold under repurchase agreement or re-pledged by the Group was RMB2,456 million as at 30 June 2016 (31 December 2015: RMB2,997 million).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT

(1) Overview

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

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

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

There have been no significant changes in the risk management department since year end or in any risk management policies since the year end.

(2) Risk Management Framework

The Group has a risk management committee under the Board of Directors. risk management committee is responsible for setting the overall risk management and internal control strategies of the Group, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies set by the risk management committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of the listed equity securities on exchanges. Where Level 1 inputs are not available, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates, own credit spread and counterparty credit spreads, as appropriate. If these parameters used in the model are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as Level 2.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

As at 30 June 2016 and 31 December 2015, the debt securities traded on China Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

	Level 1	Level 2	Level 3	Total
At 30 June 2016 (Unaudited)				
Financial assets designated at fair value through profit or loss				
– Unlisted debt instruments issued by financial institutions	–	–	1,009,400	1,009,400
Derivatives				
– Assets	–	–	8,041	8,041
– Liabilities	–	–	8,028	8,028
Available-for-sale financial assets				
– Listed equity securities issued by entities in the following business:				
– Financial institutions	–	55,402	–	55,402
– Debt securities issued by:				
– Corporations	–	11,046,240	–	11,046,240
– Financial institutions	–	1,586,375	–	1,586,375

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

	Level 1	Level 2	Level 3	Total
At 31 December 2015 (Audited)				
Financial assets held for trading				
– Debt securities issued by:				
– Corporations	–	178,025	–	178,025
– Public sector and quasi-government	–	1,068,587	–	1,068,587
Financial assets designated as at fair value through profit or loss				
– Unlisted debt instruments issued by financial institutions	–	–	2,909,700	2,909,700
Derivatives				
– Assets	–	–	1,510	1,510
– Liabilities	–	–	1,510	1,510
Available-for-sale financial assets				
– Listed equity securities issued by entities in the following business:				
– Financial institutions	–	61,778	–	61,778
– Debt securities issued by:				
– Corporations	–	12,184,264	–	12,184,264
– Financial institutions	–	142,018	–	142,018

There were no significant transfers between levels for the six months ended 30 June 2016 and the year 2015.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

	Financial assets designated at fair value through profit or loss –Unlisted debt instruments issued by financial institutions	Derivative financial assets –Derivative Instruments	Financial liabilities designated at fair value through profit or loss –Guaranteed wealth management products	Derivative financial liabilities –Derivative Instruments
As at 1 January 2016	2,909,700	1,510	–	1,510
Total gain or loss:				
In profit or loss	73,235	13	–	–
In other comprehensive income	–	–	–	–
Purchases	–	6,531	–	6,518
Sales and settlements	(1,900,300)	–	–	–
Transfer in	–	–	–	–
As at 30 June 2016	<u>1,009,400</u>	<u>8,041</u>	<u>–</u>	<u>8,028</u>
Change in realised gain or loss for the period included in profit or loss – Income from investment	73,235	–	–	–
Change in unrealised gain or loss for the period included in profit or loss – Gain from changes in the fair value	<u>–</u>	<u>13</u>	<u>–</u>	<u>–</u>

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

	Financial assets designated at fair value through profit or loss –Unlisted debt instruments issued by financial institutions	Derivative financial assets –Derivative Instruments	Financial liabilities designated at fair value through profit or loss –Guaranteed wealth management products	Derivative financial liabilities –Derivative Instruments
As at 1 January 2015	16,821,846	–	500,000	–
Total gain or loss:				
In profit or loss	599,656	–	–	–
In other comprehensive income	–	–	–	–
Purchases	–	1,510	–	1,510
Sales and settlements	(13,912,146)	–	(500,000)	–
Transfer in	–	–	–	–
As at 31 December 2015	2,909,700	1,510	–	1,510
Change in realised gain or loss for the period included in profit or loss – Income from investment	599,656	–	–	–
Change in unrealised gain or loss for the period included in profit or loss – Gain from changes in the fair value	–	–	–	–

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

47. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances with central bank, financial assets held under resale agreements, deposits with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements are not included in the table below.

	As at 30 June 2016 (Unaudited)		As at 31 December 2015 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Held-to-maturity investments	69,649,127	71,871,241	63,649,584	66,654,325
Debt securities classified as receivables	<u>163,338,363</u>	<u>165,002,845</u>	<u>133,076,127</u>	<u>135,731,969</u>
Total	<u>232,987,490</u>	<u>236,874,086</u>	<u>196,725,711</u>	<u>202,386,294</u>
Financial liabilities				
Debt securities issued	<u>50,822,797</u>	<u>51,938,188</u>	<u>34,846,782</u>	<u>35,691,446</u>
Total	<u>50,822,797</u>	<u>51,938,188</u>	<u>34,846,782</u>	<u>35,691,446</u>

The Group determines the fair value of held-to-maturity investments and debt securities issued by adopting Level 2, determines the fair value of debt securities classified as receivables by adopting Level 2 or 3.

48. EVENT AFTER THE REPORTING PERIOD

There is no significant post reporting date event.

Unaudited Supplemental Financial Information

For the six months ended 30 June 2016

(Amounts in millions of Renminbi, unless otherwise stated)

LIQUIDITY RATIO (Expressed in percentage)

	As at 30 June 2016	As at 31 December 2015
RMB current assets to RMB current liabilities	<u>29.65</u>	<u>37.19</u>

LIQUIDITY COVERAGE RATIO

	As at 30 June 2016	As at 31 December 2015
Qualified current assets	54,391.2	22,318.8
Net cash outflow in recent 30 days	40,908.8	24,787.3
Liquidity coverage ratio (expressed in percentage)	<u>132.96</u>	<u>90.04</u>

CORE LIABILITIES RATIO (Expressed in percentage)

	As at 30 June 2016	As at 31 December 2015
Core liabilities ratio	<u>60.46</u>	<u>61.40</u>

The above liquidity ratio and core liabilities ratio are calculated in accordance with the formula promulgated by the China Banking Regulatory Commission.

Unaudited Supplemental Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in millions of Renminbi, unless otherwise stated)

CURRENCY CONCENTRATIONS

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 30 June 2016				
Spot assets	5,607.1	781.6	154.2	6,542.9
Spot liabilities	(5,436.8)	(623.1)	(152.2)	(6,212.1)
Forward purchases	569.5	–	–	569.5
Forward sales	(569.5)	–	–	(569.5)
Net position	<u>170.3</u>	<u>158.5</u>	<u>2.0</u>	<u>330.8</u>
	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2015				
Spot assets	4,547.9	606.0	119.8	5,273.7
Spot liabilities	(4,352.9)	(450.1)	(116.8)	(4,919.8)
Forward purchases	554.9	–	–	554.9
Forward sales	(554.9)	–	–	(554.9)
Net position	<u>195.0</u>	<u>155.9</u>	<u>3.0</u>	<u>353.9</u>

Unaudited Supplemental Financial Information (Continued)

For the six months ended 30 June 2016

(Amounts in millions of Renminbi, unless otherwise stated)

INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, the Group's international claims is the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions and loans and advances to customers.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Non-bank private sectors	Total
As at 30 June 2016			
Asia Pacific (not including China)	2,331.0	3,546.1	5,877.1
– of which attributed to Hong Kong	276.6	–	276.6
North America	602.4	–	602.4
Europe	39.3	–	39.3
Total	<u>2,972.7</u>	<u>3,546.1</u>	<u>6,518.8</u>

	Banks and other financial institutions	Non-bank private sectors	Total
As at 31 December 2015			
Asia Pacific (not including China)	2,479.6	1,832.1	4,311.7
– of which attributed to Hong Kong	106.6	–	106.6
North America	320.4	–	320.4
Europe	14.8	–	14.8
Total	<u>2,814.8</u>	<u>1,832.1</u>	<u>4,646.9</u>

Unaudited Supplemental Financial Information (Continued)

For the six months ended 30 June 2016

(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 the income. The table below sets forth the total operating income attributable to county area branches and urban area branches for the periods indicated.

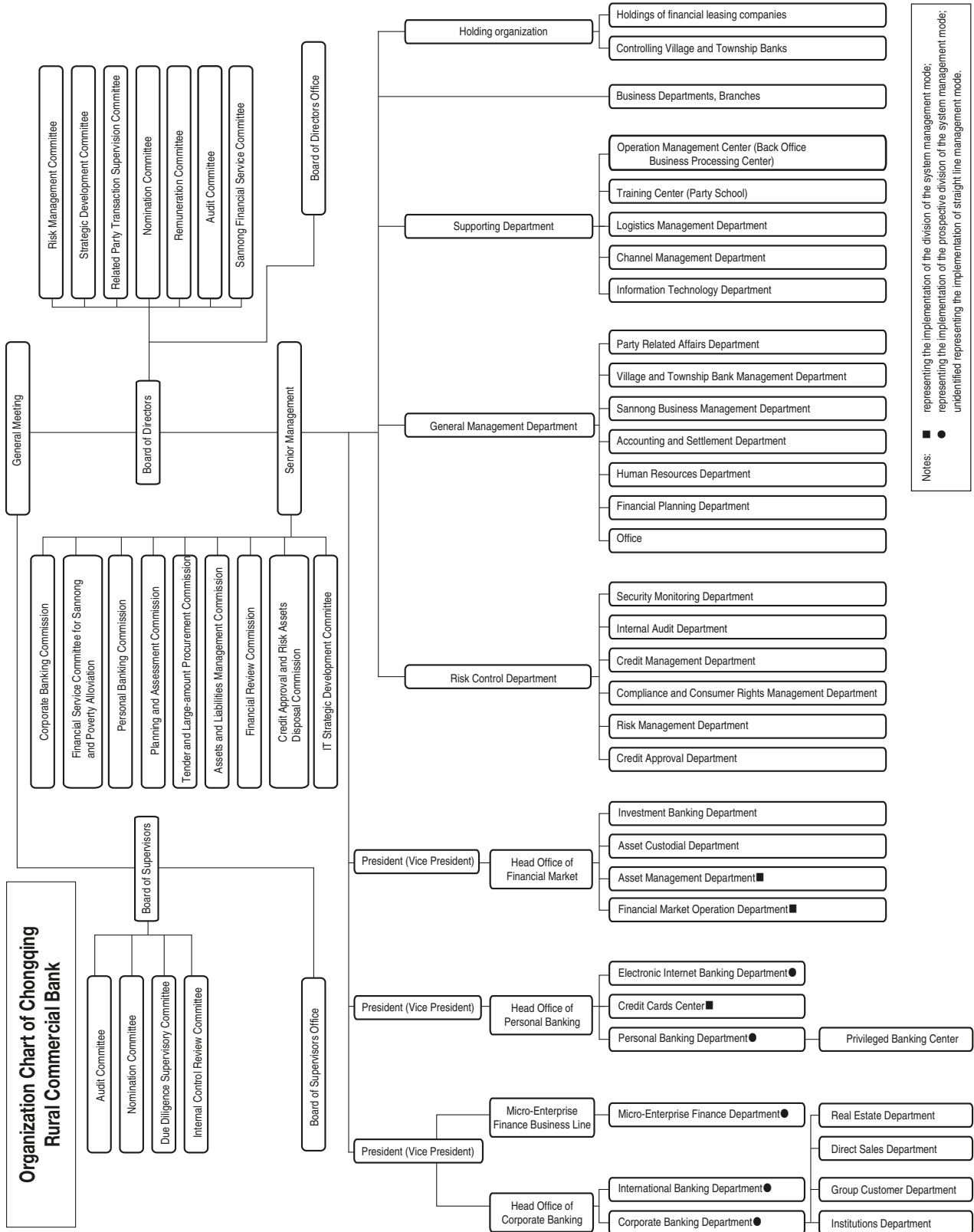
	For the six months ended 30 June 2016			For the six months ended 30 June 2015		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	1,549.5	8,237.3	9,786.8	1,464.4	8,307.1	9,771.5
Net fee and commission income	508.8	669.3	1,178.1	190.8	493.3	684.1
Net trading (loss)/gain	–	(32.8)	(32.8)	–	4.0	4.0
Other operating income, net	31.0	34.8	65.8	48.2	20.1	68.3
Total operating income	2,089.3	8,908.6	10,997.9	1,703.4	8,824.5	10,527.9
Internal transfer of income and expense	3,390.3	(3,390.3)	–	3,432.3	(3,432.3)	–
Income after adjustment	<u>5,479.6</u>	<u>5,518.3</u>	<u>10,997.9</u>	<u>5,135.7</u>	<u>5,392.2</u>	<u>10,527.9</u>

- (1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of the twelve village and township bank subsidiaries and the information of Qujing Branch.

(Expressed in percentage)	As at 30 June 2016		As at 31 December 2015	
	County Area	Urban Area	County Area	Urban Area
Deposits	66.33	33.67	66.52	33.48
Loans	48.16	51.84	47.87	52.13
Assets	48.91	51.09	46.73	53.27
Loan-deposit ratio	<u>41.60</u>	<u>88.23</u>	<u>41.10</u>	<u>88.95</u>

(Expressed in percentage)	For the six months ended 30 June 2016		For the six months ended 30 June 2015	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.10	1.16	1.14	1.29
Net fee and commission income to operating income	9.29	12.13	3.72	9.15
Cost-to-income ratio	<u>33.85</u>	<u>31.42</u>	<u>37.91</u>	<u>27.34</u>

Organization Chart



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

Definitions

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

Bank or our Bank	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
CBRC	China Banking Regulatory Commission (中國銀行業監督管理委員會)
County Area	the regions other than Urban Area of Chongqing City, including 29 districts and counties
domestic shares	the ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each
Group	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) and its subsidiaries
RMB or Renminbi	Renminbi, the lawful currency of the PRC
Yuan	RMB yuan
HKD or HK dollars	Hong Kong dollars, the lawful currency of Hong Kong
PRC or China	the People's Republic of China
Hong Kong	Hong Kong Special Administrative Region, the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Latest Practicable Date	2 September 2016, being the latest practicable date for the purpose of ascertaining certain information contained in this report prior to its publication
Listing Rules	The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited
high pollution, high energy consumption and excess capacity	industries with high pollution, high energy consumption and excess capacity
PBOC or central bank	the People's Bank of China
rural commercial bank(s)	rural and commercial bank(s) (農村商業銀行)
Sannong	the Chinese pronunciation of the phrase "agriculture, rural areas and farmers"

Definitions

Three-Transformation	the strategy for future development of the Bank, that is, characteristic operation, streamlining the management and fostering good corporate culture
village and township bank(s)	bank institution(s) that are approved by CBRC (中國銀監會) to be incorporated in rural areas to provide services to local farmers or enterprises
Five Major Functional Regions	the third meeting of the fourth session of Chongqing Committee of the Chinese Communist Party (中共重慶市委四屆三次全會) studied and planned the functional regions of Chongqing City and the reforms of administrative systems by considering factors such as population, resources, environment, economy, society and culture. Chongqing City will be divided into five functional regions, e.g. urban function core region (都市功能核心區), urban function expanding region (都市功能拓展區), urban development new region (城市發展新區), North of Yudong ecological conservation development region (渝東北生態涵養發展區) and South of Yudong ecological protection region (渝東南生態保護發展區)
One Belt and One Road	Silk Road Economic Belt and the 21st Century Maritime Silk Road
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Reporting Period	for the six months period from 1 January 2016 to 30 June 2016
CSRC	China Securities Regulatory Commission
AGM	annual general meeting of the Bank
Board of Directors	the board of directors of the Bank
Board of Supervisors	the board of supervisors of the Bank
USD or US dollars	United States dollars, the lawful currency of the United States of America
FED	the Federal Reserve of the United States
EU	European Union



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